



AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

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. SMA's are professionally managed portfolios that allow the investor to retain beneficial ownership of underlying securities while maximising transactional visibility.

KEY EVENTS – JULY SUMMARY

Gains for the fourth month in a row in the Australian market with the benchmark adding 1.3%. Telcos were the best sector as Telstra actually rose by 8% this month however the long term chart is still a shocker. Industrials were solid leading into reporting season while Banks lifted 2% despite the worst press in a decade and Consumer Discretionary and Healthcare each added 2%. Only Utilities were down as AGL Energy fell 2%.

Most global markets were improved with the Dow Jones up 4.7%, S&P 500 up 3.6%, NASDAQ up 2.1% and Japan up 1.1%. It was a good month for volatile Emerging Markets with Argentina regaining previous losses up 14% and Brazil up nearly 12%.

Our portfolio lagged in July but remains well ahead of the benchmark in all other periods as shown below.

Quest out performance is 5.4% over 1 year pre fees and maintains our since inception out performance at 4.4% ahead of the market per annum since inception in 2005. The compounding affect means \$1,000 invested with Quest since inception is now worth \$3,410 after fees compared to an index return of \$2,680. Quest portfolio returns have been above 15% per annum after fees for 4 of the last 6 years.

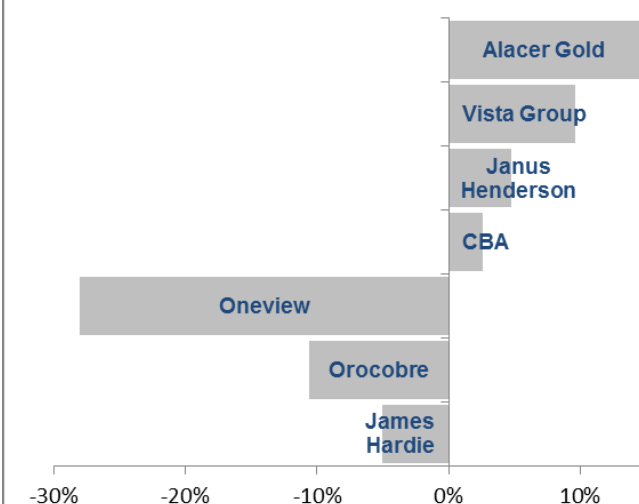
Stocks in this report include **Evolution Mining, Orocobre, iSelect, Janus Henderson, Macquarie Group, Oneview, Tabcorp, Updater, Vista Group and Woodside.**

JULY 2018

KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	31 now, maximum 35
Quest AUM	\$929 million
Strategy AUM	\$79 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 31 July 2018	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated	0.9%	7.9%	20.1%	12.2%	13.1%	10.7%	12.1%
ASX 300 Accumulation Index	1.3%	5.8%	14.7%	8.1%	9.2%	6.9%	7.7%
Value added	-0.4%	2.1%	5.4%	4.1%	3.9%	3.8%	4.4%

*per annum



PORTFOLIO ACTIVITY

The Quest portfolio returned 0.9% in July with notables including **Janus Henderson** up 4.8%, **Vista Group** up another 9.6%, **Alacer Gold** up 14.6% and **Commonwealth Bank** up 2.6%

Orocobre fell 10.6% while **Oneview** fell an astonishing 28% on no news or volume. We await this result with a lot of interest. **James Hardie** was down 5% but has recovered in August.

In July we saw a lot of activity in **Evolution Mining**. Evolution has been a terrific stock for us but our price target of \$3.40 was met in July and exceeded. We sold our holding which was bought for as little as \$1.80 in 2017. Evolution is one of three very well managed mid-tier Aussie gold stocks that bought mines from large global players some years ago when global miners were stressed vendors. This management team have proven to be very effective managers of mineral assets focussed on return and cash flow.

Only weeks after our exit, the gold price fell and a major shareholder sold down at a much lower \$2.84 so we bought most of our position back. Cheeky stuff but buy/sells like this do not happen often.

There has been no further development in **iSelect** where a competitor has purchased 19.6% of the company. We await the already guided result due mid-August. The synergies in back office operations and advertising are very significant should a merger occur.

Tabcorp was added to the portfolio in July. We are attracted to the infrastructure-like properties of the lotteries business which has a monopoly position following the recent banning of 'synthetic' lottery websites. The wagering business has been facing aggressive competition from online bookmakers but new state-based 'point of consumption' taxes will help level the playing field for competitors. The result could be complex post the merger with Tatts but we anticipate this is understood and in the price. We rate Tabcorp as a "B" grade in the Quest Q stocks process and see valuation upside with a 4.5% dividend yield to boot.

Portfolio positions were increased in **James Hardie**, "ReloTech" **Updater** and insurer **IAG**. Some profits were taken in **Woodside Petroleum** and **Lendlease**.

Lendlease has risen more than 15% in the last three months and 29% this year. They broke through \$20 for the first time in July; our original holding was bought for circa \$7 back in 2009. It is ironic that Lendlease has done so well now that housing prices are easing. The threat of a housing decline has been cited for two years as the reason that Lendlease was fully valued at \$16!

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

QUEST EX-20 PORTFOLIO

The Quest Ex-20 portfolio is now open for investment for both sophisticated and retail investors. This portfolio is perfect for those that wish to increase exposure to mid and small stocks, or if you already own large stocks and are looking for exposure to some lesser known interesting stocks to augment returns.

The portfolio is currently running at 6.4% ahead of the benchmark over 1 year to June 2018 with a return of 22.3% pre fees. Best performers this year have been **Updater**, **Pushpay**, **Bingo** and **Bravura**. Ring Troy for details on 9409 2303.

QUEST 10 STOCK PORTFOLIO

Our new super concentrated portfolio had a return of 7.7% at end of June after initiating 3.5 months ago. This is a highly concentrated best ideas portfolio using the same Quest process. Ring Chris for details on 9409 2301.

FACT OF THE MONTH

Australia's population is expected to hit 25 million at 11pm on 7th August. The ABS population clock tells us that the population increases by 1 every 87 seconds so 2 have arrived while this is written. Natural increase makes up only 38% of growth while immigration is 62%. While the identity of this person will never be known, a statistician has suggested that a Chinese female is the most likely!

THE QUEST PROCESS

The Quest team invest to make an above average return. It is not to beat an index. We research investments and invest based on our assessed valuation.

A Quest portfolio includes known names such as Woodside Petroleum and industrials such as Lendlease. We also look to add value outside of the major stocks, recent examples being Viralytics, Updater, Orocobre and Bingo Industries. The portfolio typically carries a number of mid and smaller cap stocks where we believe our experience gives us an advantage.

CONTACT QUEST

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