



AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

JULY 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 visibility for our clients.

JULY MARKET SUMMARY

The Quest portfolio return was 2.5% in July and well ahead of the benchmark which was up for the 4th consecutive month despite the pandemic.

The Quest twelve month return is 1% while the benchmark has fallen nearly 10%, a good result that keeps us well in the Top 10 Australian long only funds on an annual basis. The 3 year and 5 year performance continues to be top quartile.

The opposing forces of government stimulus and pandemic fears continue to lock horns. So far, stimulus has won out and we see this continuing.

While we have sold some positions earlier this year as a result of the pandemic including Sydney Airport and office owner Dexus, our strategy of finding new ideas while lifting overall portfolio quality continues.

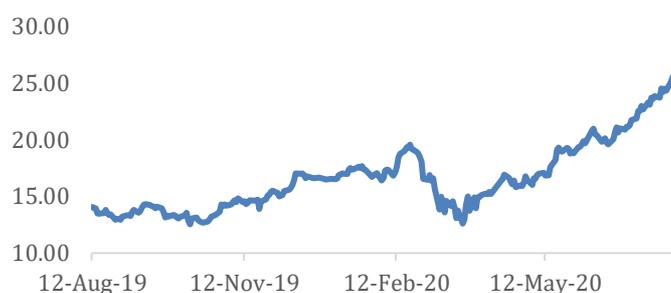
During July, our team have reviewed a large number of new potential investments with some interesting opportunities in small caps in particular.

Our review of medical imaging specialist 4D Medical has led to Quest committing investors funds to this float planned for August.

KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	33 now, maximum 35
Quest AUM	\$1.23 billion
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.

MINERAL RESOURCES OVER 1 YEAR



PERFORMANCE

BEFORE FEES AND TAX

(PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE)

To 31 July 2020	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated	2.5%	10.9%	1.1%	9.8%	9.2%	11.0%	11.2%
ASX 300 Accumulation Index	0.6%	7.8%	-9.7%	5.5%	5.2%	7.3%	6.8%
Value added	1.9%	3.1%	10.8%	4.3%	4.0%	3.7%	4.4%

*per annum



OUTLOOK

Our team continue to see this market as ideal for stock pickers with a disciplined approach to valuation. Quest performance is coming from a wide range of stocks and not from a narrow group of trendy tech plays.

We are now entering reporting season. It will be a season like no other with no contact web based presentations attended by dozens if not hundreds of listeners. We anticipate limited or no guidance from companies and only broad analyst questioning. One on one sessions with our investee companies is a priority in order to extract value from the season.

We expect companies to take this opportunity to write down asset values particularly in relation to previously revalued assets, ageing assets, intangibles and capitalised spend. We have already seen billions written down by oil and gas explorers. Expect pandemic related expenses as well. Investors are so confident of better times ahead that we expect the market to accept below the line losses.

This reporting season is more about outlook than historical metrics.

PORTFOLIO ACTIVITY

The best performers for Quest in July were **Catapult up 45%, Orocobre up 28%, Mineral Resources up 21%, Kazia up 16%, Mesoblast up 16%, Goodman Group up 14% and Saracen Minerals up 10%. Vista fell 11% while Carbon Revolution eased 16%** due to pandemic related issues.

In July we added **Bravura Solutions (BVS)** to the portfolio. Quest has owned Bravura previously back in 2018, it has retraced since highs earlier this year. Bravura provides software to the wealth management and funds administration sector in the UK, Europe, Asia Pacific and South Africa. The balance sheet is in a healthy net cash position following a capital raising in 2019. Acquisitions are likely to be a feature going forward. Bravura's clients are seeking more flexible solutions in the new COVID world however some project delays are possible in this environment.

We have added to our newly acquired holding in **Steadfast**. Also added to **Ramsay Healthcare, Independence Group** and **CSL** which has slipped 20% from peaks earlier this year. We committed to the **4D Medical (4DX)** IPO at \$0.73 due early August. 4DX has developed an imaging technology that presents colour images of airflow in the lungs.

We hold no oil and gas stocks other than indirectly via **BHP**, no retail other than **A2Milk** and **Kogan** and no tourism stocks.

We continue to hold 3 iron ore stocks being **BHP, RIO** and **Mineral Resources**. The iron ore price has been over \$100 T for nearly 80 days due to demand and supply disruption from Brazil. The market is increasingly positive on iron ore with indications that broking analysts will soon upgrade price estimates. As the herd arrive, we are thinking more about exit prices now. Note Mineral Resources rose another 21% in July and has now risen 60% in 12 months. We continue to hold three gold producers.

All four Quest equity portfolios are performing well. The **Concentrated portfolio**, the subject of this Quarterly, now has an excellent 15 year record and is a Top quartile performer.

The **Quest Ex 20** Fund has an unaudited 10.5% return for the year ended July before performance fee, dramatically ahead of benchmark of negative 8.5%.

The **Highly Concentrated 10 stock portfolio** has returned a positive 1.3% return over the 12 months to July, well ahead of benchmark of negative 9.7%.

The new **Quest Long Short** has had a boomer first three months with a 13.8% return, that is 6.2% ahead of benchmark. This fund is a unit trust format and launched on 1st May 2020. The Portfolio is managed by Richard Dixon.

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