

PORTFOLIO FEATURES

Inception	9 February 2005
Benchmark Index	S&P/ASX300
No of holdings	maximum 35
Quest AUM	\$1,791 m
Strategy AUM	\$123.4 m
Investment horizon	3 - 5 years
Investment Strategy	Fundamental with a focus on business quality and free cash flow
Derivatives/Shorting	Nil
AFSL	279207
Lonsec Rating	Reviewed and Rated by Lonsec

FUND HOLDINGS BY SIZE

LARGE CAP

Commonwealth Bank, CSL, Insurance Australia, Macquarie Bank, National Australia Bank, Sydney Airport, Transurban

MID CAP

Bank of Queensland, Charter Hall, IGO, Mineral Resources,

SMALL CAP

Ai-Media, Catapult, Core Lithium, Corporate Travel, Credit Corp, Kazia, MAAS Group, Orocobre, SSR Mining, Steadfast

CONCENTRATED UPDATE SEPTEMBER 2021

Corrections are healthy for markets and provide opportunity. There are signs of a correction looming given the planned US Fed tapering, a prolonged period of market gains, a move higher in interest rates and the recent drama involving the solvency of Chinese developer Evergrande. Evergrande has missed two bond holder payments in September and carries an extraordinary \$400 billion in debt.

A decent correction requires a drawdown of 5-8%. Corrections quell market hubris, highlight the chase the pace style of analysts, provide a life lesson for new investors and present opportunities. We saw this in March 2020. Corrections are healthy for a market.

A correction brings over-priced stocks back to the pack and ironically favours lower quality stocks previously left behind. We believe that tech stocks are generally expensive but we do hold Catapult and AI Media in this sector. Vaccines have turned the tables dramatically in favour of mankind and a recovery behavioural stampede is likely. We own recovery situations such as travel business Corporate Travel, Sydney Airport, three banks and Transurban.

Healthcare names in our portfolio including CSL and Ramsay have been disrupted by the pandemic and will benefit from normalisation. A lot of spare time has led to a surge in gambling particularly on-line and these habits will continue. Quest have done well in gaming business Aristocrat. Despite the strong market, a few of our small stocks remain below our valuations.

We may have held too long in iron ore stocks BHP and Rio as the Chinese Evergrande collapse clobbered the iron ore market. We chose to wait for the juicy dividends knowing that volatility was coming; the iron ore fall has been severe.

While our lithium holdings Mineral Resources, Orocobre and IGO have eased back, they are well ahead of our entry prices. Demand exceeds supply in the global decarbonisation process where the global compound growth rate of EV purchase is well over 50% over the last 5 years.

Uncertainty can turn the market tide and we see the early signs playing out. Regardless of the cause, the market needs to periodically correct to flush out the hubris. Accordingly, we retain our positive market view through to the New Year despite volatility being likely in the coming weeks.

Performance*

To 30 Sept 2021	1 month	3 months	1 year	3yrs (pa)	5yrs (pa)	10 yrs (pa)	15yrs (pa)	Since inception (pa)
Quest Aust Equities Concentrated	-1.4%	3.6%	33.4%	15.2%	15.0%	14.8%	10.9%	12.5%
ASX300 Accumulation index	-1.9%	1.8%	30.9%	9.9%	10.5%	10.8%	6.8%	8.0%
Value added	+0.5%	+1.8%	+2.5%	+5.3%	+4.5%	+4.0%	+4.1%	+4.5%

*Returns before fees and tax based on the JBWere platform model portfolio.

Past performance is no guarantee of future performance. Individual returns will differ for investors, depending on when the initial investment was established and the timing of any additional investments or redemptions. Inception date is February 2005.



CURRENT PORTFOLIO

Table with 2 columns: Metric and Value. Metrics include Total holdings (31), Non-benchmark holdings (9), Tracking error (4.4%), Active share (64%), Stock specific risk (67% of active risk), Earnings growth (1yr fwd) (27.3% pa), ROE (17.1%), Beta (1.02), P/E (1yr fwd) (22.3x), Dividend yield (1yr fwd) (3.6%).

MONTHLY ACTIVITY

We added Transurban to the portfolio last month with the initial position being bolstered by the expected 1 for 9 entitlement issue this month. The company has acquired the remaining 49% of the Westconnex road project in Sydney from the NSW Government.

Quest participated in a capital raising by Steadfast in September. The company raised \$200m of new capital to acquire Coverforce for \$411m. Coverforce is a private insurance broker focused on the SME sector. The issue was at \$4.51 ex dividend. Steadfast are currently trading at \$4.85.

In September we sold our RIO holding and switched funds into pure iron ore play Fortescue Metals.

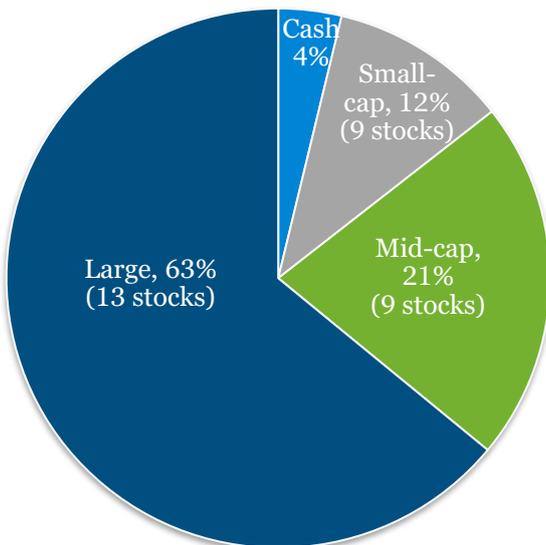
There was some reduction of our positions in Commonwealth Bank and National Australia Bank during the month.

The month also included receipt of some large franked dividends from Commonwealth Bank, RIO and BHP.

Best performers in September were Core Lithium up 29%, MAAS Group up 24% and Kazia Therapeutics up 14%. Corporate Travel, Aristocrat and National Australia Bank also performed well. Marley Spoon was a detractor falling 29% while Mineral Resources fell 18%.

Quest holds Sydney Airport shares which remain subject to a takeover bid.

PORTFOLIO BY SIZE



INVESTMENT PROFILE

The Quest 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 the portfolio while maximising transactional and tax visibility.

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