

QUEST EX-20 AUSTRALIAN EQUITIES PORTFOLIO



MONTHLY PORTFOLIO REPORT DECEMBER 2020

PERFORMANCE*

To 31 December 2020	1month*	3months	6months	1yr	2yrs (p.a)	3yrs (p.a)	Inception (p.a)
Quest Ex-20 Aust Equities	+1.9%	+12.4%	+31.4%	+28.4%	+32.2%	+17.7%	+19.6%
ASX300 Acc. ex ASX20 index	+0.1%	+12.1%	+14.7%	+2.0%	+14.0%	+6.7%	+9.3%
Value added	+1.8%	0.3%	+16.7%	+26.4%	+18.2%	+11.0%	+10.3%

*Returns after fees based on the Mason Steven platform model portfolio (note: performance fees, where applicable, are deducted six monthly following the June and Dec periods). Please note a performance fee is still to be deducted from the December 2020 return shown above (for the period June-December 2020). This fee will be calculated and deducted in January 2021. Past performance is no guarantee of future performance. Individual returns will differ for investors, depending when the initial investment was established and the timing of any additional investments or redemptions. Inception date 5 January 2017.

PORTFOLIO UPDATE

The market shrugged off higher COVID cases offshore and local border closures to finish up again in December. The focus instead was on further US stimulus following the Democrat Senate win and higher commodity prices. The portfolio returned +1.9%, outperforming the benchmark return of +0.1%.

The portfolio was bolstered by strong IPO debuts for Nuix (+55% for the month) and Maas Group (+40%). Other notable contributors included Credit Corp (+25%) following a highly accretive acquisition and Marley Spoon (+32%) which recovered some ground after recent share price weakness.

New positions in IGO, Downer and Bingo were added funded by exits in Dexus, SSR Mining, A2 Milk and Service Stream.

It has been a strong year for the portfolio, which returned 28.4% for the year to 31 December 2020. This significantly outperformed the benchmark return of 2.0%. A performance fee will be payable in January for the last six-month period.

Deconstructing the portfolio return for this very challenging year is instructive. The pie chart over shows the contribution of individual stocks, with each of these holdings delivering a return better than the market. The spread of names here is notable, meaning the portfolio was not reliant on only a few key investments. This diversity demonstrates the value of the Quest investment process, which helped us identify multiple opportunities: in small and large companies, tech and non-tech businesses, well-known and less well-known names.

The biggest movers during the year were (in order): Kogan (+283%), Kazia (+185%), Marley Spoon (+150%), Mineral Resources (+136%), 4D Medical (+130%), AFG (+89%), Pinnacle (+87%), Mesoblast (+83%), Credit Corp (+79%), Atomos (+73%), People Infrastructure (+72%) and Orocobre (+69%). You will notice that the biggest movers are not necessarily in the same order as the biggest contributors at the portfolio level (see pie chart over). This is due to how we manage the size of each holding in the portfolio at any one time. As always, we maintain a close eye to risk at the portfolio level. Our aim is to manage the risk of any downside surprise for our clients. This together with our valuation discipline drives us to re-invest profits into new opportunities as they present.

Looking at our portfolio we remain optimistic. The quality of our holdings is high and despite the good returns of 2020 we still see value in our collection of investments.

DRIVERS OF PERFORMANCE – DEC 2020

POSITIVE

Nuix, Maas Group, Credit Corp, IGO, Marley Spoon, Kogan, Mineral Resources

NEGATIVE

Service Stream, A2 Milk, Corporate Travel

SIGNIFICANT PORTFOLIO HOLDINGS

LARGE CAP

Cochlear	Goodman Group
James Hardie	Magellan
Resmed	Ramsay Healthcare
Sydney Airport	

