



# AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

JANUARY 2018

## 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 out perform the S&P/ASX300 Accumulation Index. SMA's are professionally managed portfolios that allow the investor to retain beneficial ownership of the underlying securities while maximising visibility.

## KEY PORTFOLIO FEATURES

|                      |   |
|----------------------|---|
| Inception            | 9 February 2005   |
| Investment Universe  | ASX listed  |
| No. of holdings      | 28 now, maximum 35  |
| Quest AUM            | \$846 million   |
| Strategy AUM         | \$73 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  |

## KEY EVENTS - JANUARY SUMMARY

The Quest portfolio eased 0.6% in January. The 12 month return for the portfolio to January is 18.4% pre fees.

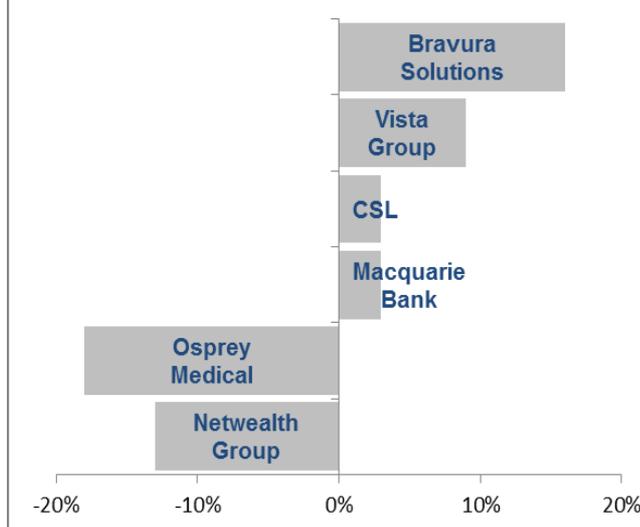
The ASX 300 market fell 0.4% on an accumulation basis in January, remarkably the first monthly fall for this index since May 2017!

**The Quest Concentrated Portfolio annual return post fees in calendar 2017 was 16.7%. The ASX 300 accumulation (XKOA) delivered an 11.9% return in calendar 2017.**

January highlights included a 12.5% lift in the US 10 year bond rate to 2.7%, a slump in the Westfield price after the share price of suitor Unibail-Rodamco tumbled and a US government shut down that lasted nearly two days that occurred on the anniversary of President Trump's inauguration!

Quest manages \$849 million across 3 different products. Our Concentrated portfolio has been running for nearly 14 years and is 4.4% ahead of benchmark pre fees since inception, our Highly Concentrated 10 stock portfolio is currently being seeded after an 18 month trial that delivered a return of 50% while the Ex 20 portfolio is also out performing after commencing in March 2017.

## DRIVERS OF PERFORMANCE



## PERFORMANCE

BEFORE FEES AND TAX

(PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE)

| To 31 January 2018                | 1 month | 3 months | 1 year | 3 years* | 5 years* | 10 years* | Since inception* |
|-----------------------------------|---------|----------|--------|----------|----------|-----------|------------------|
| Quest Aust. Equities Concentrated | -0.6%   | 7.0%     | 18.4%  | 11.6%    | 12.3%    | 9.2%      | 11.9%            |
| ASX 300 Accumulation Index        | -0.4%   | 3.2%     | 12.4%  | 7.5%     | 9.0%     | 5.2%      | 7.5%             |
| Value added                       | -0.2%   | 3.8%     | 6.0%   | 4.1%     | 3.3%     | 4.1%      | 4.4%             |

\*per annum



## PORTFOLIO ACTIVITY

January was holiday affected and suffered from lack of news and turnover. Things will spark up with reporting season now underway.

The Quest best in January included good performances from **Bravura Solutions** up 16%, **Vista Group** up 9% while **CSL** and **Macquarie Group** each rose 3%.

**Osprey Medical** fell 18% after disappointing sales figures in the December quarter while **Netwealth Group** fell 13% after gaining more than 70% since listing in November.

Small increases were made in our holdings in **Lendlease**, **Oilsearch**, **Commonwealth Bank**, **Insurance Australia** and **Rio Tinto**.

We took up a small 1 for 20 rights issue in lithium producer **Orocobre**.

During January our holding in **Macquarie Atlas** was sold at a small loss after we repositioned the portfolio away from bond sensitive stocks. The same rationale led to our **GPT** holding being sold. Our holding in **Sydney Airport** has however been retained for now.

At the time of writing a long overdue correction is underway which is putting to an end a prolonged period of complacency.

The decline of the USD is interesting as market consensus last year was that the USD would inevitably rise due to interest rate hikes. The USD has been sliding for a year now, consensus was wrong and it may be that the escalating US Federal debt has captured the attention of both currency and bond markets while the equities market has not responded.

It seems we now have a response!

More on this next month as the correction unfolds.

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## PLATFORMS

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

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

## FACT OF THE MONTH

In an article published in the FT, there are now more than 70 times as many stock market indices as there are quoted stocks in the world. A census of members from the Index Industry Association found that they publish and regularly re-calculate 3.28m indices, of which 3.14m cover stock markets. According to the World Bank, there are only 43,192 public companies in existence to fill these indices.

## THE QUEST PROCESS

The Quest team invest to make an above average return; not to beat an index.

Our portfolio historically does not represent an index.

A Quest portfolio will include known names such as major banks and industrials but we look to add value outside of the major stocks. The portfolio typically carries a number of mid and smaller stocks as market research in these sectors is often scant. Details of our process are on the website.

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