



AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

NOVEMBER 2019

INVESTMENT PROFILE

The Quest Australian Equities Concentrated Portfolio is a Separately Managed Account (SMA), actively managed by Quest Asset Partners Pty Limited. Our objective is to outperform the S&P/ASX300 Accumulation Index. The SMA structure allows the investor to retain beneficial ownership of securities via a custodian while maximising transactional visibility. A unit trust is unable to provide this level of visibility.

NOVEMBER SUMMARY

November was an excellent month for our portfolio with returns well above the benchmark. The portfolio built on above index returns in October with a further gain of over 6% for investors in November. The ASX 300 accumulation index rose by 3.1% in November.

The strong performance is driven by a range of stocks within the portfolio with a quarter of our holdings rising more than 10% in the month.

In attribution terms, the Quest portfolio had multiple winners in owned stocks and a boost from non-owned bank stocks. Financials were the poorest sector this month.

The Quest twelve month return is now just under 30% pre fees.

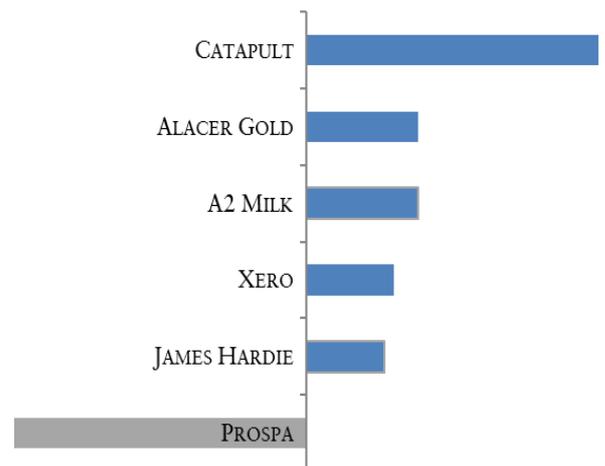
The AUD/USD fell slightly to 67.6 cents. Gold fell 2.8% to US\$1,473. Iron Ore rose 4.8% to \$87t with seasonal restocking likely to push it higher. Oil rose 2% to US\$60.70.

Late in November, our pre IPO investment in **Carbon Revolution** listed at a premium to float price and well above the pre IPO price. The debut was particularly impressive given the number of failed IPO's in recent weeks and suggests the market will fund a good business at a reasonable price. The incremental performance is not included as yet in the November performance summary.

KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	31 now, maximum 35
Quest AUM	\$1.3 billion
Strategy AUM	\$86 million
Investment Horizon	3 – 5 years
Investment Strategy	Fundamental with a key focus on business quality and free cash flow
Derivatives/Shorting	Nil
Lonsec Rating	Reviewed and Rated By Lonsec

DRIVERS OF PERFORMANCE



PERFORMANCE

BEFORE FEES AND TAX

(PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE)

To 30 November 2019	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated	6.6%	9.7%	29.5%	15.8%	13.7%	10.9%	12.2%
ASX 300 Accumulation Index	3.2%	4.8%	26.0%	12.7%	10.0%	8.4%	8.1%
Value added	3.4%	4.9%	3.5%	3.1%	3.7%	2.5%	4.1%

*per annum



PORTFOLIO ACTIVITY

Our best absolute performers were **Catapult** up 60%, **Alacer Gold** up a further 23%, **A2 Milk** up 23%, **Xero** up 18% and **James Hardie** up 16%. **CSL**, **Magellan Financial**, **Telstra** and **Amcor** were all up 11%.

Prospra was weak after a surprise downgrade only months after listing. Prospra fell 60%. Prospra is the market leader in online lending to small and medium size businesses.

The portfolio has comfortably outperformed the index despite the fall in Prospra shares.

Catapult shares popped 60% with the announcement of new CEO Will Lopes ex Audible (Amazon) joining the company. Mr Lopes wasted no time meeting investors who have obviously received the appointment positively. Catapult had already been running well but resolution here has unleashed a new round of investor interest. Our entry price in Catapult is \$1.10 with the price closing at \$2.20 in November.

Alacer Gold is a regular in this monthly after bursting ahead by over 200% this year. Alacer have now commissioned the new sulphur oxide plant at their Copler mine in northern Turkey. It has been a great year for Alacer who have also found promising additional gold oxide resources near the existing oxide mine. Alacer is in a position to produce gold from both oxide and sulphur ore over the next few years. The company has shrugged off a "no go" phase from investors during the political turbulence of recent years. Interestingly, Turkey was one of the world's strongest markets this month.

A2 Milk has had a good run since our purchase a few months ago. An earning update at the November AGM was very well received and the stock has added 22% in November.

CSL reached another new high in November at \$284.97 and is now up 52% this year after gaining 31% in 2018 and 41% in 2017. CSL is now the second largest company in Australia behind Commonwealth Bank and closed the month at \$283.48.

There were no stocks added in November. Quest sold our **Westpac** holding in October. Our only bank is **CBA** which is Australia's largest company. We rate CBA higher than the other banks due to a strong capital position, IT capability, level of deposit funding and a younger client base.

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High performance automobile wheel manufacturer **Carbon Revolution** listed in late November. The code is CBR. Some Quest portfolios were pre IPO investors in Carbon Revolution Convertible Notes. These Notes have now converted to shares. The shares traded strongly on debut. The performance of Carbon Revolution has not yet been included in the November figures. Quest portfolios that are mandated to invest at a pre IPO level have a cost base per share of \$1.52. Other funds have stock at the float price of \$2.60. Carbon is trading now at \$3.45.

Cash at the end of October was approximately 5%.

FACT OF THE MONTH

Austrian automotive specialist AVL estimates that a fully electric car will need to travel 128,000 kilometres before delivering any environmental benefit. AVL estimates that the emissions from manufacturing a 60 kWh battery are equivalent to that of an entire internal combustion engine car. AVL are an automotive consulting firm based in Graz, Austria.

THE QUEST PROCESS

The Quest team invest to make an above average return. We pay little heed to an index.

We research investments from the ground up and invest based on our assessed valuation. We seek minimum 15% upside. This valuation becomes our target price.

A Quest portfolio includes known names such as **CSL** and **RIO** and **James Hardie**. We also look to add value outside of the major stocks, recent examples being **Prospra**, **Alacer Gold**, **Catapult**, **Opticomm**, **Carbon Revolution** and pre IPO bank disrupter **Lendi**.

The portfolio typically carries a number of mid and smaller cap stocks where we believe our experience in this field gives us an advantage.

CONTACT QUEST

Michael 02-9409 2300
Chris 02-9409 2301
Troy 02-9409 2303
Swapan 02-9409 2302
Suite 8.07, 6A Glen St, Milsons Point NSW 2061
quest@questap.com.au www.questap.com.au