



AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

NOVEMBER 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 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.

NOVEMBER SUMMARY

The Australian market continued to moderate in November. Our team see this as a healthy correction in an over-bought market that peaked on 30th August.

The November fall of 2.2% in the benchmark was the third monthly fall in a row and takes the correction to 9.7% since late August. The heaviest falls have been in a group of ultra-premium growth stocks that led the final surge a few months ago.

Global markets were steady. The Dow Jones was up 1.6% in November, the S&P 500 added 1.8%, the NASDAQ was flat while the global MSCI rose 1.3%. Japan was up 2.0% while China fell for the seventh month this year losing another 0.5%.

In times of crisis, investors move to cash and yielding stocks which saw the Banks sector up 2.5% while most sectors fell. The yielding REIT's and Utilities were steady; beyond this group the sector trend was down.

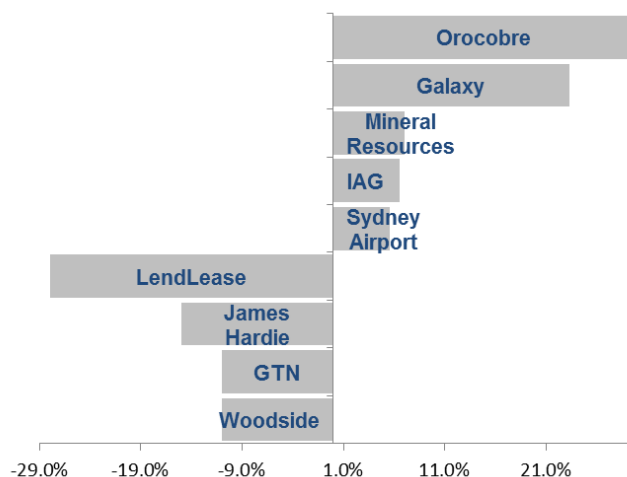
Gold continued to firm slowly and may continue if the USD was to weaken. US 10 year interest rates have eased in November. Gold was US\$1,222 /oz at month end. Oil fell heavily down 21% as US onshore production continued to rise. The worst sector in Australia was the oil sector which fell 10%.

Our portfolio performance was slightly below that of the ASX300 benchmark.

KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	31 now, maximum 35
Quest AUM	\$1,035 million
Strategy AUM	\$71 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 30 November 2018	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated	-2.4%	-9.5%	2.7%	9.2%	8.7%	12.1%	11.0%
ASX 300 Accumulation Index	-2.2%	-9.3%	-1.0%	7.7%	5.8%	8.9%	6.9%
Value added	-0.2%	-0.2%	3.7%	1.5%	2.9%	3.2%	4.1%

*per annum



PORTFOLIO ACTIVITY

The local market is finding it hard to advance with the ongoing confusion surrounding trade wars and doubts about the strength of the US, European and Chinese economies sapping the confidence of investors. Markets do appear to be at a transitional stage with a correction underway in search of a new base. We would expect this correction to continue from the current 9.7% to possibly 15% down. That would see the ASX300 at around 5,400 and create opportunity for the bottom up investor.

A good correction usually comes with hysterical press headlines and some frenzied panic selling. We have seen fear but serious panic has not occurred yet. An added twist for Australia is the current Liberal turmoil and the inevitability of a new Labor government next year. There is little sign of that new government being sympathetic to big business.

There were no new stocks added in November. There were additions to **Amcor**, **CSL**, **LendLease**, **Sydney Airport**, and **Woodside**. Our **Westpac** holding was reduced after the dividend was paid.

We have sold our holding in **IOOF Holdings** post the Royal Commission but fortunately before the disastrous 35% fall last week. The position of large scale dealer groups in this environment is threatened as smaller more agile competitors such as **Netwealth** and **Hub 24** gain share from the market incumbents.

While our **LendLease** holding is 75% lower than this time last year, the 28% fall in the stock after announcing a surprise loss in engineering (mainly the NorthConnex tunnel development) did detract marginally from our performance. Our lithium stocks **Galaxy** (up 23%) and **Orocobre** (up 29%) were our better performers.

FACT OF THE MONTH

Housing prices continue to decline particularly in Sydney and Melbourne according to the latest Corelogic survey. Sydney is said to have fallen 9.5% since mid-2017 while Melbourne peaked later but has also fallen 5.8%. Listings have surged as the perception of a slump pervades the mind of the property owner. Clearance rates are now in the low 40% range.

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. This is our target price.

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

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