

SEPTEMBER 2021 - PORTFOLIO UPDATE

The market fell for the first time since September 2020, ending an 11-month streak. Concerns over the US Federal Reserve tapering monetary stimulus, coupled with inflation fears and the risk of Evergrande default in China weighed on the market.

The Ex20 benchmark fell -1.2%, which was less than the broader market which was down -1.9%. The Quest Ex20 portfolio returned -2.4%, lagging the benchmark.

It was a relatively chaotic month in the market with a lot of movement. From a low base, 10yr Government bond yields jumped almost 30% in Australia (from 1.2% to 1.5%) and by similar amounts in the US. Oil surged 10% whilst iron ore tumbled 30%. The US stock market fell -5% with tech stocks being particularly targeted.

The portfolio felt the impact of these gyrations. Our resource holdings, which are focused on metals that play a vital role in a decarbonising world, were down: IGO (-7%), 29 Metals (-6%) and Orocobre (-5%) whilst Mineral Resources (-18%) transmitted the iron ore fall. Our small holding in Santos (+19%) was not enough to make up for the surging energy names that we do not own such as Oil Search (+17%) and Beach Energy (+42%).

Companies exposed to re-opening, as COVID recedes in Australia, were a clear source of strength and optimism. The portfolio has good exposure here with each of Silk Lasers (+14%), Corporate Travel (+8%), Accent Group (6%) and Serko (+5%) well supported. Sydney Airport (+3%) also firmed as its takeover progresses to a conclusion. Other holdings which should benefit in time, but which remained stagnant this month include Catapult (+2%), Atomos (0%) and Silk Logistics (-5%). Our worst performer was Marley Spoon (-30%) as the market has little interest in stocks that have significantly benefited from COVID. Breville (-9%) also fits into this category.

We did little trading this month. A number of IPOs are lining up to debut before year end. We consider the quality to be uneven and the backers of these floats are finding they need to be priced reasonably or the IPO will not get away. A number have recently failed for this reason. We have supported the IPO of Step One, a fast-growing manufacturer and (digital-only) marketer of environmentally friendly men's underwear. It will list next month.

Recent market ructions highlight the current uncertainty facing investors. We remain positive and are selectively looking for new opportunities as some stocks reset at lower levels.

PORTFOLIO FEATURES

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

DRIVERS OF PERFORMANCE

POSITIVE

Silk Laser, Corporate Travel, Kazia Therapeutics, Accent Group, Carbon Revolution, Sydney Airport

NEGATIVE

Marley Spoon, Mineral Resources, Resmed, Ai-Media, Breville, IAG, IGO, Silk Logistics, Orocobre

CURRENT PORTFOLIO

Total holdings	39
Non-benchmark holdings	16
Tracking error	6.0%
Active share	81%
Stock specific risk	73% of active risk
Earnings growth (1yr fwd)	41% pa
ROE	15.7%
Beta	1.1
P/E (1yr fwd)	26.9x
Dividend yield (1yr fwd)	2.2%

Source: Bloomberg (some stocks excluded)

PERFORMANCE*

To 30 September 2021	1month	3months	6months	1yr	2yrs (p.a)	3yrs (p.a)	Inception (p.a)
Quest Ex-20 Aust Equities	-2.4%	+5.8%	+16.1%	+29.4%	+26.2%	+20.8%	+19.8%
ASX300 Acc. ex ASX20 index	-1.2%	+4.8%	+12.5%	+27.9%	+8.9%	+9.6%	+10.9%
Value added	-1.2%	+1.0	+3.6%	+1.5%	+17.6%	+11.2%	+8.9%

*Returns after fees based on the Mason Steven SMA model portfolio. Holdings and therefore returns may vary slightly, given small trading variations between SMA platforms and the Ex20 unit trust. Performance fees, where applicable, are deducted six monthly following the June and Dec periods. Individual returns will differ for investors, depending when the initial investment was established and the timing of any additional investments or redemptions. Past performance is no guarantee of future performance.



INVESTMENT PROFILE

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 our 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.

The portfolio will typically have a bias to companies with growth characteristics (revenue, earnings and return on equity) and can be expected to have significant exposure to companies not in the benchmark. Both these exposures will vary through time as opportunities arise.

Portfolio risk is actively managed with a focus on capital preservation.

A new Ex-20 Unit Trust is expected to be available in October 2021. It will be managed in the same way and can be expected to have the same portfolio holdings as the Ex-20 SMA.

SAMPLE PORTFOLIO HOLDINGS

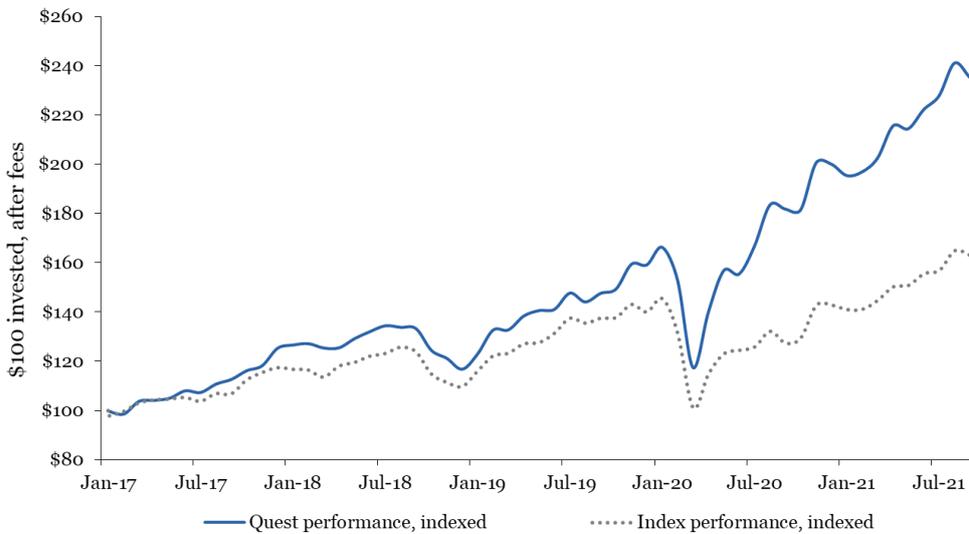
LARGE CAP	
James Hardie	Ramsay
Sydney Airport	Resmed
MID CAP	
Aventus Group	Corporate Travel
Steadfast	Mineral Resources
SMALL CAP	
Accent	Atomos
Silk Lasers	Orocobre

CONTACT THE MANAGERS

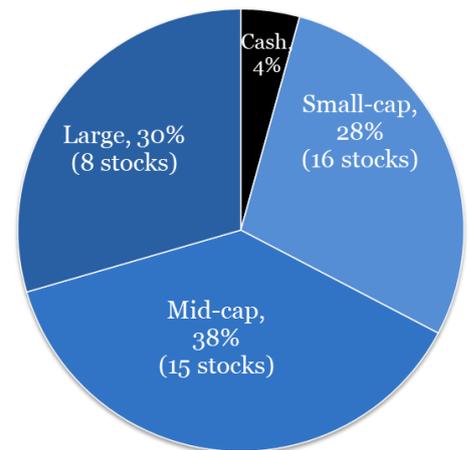
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PORTFOLIO RETURNS



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