

PORTFOLIO FEATURES

Inception	9 February 2005
Benchmark Index	S&P/ASX300 Accumulation Index
No of holdings	31 (Maximum 35)
Quest AUM	\$1,967m
Strategy AUM	\$123m
Investment horizon	3 - 5 years
Investment Strategy	Fundamental with a focus on business quality and free cash flow
Derivatives/Shorting	Nil
AFSL	279207

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CONCENTRATED PORTFOLIO UPDATE MARCH 2023

The portfolio fell slightly this month in line with the broader market.

The failure of three regional US banks and the rescue of Credit Suisse by UBS was not enough to derail global equity markets. Swift actions by Central banks, bailouts by major US banks and confidence in the prudential controls enacted by regulators post GFC were sufficient to contain short term damage.

Nasdaq was the strongest global market, rallying 6.7% for the month to deliver a quarterly return of an impressive 16.8%. The MSCI World Index rose 2.8%. The ASX and Shanghai indices were more subdued. The FTSE 100 fell 3.1%.

The latest inflation numbers were generally a little better than expected. A fall in global bond yields were supportive of equity markets. The US 10 Year Bond yield dropped 38bp's to 3.57%. The Australian 10 Year Bond fell 55bps to finish the month at 3.27%.

The RBA lifted rates to 3.6%, the tenth rate rise in 12 months.

There will be lasting impacts from these bank failures including tighter credit availability as well as stricter regulation for smaller banks. Ironically, these failures may have done more to dampen an overly exuberant economy than recent interest rate hikes. It may allow Central banks to ease back on the magnitude of rate rises.

Our best monthly returns in March were **Keypath Education** up 21%, **Bellevue Gold** up 20% on a firmer gold price, **Xero** up 15% as the new CEO impresses the investors and **Ventia** up 14% as the stock recovers from an earlier sell down by major holders.

29 Metals fell 25% as rain caused a suspension of mining at Capricorn Copper in northern Queensland. **Charter Hall** fell 17% while **Qualitas** lost 14%.

During the month, **Albemarle** bid \$2.50 for emerging lithium miner **Liontown**. In the Quest December quarterly, we anticipated that 2023 would see asset consolidation in lithium production as larger companies look to secure the source rock/brine for lithium production.

Performance*

To 31 March 2023	1 month	3 months	1 year	3yrs (pa)	5yrs (pa)	10 yrs (pa)	15yrs (pa)	Since inception (pa)
Quest Aust Equities Concentrated	-0.3%	3.7%	0.2%	22.1%	12.3%	12.1%	10.5%	11.9%
ASX300 Accumulation index	-0.2%	3.3%	-0.6%	16.6%	8.6%	8.1%	6.4%	7.6%
Value added	-0.1%	0.4%	0.8%	5.5%	3.7%	4.0%	4.1%	4.3%

*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



MONTHLY ACTIVITY

In March we added to positions in **Charter Hall**, **Qualitas** and **Corporate Travel**. Charter Hall is now 4% of the portfolio and has been weak as fears of property devaluation have grown particularly in relation to office assets. Our valuation work has already allowed for a 20% fall in asset values.

Corporate Travel, like many mid cap industrials has also languished however news of a major new UK contract has seen the stock up more than 10% in April. We like the Qualitas real estate credit lending business and see current tougher conditions as providing opportunity for this business model. The company is also involved in funding Build to Rent projects.

Some profits were taken in **Transurban** but the position is still over 4% of the fund. The stock has been sluggish until recently despite the benefit of inflation adjusted toll charging. During March, Transurban rallied with the run continuing into April.

Our holding in **29 Metals** was reduced after record flooding in Queensland has resulted in a suspension of mining for up to four months.

Cash was 3% at month end.

BUDGET 2023

The Australian Federal budget will be released on Tuesday 9th May.

Treasurer Chalmers has inherited net debt of over \$500 billion, high inflation, a housing crisis and demands for higher wages. The budget will be addressing the usual areas of interest including health care, social security, defense and the cost of living.

Investors will be wary of taxation changes which seem inevitable given the state of the balance sheet. Changes to superannuation have already been announced and hopefully there will be additional detail. Stage 3 tax cuts left over from the Morrison era may not survive this budget. The government will need more tax revenue and larger corporations particularly banks, energy companies and the wealthy will be targeted. Discounted capital gains tax provisions, superannuation changes, wealth taxes, industry profit levies and corporate tax may be on the menu. Tax changes may not all arrive in this budget, but a change is coming at some stage.

The Treasurer's manifesto was released in late January and stated: "It's not just our economic institutions that need renewing and restructuring, but the way our markets allocate and arrange capital as well".

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.

CONTACT THE MANAGERS

Michael Evans	ph.02 9409 2300 mevans@questap.com.au
Chris Cahill	ph.02 9409 2301 ccahill@questap.com.au
Troy Cairns	ph.02 9409 2303 tcairns@questap.com.au

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