



AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

AUGUST 2016

INVESTMENT PROFILE

The Quest Australian Equities Concentrated Portfolio is a Separately Managed Account (SMA), actively managed by Quest Asset Partners Pty Limited. The objective is to return 4% p.a. over the S&P/ASX300 Accumulation Index (pre fees). SMA's are professionally managed portfolios where the investor retains beneficial ownership of the underlying securities.

KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	Maximum of 35
Quest AUM	\$1,330 million
Strategy AUM	\$54 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

THE AUGUST REVIEW

August was dominated by the annual financial reporting season with the market finishing down 1.6%. The Quest portfolio out-performed the market by 1.8% returning 0.2% thanks to strong performances from a number of our small cap stocks.

While local reporting news dominated market flows in August, the market is likely to return to macro issues over the coming weeks. We expect the US Federal Reserve to raise rates this year but the result of this long awaited move is hard to gauge. More importantly, once rates move the market will become preoccupied with the timing of the next move. This suggests the market will be in a macro frame of mind rather than a fundamental for the next few weeks. The US election and BREXIT fallout will also focus direction on the macro.

While macro pondering continues, Quest will remain focussed on fundamental stock valuation. The 2016 reporting season resulted in 28 of our 31 stocks reporting of which 24 met or exceeded expectations. A further four stocks fell short of expectation but did not result in a material change to our valuation target.

Our small caps performed well with 9 stocks moving more than 5% in the month, well ahead of the broader market.

PORTFOLIO RETURNS



PERFORMANCE

BEFORE FEES AND TAX

(PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE)

To 31st August 2016	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated	0.2%	2.8%	12.6%	10.7%	12.9%	9.0%	11.4%
ASX 300 Accumulation Index	-1.6%	2.2%	9.7%	6.6%	9.5%	5.1%	7.0%
Value added	1.8%	0.7%	2.9%	4.1%	3.4%	4.0%	4.4%

*per annum



PORTFOLIO ACTIVITY

A number of our small stocks did well in August with **Oneview** (ONE) up 48%, **Updater** (UPD) up 11%, **iSelect** (ISU) up 11%, **Vista Group** (VGL) up 10%, **Amaysim** (AYS) up 5.8% on a good result and **Galileo Japan Trust** (GJT) up 7%. **Macquarie Bank** (MQG) also rose 8.5%.

Oneview Healthcare PLC listed in March at \$3.58. Oneview is a Dublin based hospital software business specialising in the concept of patient engagement. The company has raised capital to fund the global roll out of software to hospitals in Australia, North America and the Middle East. The company now has nearly 5,000 installed or contracted beds in situ. Australian hospitals contracted to Oneview include the Epworth Group in Victoria, Chris O'Brien Lifehouse and Westmead Childrens Hospital in Sydney. The pursuit of critical mass is key in this market and the company is working hard on tendering and rollout. We like the superior technology, low working capital, lack of competition and global scope for expansion. Oneview has moved from \$4.41 to \$6.40 in August, a gain of 47%.

Updater is a US technology company listed in Australia that assists consumers to move house by forwarding mail, updating subscriptions, finding utility providers and completing other moving related tasks via a mobile app. The company announced in August that market share in the USA has moved beyond 5% of the monthly movers market which equalled nearly 80,000 relocations made in July. Updater has more than doubled since purchase.

iSelect (ISU) provides a comparison service for health, energy, telco and insurance products. Quest has persevered with iSelect through some disappointments but we remained convinced that the service iSelect provides to customers is valuable and that the share price significantly discounted both revenue and cash backing. iSelect is up 50% this year and the latest good result suggests that the value is now being recognised.

Galileo Japan Trust is in the process of liquidating their entire Japanese property portfolio and we expect to receive the cash at the end of September. Quest portfolios own 9.9% of Galileo Japan. Galileo has risen 62% over the last year as the share price has gradually moved closer to net tangible assets. Assuming the deal completes, Quest investors will have generated a return

of more than 90% from Galileo Japan including distributions since October 2013.

Our holding in **Fortescue Metals** (FMG), Australia's third largest iron ore producer rose another 11% in August. Fortescue has lowered the cost per tonne of iron ore produced over the last few years and cut debt while the iron ore price has firmed. FMG, **Oreobre** (ORE) and **Alacer Gold** (AQQ) are our only mining holdings.

Origin Energy (ORG) and **CSL** (CSL) were weaker in August after recent strength and fell 8% and 7% in the month respectively. Our lack of **telcos** holdings (TLS, TPM, VOC) was however beneficial to index relative performance in August.

During the month we sold our holding in **APA Group** (APA) as target price was reached.

SIGNIFICANT INVESTMENTS

Large	Commonwealth Bank (CBA)
	Westpac (WBC)
	CSL (CSL)
Mid Cap	Ramsay Healthcare (RHC)
	Suncorp (SUN)
	AGL Energy (AGL)
Small Cap	Vista Group (VGL)
	iSelect (ISU)
	Oneview Health

TOP ATTRIBUTORS

Oneview Health (ONE)
Updater (UPD)
iSelect (ISU)

KEY DETRACTORS

Origin Energy (ORG)
CSL (CSL)
Viralytics (VLA)



INVESTMENT APPROACH

The Quest Asset Partners team use a three stage process to research opportunities that may not be readily available to investors. We are looking for unrecognised potential.

Our **Stage 1** qualitative business assessment is combined with our **Stage 2** integrated quantitative valuation process to find the best opportunities. Our portfolio is concentrated to a maximum of 35 of our best ideas.

We invest to make a return; not to beat an index.

A Quest portfolio will include known names such as major banks as well as mid-size and smaller companies. We look to add value outside of the major names. The portfolio typically carries a number of recently listed businesses as this is where market knowledge is less thorough.

Our typical client has an interest in the Australian share market but lacks the time to maintain a portfolio. Our clients are often unable to access the new floats and other opportunities we see regularly.

Our client base includes people from all walks of life that have realised an occasional read of the financial press does not compete with the experience and contacts available to our four investment professionals.

Quest Asset partners are also proud sponsors of the **Norths Pirates Junior Rugby Union Club.**

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For further information regarding Lonsec's Ratings methodology, please refer to our website at: <http://www.beyond.lonsec.com.au/intelligence/lonsec-ratings>

INVESTMENT TEAM

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PLATFORMS

The Quest Australian Equities Concentrated Portfolio is currently available on the following platforms:

	Web site	Retail	Sophisticated Investors
Mason Stevens	Link	✓	✓
JBWere Multi-Asset Platform	Link		✓
Macquarie	Link	✓	✓
HUB24	Link	✓	✓
Powerwrap	Link	✓	✓

BLOG

To read "**Summary of Fiscal 2016**", "**Lithium potential finally recognised by the market**", "**Quest adds Macquarie to Platform choice**" and other Quest Insights visit www.questap.com.au/news/

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