

QUEST EX-20 AUSTRALIAN EQUITIES PORTFOLIO



MONTHLY PORTFOLIO REPORT OCTOBER 2020

PERFORMANCE*

To 31 October 2020	1month	3months	6months	1yr	3yrs (p.a)	Inception (p.a)
Quest Ex-20 Australian Equities	-0.2%	+8.8%	+29.7%	+21.5%	+16.0%	+16.9%
ASX300 Acc. ex ASX20 index	+1.7%	+2.9%	+12.8%	-6.0%	+4.8%	+7.0%
Value added	-1.9%	+5.9%	+16.9%	+27.5%	+11.2%	+9.9%

*After fees (note: performance fees, where applicable, are deducted six monthly following the June and Dec periods)

Past performance is no guarantee of future performance. Individual returns will differ for investors, depending when the initial investment was established and the timing of any additional investments or redemptions. Inception date 5 January 2017.

PORTFOLIO UPDATE

It was a volatile month. The Australian market was up +7% by mid-month but then fell sharply as the world fretted about the outcome of the US elections and the further deterioration in COVID cases. Unlike almost all other world markets, the Australian indices closed in positive territory.

The Ex20 index returned +1.7% whilst the Quest portfolio was essentially flat at -0.2%, underperforming the index.

The month was notable for the share price strength for stocks that have previously been considered out of favour and “cheap”, the so-called value stocks. In addition, there were also strong bounces associated with takeover bids such as AMP, Link Administration and Coca Cola. With a bias to quality companies, the Quest portfolio did not benefit from either of these developments. Higher growth companies were also adversely affected by the steady rise in long-dated bond yields, likely connected to an expectation of a Biden clean sweep in the US election. Higher bond yields often result in a hit to the price of growth stocks as valuation metrics are revised.

The biggest positive movers in the portfolio were Resmed (+17%), Steadfast (+11%), Opticomm (+11%), Xero (+9%), Credit Corp (+8%) and Cochlear (+7%). With the multiple takeover offers for Opticomm now having run their course we sold our position at \$6.50. Our holdings in Resmed and Cochlear were established over recent months, whilst Xero has been a long-term holding. Steadfast and Credit Corp were added during the COVID-induced slump.

The poor share price performers were Catapult (-20%), Kazia (-16%), Corporate Travel (-15%), Clover (-12%) and Ramsay (-5%). We see upside in each of these holdings and expect all to be positively impacted by any progress on an effective COVID vaccine (with the exception of Kazia).

Portfolio trading during the month was focused on reweighting from past good performers into stocks where we see significant value. Holdings in Mineral Resources, Corporate Travel, Vista Group and Resmed were increased, funded by profit taking in James Hardie, Opticomm and Xero.

The portfolio remains fully invested with only a small cash balance.

DRIVERS OF PERFORMANCE – OCT 2020

POSITIVE

Resmed, Steadfast, Xero, Credit Corp, Opticomm, People Infrastructure, Aventus

NEGATIVE

Catapult, Marley Spoon, Kazia Therapeutics, Carbon Revolution, Corporate Travel Management, Clover Corporation, Ramsay Healthcare

SIGNIFICANT PORTFOLIO HOLDINGS

LARGE CAP

Cochlear	Goodman Group
James Hardie	Magellan
Resmed	Ramsay Healthcare
Sydney Airport	Xero

MID CAP

Altium	Aventus Group
Credit Corp	Corporate Travel
Kogan	Mineral Resources
Steadfast	

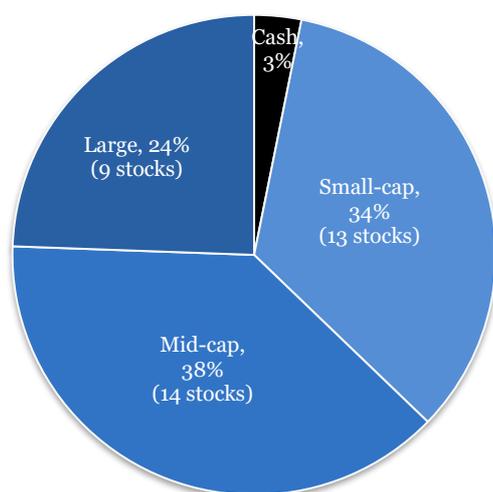
SMALL CAP

Atomos	Carbon Revolution
Catapult	Marley Spoon
Vista Group	

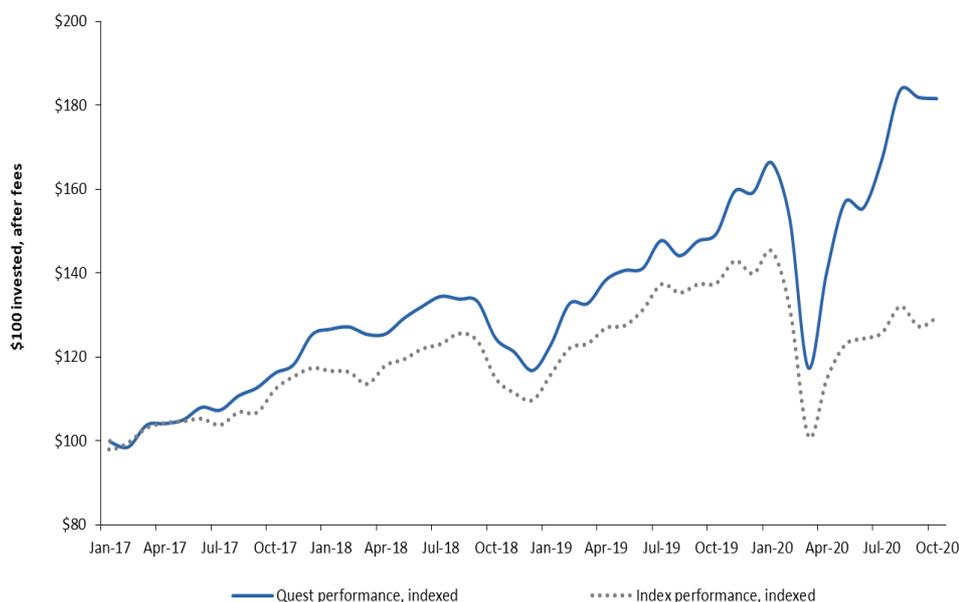
PORTFOLIO CHARACTERISTICS

Holdings	36
Stock specific risk	51% of active risk
Factor risk	49% of active risk
Major factor risks:	
<i>Overweight</i>	<i>IT</i>
<i>Underweight</i>	<i>Value, Size, Precious metals</i>
Active share	83%

PORTFOLIO 31 OCTOBER 2020



PORTFOLIO RETURNS



PORTFOLIO STRATEGY

The Quest Ex-20 Portfolio is a Separately Managed Account (SMA), actively managed by Quest Asset Partners. The Portfolio comprises between 20 and 40 securities and aims to outperform the S&P/ASX 300 index excluding the 20 largest companies. The Portfolio will have significant exposure to mid and small-capitalised stocks benefiting from Quest's proven investment process and experience with smaller companies.

The assessment of business quality is fundamental to the Quest investment process. We aim to identify companies that can deliver good returns on invested capital and sustain those returns through time. Quest has a long track record of investment performance leveraging this process.

PORTFOLIO FEATURES

Inception	5 January 2017
Benchmark	S&P/ASX300 ex S&P/ASX20 Index
No of holdings	20 - 40
Typical cash weight	3 - 10%
Investment horizon	3 - 5 years
Portfolio Manager	Troy Cairns
How to invest	Via the Mason Stevens Platform or the Xplore Wealth Platform

Disclaimer

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