

### PORTFOLIO FEATURES

Inception	9 February 2005
Benchmark Index	S&P/ASX300 Accumulation Index
No of holdings	30 (Maximum 35)
Quest AUM	\$2,029m
Strategy AUM	\$126m
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

### DRIVERS OF PERFORMANCE

#### POSITIVE

Catapult Group	+ 38%
Allkem	+ 21%
Xero	+ 18%
James Hardie	+ 13%
Qualitas	+ 8%
Boss Energy	+ 6%

#### NEGATIVE

Keypath Education	- 46%
Paladin Energy	- 18%
Stanmore Coal	- 13%
Bellevue Gold	- 5%

### CONCENTRATED PORTFOLIO UPDATE MAY 2023

A very solid month for the portfolio which avoided the weakness of the benchmark.

We saw strong returns from **Catapult**, **Allkem**, **Xero** and **James Hardie**. It is pleasing to see good gains from some industrial holdings, particularly Catapult where we have been committed for a few years. Catapult is a global leader in wearable sports tracking software.

**Our team retain our cautious view on the market. We are not convinced that interest rates will reverse later in the year. We see inflation as entrenched and now being strengthened by wage pressure.**

Cost of living pressures continue and will worsen as power prices rise from July. The pressure on the consumer is now apparent after poor results from retailers the latest being **Universal Store** and **Adairs**. Both indicated waning sales. The Quest portfolio has avoided discretionary retail but does have a position in grocery staple **Woolworths**.

Last month we set out our case for a lower bank exposure and there is no change to this view. We hold **National Bank** and **Macquarie** but have no holding in the other three majors.

We remain positive on resources particularly copper, nickel uranium and lithium. Stocks held include **BHP**, **Allkem**, **IGO**, **Mineral Resources** and **Boss Energy**. We see 2023 as a critical year for source asset ownership given the transition to electric cars and battery storage.

The broader resource market is driven by China where it is hard to be definitive on demand. The Chinese economy is weak but the Central Government has a record of using economic stimulus that may arrive at any time.

We hold **Santos** due to our view that gas is a necessary transitional fuel in the energy sector and **BHP** for strong cash flow, divi yield and copper upside.

The Dow Jones fell 3.5%, the NASDAQ was up 5.8% and the FTSE lost 5.4%. Iron ore fell 4.8% and the gold price was down 1% to USD\$1,959.

The market has survived the 78<sup>th</sup> US debt ceiling "crisis" since 1917 at month end which has led to a rally in June.

### Performance\*

To 31 May 2023	1 month	3 months	1 year	3yrs (pa)	5yrs (pa)	10 yrs (pa)	15yrs (pa)	Since inception (pa)
<b>Quest Aust Equities Concentrated</b>	<b>0.0%</b>	<b>1.1%</b>	<b>2.0%</b>	<b>16.6%</b>	<b>11.8%</b>	<b>12.1%</b>	<b>10.0%</b>	<b>11.9%</b>
ASX300 Accumulation index	-2.5%	-1.0%	2.4%	11.3%	7.4%	8.1%	5.9%	7.5%
Value added	+2.5%	+2.1%	-0.4%	+5.3%	+4.3%	+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



## MONTHLY ACTIVITY

No new stocks were added during May. Our holding in financial services provider **Computershare** (CPU) was increased with the holding now 3.5% of the portfolio.

**Dominos Pizza** (DMP) has been sold at a loss. We have lost confidence in our valuation target as the effects of inflation appear worse than management described late last year.

We reduced marginally our long standing holding in **Allkem** (AKE) after a very strong 20% gain in May.

Allkem has announced a “merger of equals” with **Livent Corporation**. Livent is a lithium technology company listed on the NYSE. The company sold the first lithium batteries to Sony in 1991 for use in cameras. Livent has a brine operation in Argentina not far from the Olaroz facility owned by Allkem. Livent also has manufacturing facilities for lithium products and an emerging spodumene operation in Quebec in the same region as Allkem. There is a planned hydroxide plant nearby which will save Allkem building a similar facility. The deal provides bulk to the merged business which could become the third largest global producer behind **Albemarle** and **SQM**.

There is however discussion about the proposed merge ratio which is seen by some Allkem shareholders as not reflective of relative value. We expect Livent management to present the merger to Allkem shareholders in June.

Portfolio cash was 4.0% at month end.

## XERO REBOUNDS IN 2023



## 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

<b>Michael Evans</b>	ph.02 9409 2300 <a href="mailto:mevans@questap.com.au">mevans@questap.com.au</a>
<b>Chris Cahill</b>	ph.02 9409 2301 <a href="mailto:ccahill@questap.com.au">ccahill@questap.com.au</a>
<b>Troy Cairns</b>	ph.02 9409 2303 <a href="mailto:tcairns@questap.com.au">tcairns@questap.com.au</a>

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