

Quarterly performance report

31 March 2019

Quest Australian Equities Concentrated Portfolio - Wholesale

The Quest Australian Equities Concentrated Portfolio is a Managed Discretionary Account (MDA), also sometimes referred to as a Separately Managed Account (SMA).

Performance as at 31 March 2019 ¹					Top five holdings	%
	1 mth (%)	3 mths (%)	1 yr (%)	Annualised return since incep (%pa)	Cash	12.70
Portfolio	-0.81	8.90	4.44	9.53	Westpac Banking Corp (WBC)	9.67
Benchmark	0.73	10.92	11.74	7.37	CSL Limited (CSL)	9.12
Excess/under performance	-1.55	-2.02	-7.30	2.16	Commonwealth Bank of Australia (CBA)	5.80
					James Hardie Industries plc (JHX)	4.40

Portfolio and market returns

The market rally that started at the end of last year was sustained for all of the March quarter which resulted in a 10.9% market return. Markets were driven by a change to US Federal reserve rhetoric on interest rates. Markets have promptly rallied.

Oil (+25%) and Iron Ore (+21%) were robust whilst thermal coal fell (-16%).

Small Cap Industrial price earnings multiples (PE) are close to an all-time high with the 75th percentile at 22.3x. Similarly defensive REIT's and Utilities have been heavily bid up and are trading well above normal levels. Banks are a major sector trading cheaper than historical average. The best performers in the Quest portfolio were gold producer **Alacer Gold** (AQQ +56%). Alacer are successfully transitioning from oxide to sulphide ore with new plant at the Çöpler mine in northern Turkey.

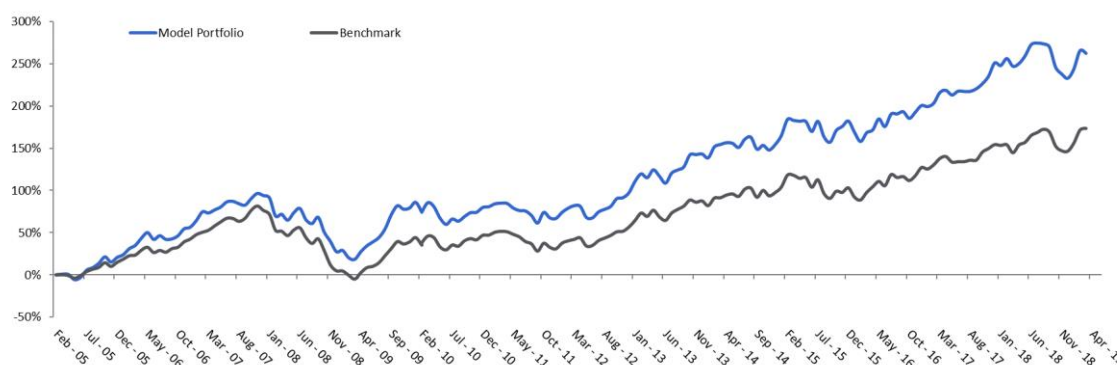
Positive contributions were made by **James Hardie** (JHX +20%), **Janus Henderson** (JHG +21%) and **GTN Limited** (GTN +28%). Our underweight position in financial stocks was beneficial.

While the Quest portfolio lagged the benchmark, we had no material underperforming holdings during the quarter.

Nine Entertainment (NEC) was added after its first result as a merged entity following the combination with Fairfax. Waste recycler **Bingo Industries** (BIN) has returned to the portfolio after an earnings downgrade saw the share price fall 50% in a day.

The **Westpac** (WBC) holding was added to just prior to the final Haynes Royal Commission report. Banks rallied strongly in the subsequent period as many recommendations focused on other sectors of Financial Services, particularly advice. Long term holding in **Vista Group** (VGL) was sold above the Quest valuation at approximately three times the initial investment.

Performance since inception



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 underlying Portfolio is 9 February 2005, however the Portfolio was only made available through the Mason Stevens Managed Account Service 2 December 2015. 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.

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 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.

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.

Contact

Investors

Please speak
to your adviser

Key features

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
Min investment	\$250,000
Suggested timeframe	3-5 years

Fees (including GST)

Management fee	0.70% pa calculated daily and charged monthly in arrears
Performance fee	16.5% of outperformance above the S&P/ASX 300 Accumulation Index
Transactions costs	0.275% of the value of each transaction
Administration, custody and account service fee	Please refer to the current Investment Mandate available from your financial adviser or Mason Stevens.

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