

PORTFOLIO FEATURES

Inception	9 February 2005
Benchmark Index	S&P/ASX300 Accumulation Index
No of holdings	30 (Maximum 35)
Quest AUM	\$2,062m
Strategy AUM	\$135m
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

Boss Energy	+ 40%
Stanmore coal	+ 28%
MAAS Group	+ 4%

NEGATIVE

Allkem	- 16%
Genesis Minerals	- 13%
Charter Hall	- 12%
James Hardie	- 12%

CONCENTRATED PORTFOLIO UPDATE SEPTEMBER 2023

September saw the Quest portfolio ahead of a generally weaker market index.

While most markets are positive for the calendar year, recent trading has seen equity markets pressured by the incessant rise in the US 10-year bond. **In simple terms, the returns from fixed interest have dramatically increased making equities appear less attractive.**

The persistence of the 10 year bond move and the resilience of equity markets to rate pressure is currently the main dilemma for investors. The 0.8% fall in the September quarter is only the 5th quarterly fall in 5 years, despite the US bond rising from 0.05% in July 2021 to circa 4.7% at present.

The Quest position is that we have never considered that inflation and rate pressure will obediently roll away like a wind squall and as a result have maintained a defensive stance for some time.

Market sentiment has now shifted toward our view and the market enters October in a bearish mood.

US debt is high and further bond issuance to fund the \$33 trillion debt puts further pressure on the 10 year bond. Our team is considering if this capitulation is in fact an early buy signal for stocks most badly affected by high bond yields. The list includes beaten down small cap industrials, bond proxies, tech stocks, build to rent models, REIT's and gold stocks.

We remain positive on lithium and uranium stocks.

The Quest best performers in September with uranium miner **Boss Energy** and met coal producer **Stanmore Resources** up 40% and 28% respectively.

Lithium stocks were weak with the spodumene price now down 30% in the September quarter as battery manufacturing in China slows and lithium supply increases.

Our five largest positions are currently **BHP, National Bank, CSL, Santos and Macquarie Bank**. Mid and small cap holdings include **Catapult, Credit Corp, SSR Mining, ALS Limited, Qualitas** and **Stanmore Coal**.

Our portfolios have enjoyed a rush of dividends in recent weeks post reporting season.

Performance*

To 30 September 2023	1 month	3 months	1 year	3yrs (pa)	5yrs (pa)	10 yrs (pa)	15yrs (pa)	Since inception (pa)
Quest Aust Equities Concentrated	-1.8%	-0.1%	11.9%	14.4%	11.4%	11.7%	11.3%	11.7%
ASX300 Accumulation index	-2.9%	-0.9%	12.9%	10.8%	6.6%	7.4%	7.3%	7.4%
Value added	+1.1%	+0.8%	-1.0%	+3.6%	+4.8%	+4.3%	+4.0%	+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 AND CORPORATE ACTIVITY

In September we increased the **BHP** holding prior to the dividend ex-date. BHP enjoys strong iron ore cash flow and has paid \$2.61 in franked dividends this year, a yield close to 6%.

The portfolio holding in **IGO Limited** was reduced cum dividend as target price was reached with a balance retained for the dividend. The stock has performed poorly since paying that dividend, down 9%, as lithium prices moved lower. We retain our holdings in **Mineral Resources** and **Allkem**.

The portfolio also completed our selling in insurer **Steadfast** which has been a great earner for Quest in recent years.

A number of significant corporate events are underway. Firstly, the merging of lithium producer **Allkem** with **Livent** (NYSE:LTHM), will see merger documents released later than expected in November. Quest own Allkem shares.

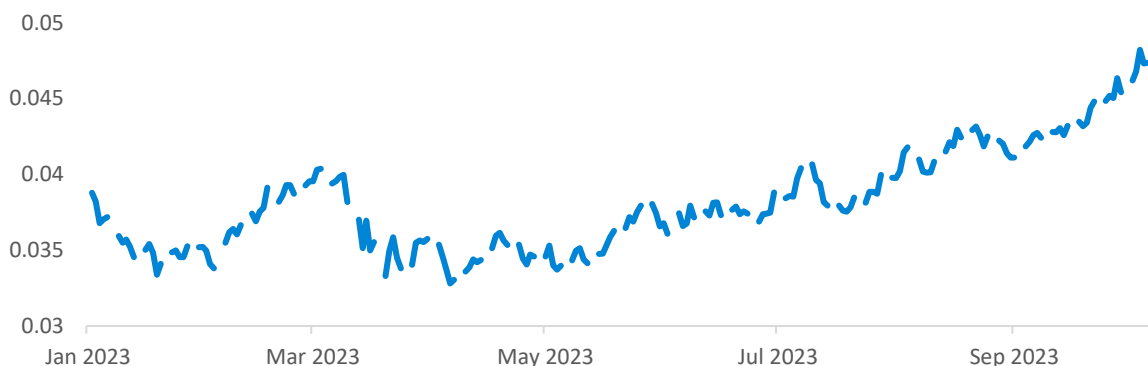
Newmont Corporation, based in Denver, has bid for **Newcrest** with all approvals now obtained. The Scheme meeting is to be held on 13th October. Newcrest will remain listed as Newmont and trade as a CDI with the head stock, Newmont, being listed on the NYSE. Quest does not own Newcrest.

Lithium miner **Liontown** is still constructing the Kathleen Valley underground project near Kalgoorlie and is now the subject of a bid from **Albemarle**. Gina Reinhardt has spoilt the party by buying 16.6% of the stock on market at \$3 and is positioned to derail the shareholders vote on the Albemarle takeover. Quest does not hold Liontown shares.

Qantas continued their reputational Stuka dive in September with CEO Alan Joyce retiring early and a swag of customer service improvements announced.

CHART OF THE MONTH: BONDS CONTINUE TO CLIMB

US 10 Year bond 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.

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