

JANUARY 2022 - PORTFOLIO UPDATE

In an abrupt reversal to recent buoyant conditions, the market fell heavily in January. Fears of inflation and higher interest rates reached a crescendo and the December Santa-rally quickly reversed. We envisaged this possibility in our December report and were not surprised.

The Ex-20 benchmark fell -7.9%. Smaller and riskier stocks were knocked about more than larger, more defensive stocks. As a result, the broader market fell less, down -6.5%. The same thematic roiled global markets with the NASDAQ hit particularly hard, falling -9%. More telling is the fact that the median stock in that index is now down 50% from its peak.

The Quest X20 portfolio returned -7.8%, slightly better than the benchmark. Our moves during December to exit smaller growth and tech-exposed holdings and build cash to 12% proved well timed. We remain in a position to capitalise on market falls.

Locally, energy and resources stocks were strong whilst technology, healthcare and consumer discretionary stocks were shunned. We have chosen to persevere with a select group of investments within these sectors as we remain positive on their longer-term prospects.

Holding high levels of cash helped cushion the fall along with stocks posting positive returns: Carbon Revolution (+13%) and Credit Corp (+1%) rallied after market updates, Santos (+13%) benefited from strong energy prices and lithium producer IGO (+3%) and Incitec Pivot (+1%) held their ground.

Pain was felt in our small cap holdings which includes consumer discretionary, healthcare and some lesser-known names: Atomos (-19%), Accent Group (-17%), Ramsay Healthcare (-12%), Kazia Therapeutics (-24%) and Life 360 (-16%).

As noted previously, stocks with exposures to so called “future facing metals” such as lithium have been very strong. We trimmed our holdings during the peak in January, lightening Mineral Resources at over \$66 and IGO above \$13. A portion of these profits were recycled into re-establishing a holding in 29 Metals and we added to Santos and Metcash at good prices during the market rout.

With the abrupt January fall, opportunities are opening up. We, however, remain cautious and have only partially used the cash we have harvested. It is reasonable to expect more sharp moves in the weeks and months ahead. As always, we will use our investment process to capitalise on opportunities that might arise. Our cash holding remains above 10%.

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

Carbon Revolution, IGO, Mineral Resources, Santos, Incitec Pivot, Credit Corp, IAG

NEGATIVE

Atomos, Accent, Ramsay, Kazia Therapeutics, Life 360, NextDC, Immutep, Siteminder

CURRENT PORTFOLIO

Total holdings	38
Non-benchmark holdings	13
Tracking error	5.6%
Active share	79%
Stock specific risk	76% of active risk
Earnings growth (1yr fwd)	30.8% pa
ROE	14.2%
Beta	1.06
P/E (1yr fwd)	20.9x
Dividend yield (1yr fwd)	2.5%

Source: Bloomberg (some stocks excluded)

PERFORMANCE*

To 31 January 2022	1month	3months	6months	1yr	2yrs (p.a)	3yrs (p.a)	Inception (p.a)
Quest Ex-20 Aust Equities	-7.8%	-8.9%	-5.2%	+10.5%	+14.0%	+20.6%	+16.4%
ASX300 Acc. ex ASX20 index	-7.9%	-5.0%	-1.2%	+10.0%	+3.3%	+10.1%	+9.0%
Value added	+0.1%	-3.9%	-4.0%	+0.5%	+10.7%	+10.5%	7.4%

*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. Performance fees, where applicable, are deducted six monthly following the June and Dec periods. Individual returns will differ for investors, depending on 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.

The X20 Unit Trust is also available. It is managed in the same way and can be expected to have the same portfolio holdings as the Ex-20 SMA. The X20 PDS can be accessed by clicking [here](#).

PORTFOLIO HOLDINGS*

LARGE CAP	
IAG Resmed	Ramsay Santos
MID CAP	
IGO Metcash	Incitec Pivot Steadfast
SMALL CAP	
Accent Silk Laser Australia	Atomos Siteminder

*Not Complete

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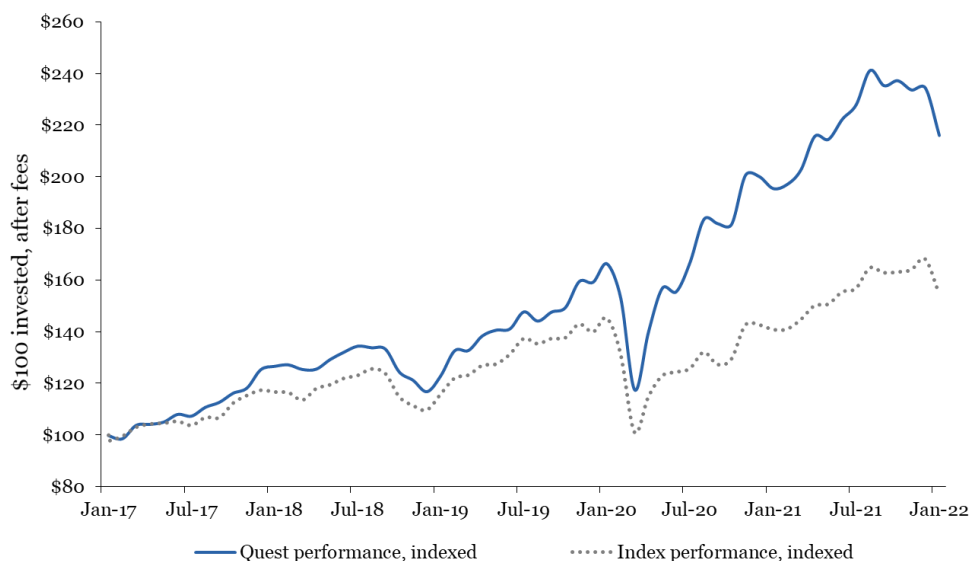
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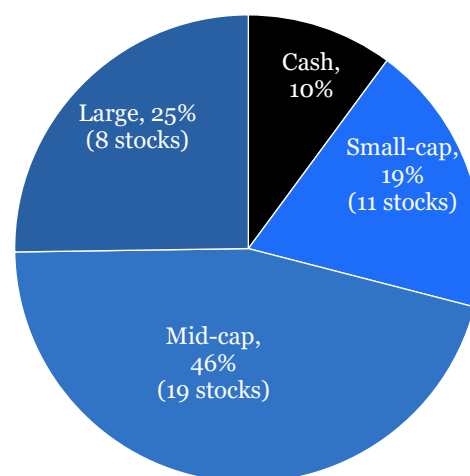
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PORTFOLIO RETURNS



PORTFOLIO 31 JANUARY 2022



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