MID CAP

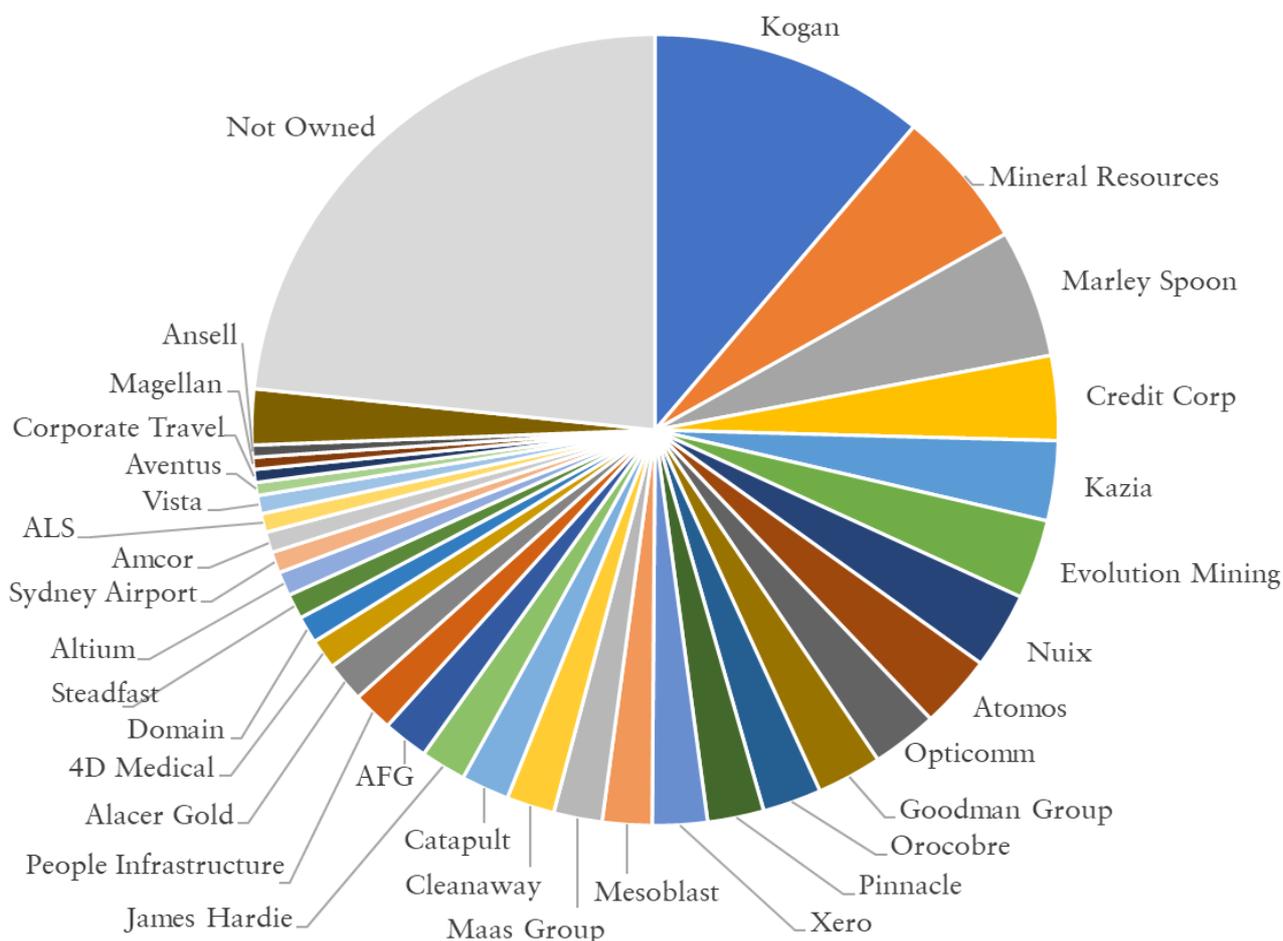
Aventus Group	Bingo
Credit Corp	Kogan
Mineral Resources	Steadfast

SMALL CAP

AFG Group	Atomos
Carbon Revolution	Catapult
Maas Group	Marley Spoon

CONTRIBUTIONS TO OUTPERFORMANCE

12 MONTHS TO 31 DEC 2020



PORTFOLIO STRATEGY

The Quest Ex-20 Portfolio is a Separately Managed Account (SMA), actively managed by Quest Asset Partners. The Portfolio comprises between 20 and 40 securities and aims to outperform the S&P/ASX 300 index excluding the 20 largest companies. The Portfolio will have significant exposure to mid and small-capitalised stocks benefiting from Quest's proven investment process and experience with smaller companies.

The assessment of business quality is fundamental to the Quest investment process. We aim to identify companies that can deliver good returns on invested capital and sustain those returns through time. Quest has a long track record of investment performance leveraging this process.

The portfolio will typically have a bias to companies with growth characteristics (revenue, earnings and return on equity) and can be expected to have significant exposure to companies not in the benchmark. Both these exposures will vary through time as opportunities arise.

Portfolio risk is actively managed with a focus on capital preservation.

Disclaimer

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PORTFOLIO FEATURES

Inception	5 January 2017
Benchmark	S&P/ASX300 ex 20 Index
No. of holdings	20 - 40
Typical cash weight	3 - 10%
Investment horizon	3 - 5 years
Portfolio Manager	Troy Cairns
How to invest	Mason Stevens Platform Xplore Wealth Platform

CURRENT PORTFOLIO (SOURCE: BLOOMBERG)

Total holdings	38
Non-benchmark holdings	12
Tracking error	6.8%
Active share	85%
Stock specific risk	75% of active risk
Earnings growth (1yr fwd)	19.5% pa
ROE	12.1%
Beta	1.1
P/E (1yr fwd)	27.2x
Dividend yield (1yr fwd)	2.1%