

QUEST AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO: WHOLESALE

QUARTERLY REPORT



31 DECEMBER 2018

The Quest Australian Equities Concentrated Portfolio (also commonly referred to as a Separately Managed Account) is available through the Mason Stevens Managed Discretionary Account Service.



MARKET AND PORTFOLIO REVIEW

Equity markets retreated during the quarter after a local high point at the end of August. An array of global macro concerns has finally disrupted the methodical climb. The issues include slowing US growth, lack of a BREXIT resolution, the US government partial closure, the on-going folly of Presidential tweets and US/China trade wars finally disrupted markets.

We have previously remarked on the incredible strength of the tech sector where investors were paying mystifying prices for high growth stocks. The index comprising Amazon, Apple, Google/Alphabet, Microsoft, Netflix and Facebook subsequently lost 22% on average over the quarter.

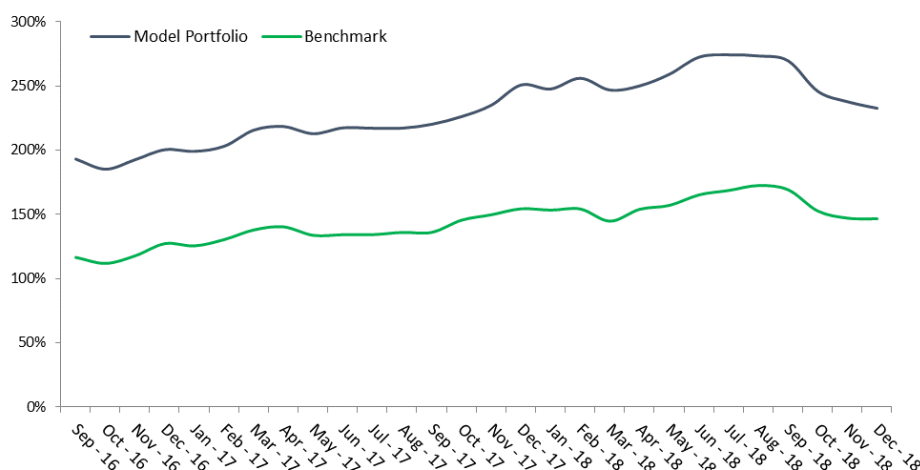
Despite the volatility, the final return for the local market for 2018 was -3.1%. This is the first negative return delivered in seven years, and only the fourth negative return in the last twenty calendar years. We previously had noted our rotation of the portfolio away from fully priced investments. This gave us cash to deploy as share prices fell. Aristocrat Leisure and Sonic Healthcare were notable recent additions to the portfolio in December.

Our portfolio has been significantly re-shaped in the last 12 months. We have reduced the proportion our portfolio held in small capitalised stocks, which currently stands at 17% down from 23% a year ago. The quality of our holdings has increased with A and B grades now comprising 88% of the portfolio. We see the current market as being in a transition stage, however, interesting opportunities are now beginning to appear as prices and sentiment stabilise.

PERFORMANCE SUMMARY¹

Period	Model Portfolio	Benchmark	+/- Return
1 month	-1.52%	-0.23%	-1.29%
3 months	-10.01%	-8.41%	-1.61%
1 year	-5.17%	-3.06%	-2.11%
Annualised return since inception (pa)	9.04%	6.71%	2.33%

Performance Since Inception



Top five holdings

Security	%
Commonwealth Bank of Australia (CBA)	10.50
BHP Billiton (BHP)	8.90
CSL Limited (CSL)	8.89
Westpac Banking Corp (WBC)	6.97
Insurance Australia Group (IAG)	4.68

¹ The Portfolio's benchmark is the S&P/ASX 300 Accumulation Index. Past performance is not a reliable indicator of future performance and may not be achieved in the future. All information provided in this report is correct at the date of this report. Returns are calculated net of management, administration, custody and transaction fees, and assume the reinvestment of all income (but not franking credits). Inception date of the Portfolio is 9 February 2005. Actual individual returns of each client's portfolio will differ depending on factors such as date of initial investment, timing of transactions, inflows and outflows, other fees and any customisations. Please refer to the relevant Investment Mandate for full information on product specifics, including all fees and costs.

INVESTMENT OBJECTIVE & STRATEGY

The Model Portfolio aims to outperform the S&P/ASX 300 Accumulation Index (Benchmark) by 4.0% pa (gross of fees), irrespective of market direction. Given the Model Portfolio is expected to display a bias towards 'broad cap' stocks, at any given time a portion of the underlying capital is expected to be allocated to companies with small market capitalisations.

The Quest Australian Equities Concentrated SMA (Model Portfolio) is a concentrated, relatively benchmark unaware Model Portfolio that will typically display a 'broad cap' bias. Additionally, the Model Portfolio does have the ability to allocate up to 100% to cash, albeit this ability is only expected to be utilised in a period of extreme market dislocation.

KEY FEATURES

FEATURE	DETAIL
Investment universe	Shares, preference shares, listed equity and property trusts, convertible preference shares, rights and notes listed on the ASX (or likely to be listed)
Benchmark	S&P/ASX 300 Accumulation Index
Number of investments	20-35
Min. cash weighting	3%
Max. cash weighting	100%
Max. equity weighting	97%
Max. individual security weights	15%
Rebalancing	Daily or at Quest's discretion
Minimum investment	\$250,000
Suggested timeframe	3-5 years

FEES (INCLUDING GST)

FEATURE	DETAIL
Management fee	0.70% pa calculated daily and charged monthly in arrears
Performance fee	30.0% of outperformance above the S&P/ASX 300 Accumulation Index
Transaction costs	0.275% of the value of each transaction
Administration, custody and account service fees.	Please refer to the current Investment Mandate available from your financial adviser or Mason Stevens.

PORTFOLIO MANAGEMENT

Mason Stevens Limited, as the Managed Discretionary Account (MDA) Provider, will administer and implement the Model Portfolio on the instructions of Quest Asset Partners as the Program Adviser.

ABOUT QUEST ASSET PARTNERS

Quest Asset Partners (ACN 109 448 802, AFSL 279207) is the Program Adviser for the Quest Australian Equities Concentrated Portfolio. Quest was established to provide a specialised, focused, professional portfolio management service in Australian equities with a founding belief that management of equities by SMAs provides superior results for investors.

ABOUT MASON STEVENS

Mason Stevens provides a multi-asset and multi-currency investment administration and managed account service to help produce tailored investment outcomes for Advisers and their clients.

Clients benefit from efficient portfolio administration, secure online access to their investments, as well as comprehensive reporting.

CONTACT INFORMATION

Investors

Please speak to your adviser

Advisers

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