HIGHLY CONCENTRATED 10 STOCK

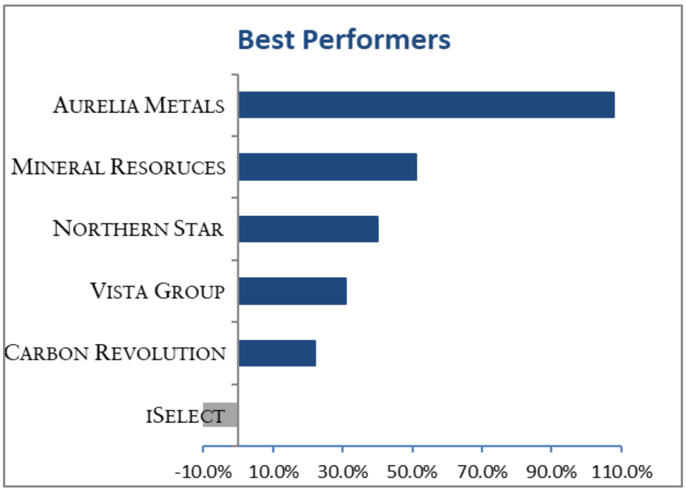
INVESTMENT PROFILE

The Quest Australian Equities Highly Concentrated Portfolio is a 10 stock only portfolio with stock ideas generated by the highly successful Quest investment process.

The portfolio is a Separately Managed Account (SMA) actively managed by the team at Quest Asset Partners on the Mason Stevens platform.

KEY PORTFOLIO FEATURES

Inception	1 July 2016
Investment Universe	ASX listed
No. of holdings	10
Quest AUM	$1.25 billion
Strategy AUM	$3 million
Investment Horizon	18 months – 3 years
Investment Strategy	Hi impact portfolio
Derivatives/Shorting	Nil



JUNE 2020 QUARTERLY

The Highly Concentrated portfolio rose 28.3% after fees compared to the benchmark which rose 16.8% over the quarter. The portfolio was 11.5% ahead of benchmark.

While the AEHCP is an absolute return fund and is not based on any index, it is worth noting that the portfolio has now delivered a better return than the ASX300 for 6 of the last 7 months.

The PPT (portfolio price target) is now 29%. This suggests that if all the stocks moved to our target, the gain would be 28%. The PPT has averaged above 30% since inception and is lower at month end due to a higher than usual cash holding.

The COVID-19 driven market correction gave way to a market rally underwritten by the determination of governments to throw whatever it takes to support the economy in a crisis. This stimulus has driven a sharp rally that has taken many investors by surprise.

Capital raising since February has now reached $25.1 billion including SPP allocations across 59 companies.

The cash weighting is high at quarter end being 34% due to sales of stocks at target prices in recent weeks.

The portfolio carries a maximum of 10 stocks. Initial investments are generally made at a 10% weighting.

Our time horizon in this portfolio is 18 months to 3 years compared to our ASX300 portfolio which has a longer outlook.

This portfolio now has a 4 year record including the trial period as a model portfolio. The AEHCP is uncorrelated to the market and major valuation fluctuations will occur.

PERFORMANCE AFTER FEES (PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE)

To 30 June 2020	3 months	6 months	1 year	2 years (p.a.)	3 years (p.a.)	Since inception (p.a.) (1 July 2016)
Quest Aust. Equities Highly Concentrated	28.3%	3.8%	5.0%	-2.2%	9.3%	15.5%

Portfolio Activity

The portfolio had 10 stocks for most of the quarter but finished with 8 stocks. Cash was unusually high at 33% with two new investments imminent in July.

There were three sales during the quarter. **Pinnacle Investments (PNI)** was sold at $3.51 in May, a quick 20% gain from the lowly March entry price of $2.90.

Northern Star (NST) was sold after reaching and exceeding our target; we sold at a boisterous $14.80. A strong gold price and weaker Australian dollar has led to excellent performance by local golds enjoying large historical margins. This was a big contributor to the portfolio after purchase at $9.00 in early March. The portfolio still has gold exposure via our holding in **Aurelia Metals (AMI).**

The holding in **iSelect (ISU)** has continued to perform poorly and was sold in June to offset tax liability generated by profitable sales. While below our theoretical value, our patience has run out on this stock.

There were three purchases in the quarter**.**

Vista Group (VGL) was purchased in a COVID-19 linked raising in May. We know this stock well having been a substantial holder a few years ago. The discounted offering at $1.05 NZD in April was a fraction of our sale price pre COVID-19. Vista are the world's largest provider of cinema software and are based in New Zealand**.** Mass closure of cinemas saw revenue slump and the company sought to bolster the balance sheet in order to ride out the pandemic.

Property services company **John Lyng Group (JLG)** was added at $2.50 in June. The group provide restoration and repair services to property both residential and commercial and some construction services. The group works with major insurers to repair damage after storms and catastrophic events of which there have been 6 in the last year. The forward work order book is at record levels.

Private hospital operator **Ramsay Healthcare (RHC)** was purchased in April when the company announced a surprise discounted issue. Lucky timing for the portfolio, this one was already on the watchlist and the placement was cheap at $56.00. Ramsay closed the month at $66.50.

Mineral Resources (MIN) has been a solid but volatile earner for the portfolio. The position was halved at $20.79 in June. This is a 48% gain since March and above our target price. While MIN has optional value in lithium, the price rise was driven by the robust iron ore price while lithium continues to struggle. We can see iron ore stocks continuing to perform in these conditions but chose to reduce the position given the gains achieved.

The existing holding in **Carbon Revolution (CBR),** listed only in November, was increased in the March quarter at $1.50 after an unexpected placement. The disruption to Ferrari operations in Italy meant it was critical to reinforce the balance sheet into 2021. The ramp up of carbon auto wheel sales post the pandemic is crucial to our valuation target.

Charter Hall (CHC) did deliver an exceptional result in February as expected but fell more than 50% in the March correction, a massive over reaction. More shares were bought in April to average down. This stock is a REIT on the face of it but an aggressive asset manager as well. Still well below our target value, I am confident on this one for the rest of the calendar year.

Oneview Healthcare (ONE) remains challenged but a cost cutting program and a solid base of hospital clients suggests the stock is cheap at only 5 cents. The ability to sell technology into hospitals in this COVID-19 environment is very limited. We are staying the course for now.

Aurelia Metals (AMI) was our biggest winner lifting from March lows of 20 cents to 50 cents at the quarter end. The market has renewed interest in this polymetallic gold, copper and lead producer from Cobar after better production and mine life extension through exploration. Aurelia rose 108% in the quarter.

Investments in July will reduce the currently high cash level.

Contact the Manager

Chris Cahill   02-9409 2301
Suite 8.07, 6A Glen St, Milsons Point NSW 2061
ccahill@questap.com.au
www.questap.com.au