



AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

NOVEMBER 2017

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 (pre fees). SMA's are professionally managed portfolios where the investor retains beneficial ownership of the underlying securities.

KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	28 now, maximum 35
Quest AUM	\$812 million
Strategy AUM	\$68 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

THE NOVEMBER REVIEW

Global markets again made new highs for many global markets in November with the S&P breaching 2600 and the Dow Jones hitting 24,000 late in the month. Our local market rose 1.7% on an accumulation basis, the 6th consecutive monthly rise.

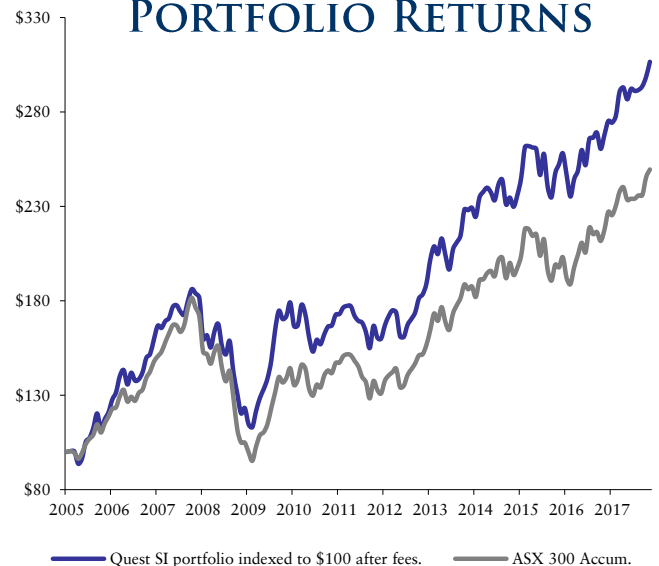
The portfolio 12 month return pre fees is 16.8%. Quest pre fees performance is 4.2% pa ahead of benchmark since inception.

The S&P 12 month return is 20.4% while the Australian ASX 300 is up 14.7%.

Our view is that the market is likely to trade higher into the traditionally firm summer period with US markets benefitting from the potential for tax cuts. The AUD may continue to weaken providing benefit to a long list of Australian stocks having US dollar earnings. We see the direction of the USD/AUD being critical to the immediate direction of the local market. Banks are now subject to further regulatory influences and while a source of franking credits, they are unlikely to deliver above market performance. Quest continues to see value in a range of small stocks already in the portfolio and have a number of prospects in hand.

Quest has initiated a new **Highly Concentrated 10 stock** portfolio which is available to sophisticated investors and is designed to out-perform the All Ordinaries Index with a maximum of only 10 stocks.

PORTFOLIO RETURNS



PERFORMANCE

BEFORE FEES AND TAX

(PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE)

To 30 November 2017	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated	2.7%	5.5%	16.8%	12.6%	13.6%	7.3%	11.7%
ASX 300 Accumulation Index	1.7%	5.8%	14.7%	8.8%	10.5%	3.5%	7.5%
Value added	1.0%	-0.3%	2.1%	3.8%	3.1%	3.8%	4.2%

*per annum



PORTFOLIO ACTIVITY

The Quest best in November saw 9 stocks rise by more than 5% and 2 stocks perform quite poorly. In order of performance, best efforts were **Orocobre** (ORE) up 29%, **Pushpay** (PPH) up 16%, **Bingo Industries** (BIN) up 12%, **Brambles** (BXB) up 8%, **Westfield** (WFD) up 8%, **Insurance Australia Group** (IAG) up 9%, **Janus Henderson** (JHG) up 8%, **James Hardie** (JHX) up 8% and **Evolution Mining** (EVN) up 3%.

Poor performers were **Oneview Healthcare** (ONE) down 28% as the company raised cash via a rights issue and placement at a discount and **Viralytics** (VLA) down 21%. We have no explanation for that fluctuation but the stock is much stronger in December.

This monthly has already written many paragraphs on lithium producer **Orocobre**, up 29% this month. The stock has now tripled since we participated in a placement in early 2016. We expect a solid December quarter and note that the Argentinian pond evaporation season is approaching peak efficiency in coming months.

Pushpay is pushing up again as investor interest increases. Few know much about this one, we have not seen any new news to explain the move.

Bingo has made 2 more acquisitions and raised money in an accretive transaction. Bingo continues to behave as a classic example of the small cap effect. The May float did not convince many investors for various reasons which was fortunate as many of those are now buying at higher levels. The Quest view is that this industry is ripe for consolidation with the increasing recognition of environmental considerations placing more importance on recycling and community expectations.

Our largest over weight relative to index is **Janus Henderson** which is 6.5% of the portfolio. Janus delivered 3rd quarter results which were steady with no surprises.

The Quest holding in **Link Administration** (LNK) was sold as it reached target price. Our **South 32** (S32) holding which was reduced in October was sold out in November.

Holdings in **Oilsearch** (OSH), **Bravura** (BVS), **IOOF Holdings** and **Vista Group** (VGL) were increased. IOOF raised \$461m via placement in order to buy wealth assets from ANZ Banking group for \$975m in

October. Quest participated in the issue and have built further.

Netwealth (NWL) floated on 20th November and now trades at \$5.60 after listing at \$3.70. Quest have since added to our original holding.

During November the portfolio Cash continues to sit higher than average at 9%. We expect cash to be 3% next month.

SIGNIFICANT INVESTMENTS

Large	Commonwealth Bank (CBA)
	Westpac (WBC)
	BHP (BHP)
Mid Cap	Brambles (BXB)
	Oil Search (OSH)
	Lendlease (LLC)
Small Cap	Bingo Industries (BIN)
	iSelect (ISU)
	Vista Group (VGL)

TOP ATTRIBUTORS

Orocobre (ORE)
Bingo Industries (BIN)
Pushpay Holdings (PPH)

KEY DETRACTORS

Oneview Healthcare (ONE)
Viralytics (VLA)
iSelect (ISU)



INVESTMENT APPROACH

The Quest Asset Partners team use a three stage process to research opportunities in the Australian market. We are looking for unrecognised potential.

Our **Stage 1** qualitative business assessment is combined with our **Stage 2** integrated quantitative valuation process to find the best opportunities. We visit a lot of businesses in our travels.

Our portfolio is concentrated to a maximum of 35 of our best ideas with 30 stocks on average.

We invest to make a return not to beat an index.

A Quest portfolio will include known names such as major banks but we look to add value outside of the major stocks. The portfolio typically carries a number of smaller businesses as market research is often scant.

Our typical client has an interest in the Australian share market but lacks the time to maintain a portfolio. Our clients are often unable to access the new floats and other opportunities that we see regularly.

Our client base includes people from all walks of life that have realised an occasional read of the financial press does not compete with the experience and contacts available to our four investment professionals.

INVESTMENT TEAM

- Michael Evans
- Chris Cahill
- Troy Cairns
- Swapan Pandya

PLATFORMS

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

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

BLOG

To read “**Bingo cleans up on result**”, “**Summary of Fiscal 2017**”, “**Lonsec Awards 2017**”, “**Henderson to merge with Janus Capital**” and other Quest Insights visit www.questap.com.au/news/

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