



# AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

NOVEMBER 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 transactional visibility for our clients.

## KEY PORTFOLIO FEATURES

|                      |   |
|----------------------|---|
| Inception            | 9 February 2005   |
| Investment Universe  | ASX listed  |
| No. of holdings      | 33 now, maximum 35  |
| Quest AUM            | \$1.27 billion  |
| Strategy AUM         | \$94 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.                                       |

## MARKET SUMMARY

November was the strongest month in the Australian market since March 1988 with the ASX300 rising a whopping 10.3%.

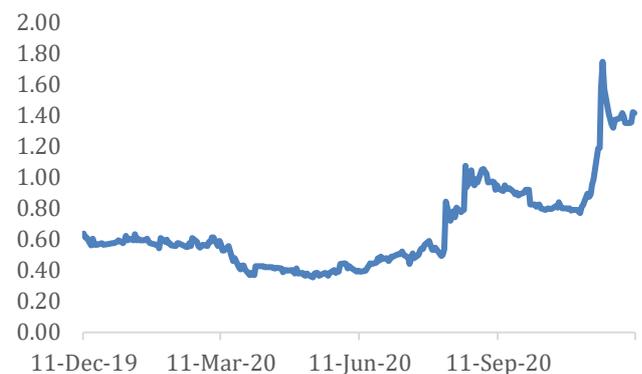
The Quest portfolio has outperformed the benchmark, despite owning only 35 stocks, with a return of 12.5%.

The key market driver was the announcement of three vaccines with promising results. There are now 7 vaccines approved for early or limited use with another 13 in Phase 3 trials. A US election result that appears to limit a more left agenda by the new administration also helped markets while ongoing low interest rates provide further impetus.

Covid does remain a major threat to markets with the USA recording 200,000 cases per day later in November. Cases in the UK exceeded 30,000 per day at the same time while Germany are close to 25,000 per day.

**There are now more than 50 IPO's rushing to list by Christmas. We have been very selective taking an interest in only 3 IPO'S so far, 4D Medical, Nuix and MAAS Group.**

Kazia Therapeutics  
12 month share price



## PERFORMANCE

BEFORE FEES AND TAX

(PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE)

| To 30 November 2020               | 1 month | 3 months | 1 year | 3 years* | 5 years* | 10 years* | Since inception* |
|-----------------------------------|---------|----------|--------|----------|----------|-----------|------------------|
| Quest Aust. Equities Concentrated | 12.5%   | 10.6%    | 9.0%   | 13.2%    | 12.9%    | 12.0%     | 11.9%            |
| ASX 300 Accumulation Index        | 10.2%   | 8.3%     | -1.6%  | 7.1%     | 9.1%     | 8.0%      | 7.4%             |
| Value added                       | 2.3%    | 2.3%     | 10.6%  | 6.1%     | 3.8%     | 4.0%      | 4.5%             |

\*per annum



## OUTLOOK

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*We remain positive on the market. Locally, Australia has Covid under control compared to the situation in many other nations. Australia has a stable government, a sound health care system and importantly, we are borderless.*

*While the trade situation with China is less than ideal, exports continue to climb as China grows. Commodity prices are firm. The outlook for agricultural production is positive. There is strong demand for our property assets including office, residential and commercial. Interest rates seem set to remain low while government stimulatory spending continues. There are 36 major infrastructure projects in NSW alone. We expect Jobkeeper type support to taper but continue.*

*Australia is bouncing out of recession. Stocks benefitting from renewed social activity are rebounding after lagging the market for months. The largest sectors of our market are banks and materials which are reasonably priced with undemanding multiples. Both sectors will deliver dividends and some stocks will talk of capital returns in the New Year.*

*The US does appear to be in a slow decline as a world power but is still however the world's biggest economy. Fiscal stimulus will continue with Biden limited in his ability to make sweeping change.*

*While December is historically a positive month with 16 of the last 20 December's being a positive return, the astounding lift in November of over 10% may see some settling in December. Commodities are generally firm while the Australian dollar is on the rise moving from 70.3 USD to 73.4 in November.*

## PORTFOLIO ACTIVITY

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Activity in November was dominated by two new IPO's, Nuix and MAAS Group. The portfolio weight in BHP and Rio was increased while we continued to build our position in SO4 who are well advanced in completing a sulphate of potash plant in Western Australia.

Nuix is a global provider of intelligence and analytical software that is used by corporates and government agencies as well as legal firms and law enforcement agencies. Nuix is ranked a "B" in our Q Stocks filter with above average scores in ROE, regulatory risk and the ability to reinvest. Nuix traded well above listing price on debut in December.

MAAS Group is a Dubbo based building materials business with interests in quarries, land subdivision, manufacturing and property development. Started by the CEO after a career in rugby league, this business started 20 years ago with one bobcat and a few dreams to list successfully in December with a capitalisation of \$700 million.

The only sale of significance was software leader Xero. Xero is beyond our best case valuation at current prices and was replaced by Nuix. We have reduced our position in James Hardie, Aristocrat and Charter Hall.

Quest portfolios saw some strong results in November including **Kazia Therapeutics** up 75%, **Orocobre** up 61%, **Corporate Travel** up 37%, **Credit Corp** up 29% and **Mineral Resources** up 28%. **Kogan** and **Marley Spoon** performed poorly as Covid winners fell back.

## QUEST EX 20 AND LONG SHORT PERFORMANCE

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The Ex20 portfolio has been delivering strong returns. The Ex20 portfolio delivered a 22% net return for the 12 months to end October, compared to the index return of -6.0%.

The new Long Short unit trust which launched in May and has delivered a 32% net return in the first seven months.

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