



AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

AUGUST 2020

INVESTMENT PROFILE

The 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 for our clients.

AUGUST MARKET SUMMARY

The Quest portfolio rose 4.7% in August and was ahead of the benchmark which lifted 3%. Value was added again in many of our small cap holdings. The portfolio also benefitted from not holding some large cap laggards particularly Telstra and Newcrest.

Investors continue to enjoy a market run that has extended since the correction in March. The ASX300 has now risen for five consecutive months with a 21% recovery. The market is still down 9.7% year to date however the Quest return is positive.

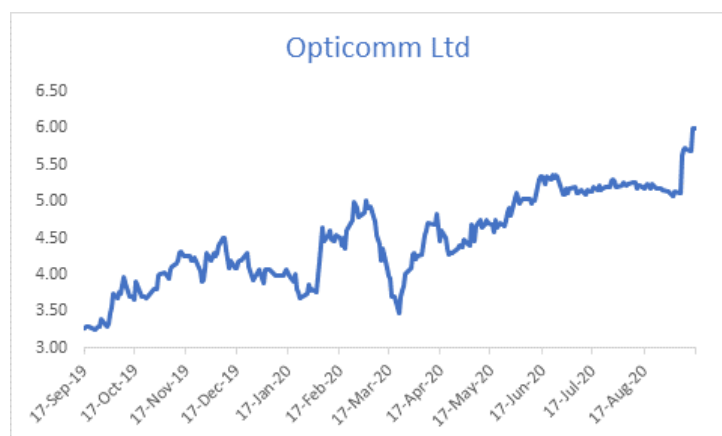
The primary market driver is low interest rates which have rendered cash and bond markets unattractive to investors. Add global government fiscal pandemic stimulus and mass accessibility to equity markets thanks to technology and a perfect scenario for stock picking specialists continues.

The environment for fundamental stock pickers is the best for over a decade and has resulted in some very strong returns for our portfolios.

While our main ASX 300 fund is 12.9% ahead of the benchmark, the Quest Ex 20 portfolio is now 30% ahead of benchmark over 1 year with a **27%** return. The Quest Super Concentrated 10 stock portfolio is 33% ahead of benchmark and has a **28%** return.

KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	33 now, maximum 35
Quest AUM	\$1.32 billion
Strategy AUM	\$83 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



September Update: Long term portfolio holding Opticomm received a second proposal after the initial scheme in June.

PERFORMANCE

BEFORE FEES AND TAX

(PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE)

To 31 August 2020	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated	4.7%	9.8%	8.1%	11.4%	11.7%	11.6%	11.4%
ASX 300 Accumulation Index	3.1%	6.2%	-4.8%	6.2%	7.6%	7.8%	7.0%
Value added	1.6%	3.6%	12.9%	5.2%	4.1%	3.8%	4.4%

*per annum



OUTLOOK

The end of fiscal year reporting season is completed and we are pleased to report no material disappointments or unpleasant surprises amongst our 28 stocks that reported. As expected, the virtual nature of the season made it an impersonal experience with dozens of listeners on most result calls. We supplemented with a large number of 1 on 1 Quest-only calls to round out our analysis.

We expected companies to vigorously write down asset values and we got even more than we expected. The oil and gas sector were worst affected with the lower oil price bearing down asset values. Investors were forgiving given the pandemic situation and are optimistically looking ahead.

Our team continue to see this market as ideal for stock pickers with a disciplined approach to valuation. Quest performance over recent years has been delivered by a wide range of stocks and not from a narrow group of trendy tech plays. The market is prone to waves of optimism and pessimism that often overextend reality but provide opportunities.

The major issues for the balance of the year are the pace of the pandemic recovery, timing of a vaccine, the ongoing low interest rate high government stimulus phenomenon and the upcoming US Presidential election.

PORTFOLIO ACTIVITY

Quest portfolios saw some excellent performances in August including **Kazia Therapeutics** which was up 95%, **Catapult** up 36%, **Vista Group** up 35%, **Kogan** up 25% while **Charter Hall** added 19%.

Kazia Therapeutics is a promising biotech pursuing approval for a brain cancer treatment (Paxalisib). Recent FDA granting of a number of helpful designations saw the share price spike to above \$1, well ahead of our initial entry of \$0.40. **Catapult** responded well to the first full year result under the new CEO and his revamped management team. while **Vista** recovered from an oversold position as cinema customers started to reopen.

Corporate Travel was purchased in August. The stock has halved since January and staged a recovery into August. We see certain stocks as having higher return potential in a recovery from a pandemic environment; Corporate Travel is one of those. Another recovery story is **Sydney Airport** which has also returned to the portfolio.

Our **Kogan** position is small but the stock has leapt on an increase in on-line retailing. This position remains sub scale due to the very rapid escalation in the Kogan price in August. Kogan rose 25% in August.

Alacer Gold gave up 12% in August but this stock is up 400% over the last few years and we see the upcoming merger with Canadian gold miner SSR Mining as a positive. The Canadian merger reduces the risk of a sole asset Turkish gold operation and provides exploration upside in both Canada and the USA. Alacer will merge and change ASX code to SSR in mid September.

Orocobre also slipped 12% in August as the company raised money to bolster the balance sheet in the event of a prolonged period of weakness in lithium prices. We hold Orocobre for leverage to a lift in lithium prices driven by an uptake in electric vehicles. Over the last two years, this hypothesis has not delivered. We maintain the position and expect a better performance next year.

Our portfolio sold **REA Group** at above target prices. We also sold **Mesoblast** and reduced the **RIO** holding post the dividend. Our newly acquired holding in **4D Medical** had a spectacular listing jumping more than 100% on day 1. 4D Medical has developed an imaging technology that presents colour images of airflow in the lungs. The boisterous debut was excessive in our view and we have sold this holding.

The Quest team, in a flurry of virtual meetings, have assessed many new potential investments into the second half of the year. The Quest portfolio is ahead of the index by more than 10% over the last 12 months.

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