QUEST *Invest with Experience*

Ex-20 SMA

September 2023 - Portfolio Update

The Australian market was down a further -2.9% in September (XKOAI), continuing the trend from last month. The fall was driven mainly by the rise in 10-year bond yields due to a mix of higher oil prices and an increase in headline inflation, fuelling concerns that higher interest rates will be required to contain inflation. Australia fared better than the US, with the S&P500 -4.9% and NASDAQ -5.8% but lagged China -2.8% (MSCI) and the UK +2.3% (FTSE).

The Ex20 benchmark was down -4.4%, falling more than the broader market, as small and mid-cap stocks fared worse than larger stocks. The Quest portfolio outperformed, returning -3.2% after fees.

As noted, 10-year Government bond yields in Australia and the US jumped appreciatively, up +0.5% and +0.4% respectively. The last time rates were at these levels (4.6%) in the US was mid-2007. Given these moves, the REIT sector was the hardest hit (-9%), followed closely by Technology (-8%). Energy was the only positive sector driven by the surge in oil (WTIS +9%), LNG (+11%) and natural gas (+6%). Uranium (+20%) was also strong, as was coking coal (+20%).

The strong showing in energy stocks was reflected in our best performers for the month. Our uranium holdings were particularly strong; Boss Energy (+41%) and Paladin Energy (+31%), along with Stanmore Coal (+28%) and Karoon Energy (+11%). Positive returns were also posted by Maas Group (+4%), Ventia Services (+4%), Silk Logistics (+3%), Johns Lyng Group (+2%) and IDP Education (+1%).

Our poorest stocks for the month included lithium holding Allkem (-16%), property play Charter Hall (-12%), gold miner Genesis Minerals (-13%), fund manager GQG Partners (-11%) and tech business Xero (-10%).

We made some portfolio adjustments during the month to manage portfolio risk and rotate to stocks that offer a better risk / return trade off. We exited lithium stock IGO Limited cum dividend. The stock had been very strong prior to this and fell heavily after the dividend was paid. Other exits include Resmed, Silk Laser and Northern Star. We re-established a modest holding in IDP Education, following its recent fall and a new position in Light & Wonder Inc. We also added Beach Energy funded from trimming our profitable Karoon Energy position. Additions were also made to other portfolio holdings. Cash sits at 4%.

Capitulation often presents opportunity. The spike in interest rates has fuelled widespread fear, which is interesting to us. As always, we focus on finding quality stocks at prices we consider reasonable, amidst the market volatility. We aim to carefully manage portfolio risk as we take advantage of the value appearing in the smaller and mid-cap segment of the market where we focus.

Portfolio Features

Inception	5 January 2017
Benchmark	S&P/ASX300 ex 20 Index
No. of holdings	20 - 40
Typical cash weight	3 - 10%
Investment horizon	3 - 5 years
Portfolio Managers	Troy Cairns/ Swapan Pandya
How to invest	Mason Stevens Platform Xplore Wealth Platform MyNorth Platform

Research Ratings

Lonsec	RECOMMENDED

Drivers of Performance

Positive

Stanmore Coal, Boss Energy, Karoon Energy, Paladin Energy, Ventia Services, Johns Lyng, Maas Group

Negative

Charter Hall, Allkem, GQG Partners, Genesis Minerals

Current Portfolio

Total holdings	40
Non-benchmark holdings	8
Tracking error	5.5%
Active share	82%
Earnings growth (1yr fwd)*	21.2% pa
ROE	18.2%
Beta	1.1
P/E (1yr fwd)*	20.7x
Dividend yield (1yr fwd)	3.1%

Source: Bloomberg (*outliers excluded)

Performance*

To 30 September 2023	1month	3months	6months	1yr	3yrs (p.a)	5yrs (p.a)	Inception (p.a)
Quest Ex-20 Aust Equities	-3.4%	-0.9%	+4.3%	+12.3%	+6.2%	+10.3%	+12.2%
ASX300 Acc. ex ASX20 index	-4.4%	-2.5%	+0.0%	+11.3%	+7.5%	+5.0%	+7.1%
Value added	+0.9%	+1.7%	+4.3%	+1.0%	-1.4%	+5.3%	+5.2%

*Returns after fees based on the Mason Steven SMA model portfolio. Holdings and therefore returns may vary slightly, given small trading variations between SMA platforms. Performance fees, where applicable, are deducted six monthly following the June and Dec periods. Individual returns will differ for investors, depending on when the initial investment was established and the timing of any additional investments or redemptions. Past performance is no guarantee of future performance.

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Investment Profile

The Quest Ex-20 Portfolio is a Separately Managed Account (SMA), actively managed by Quest Asset Partners. The Portfolio comprises between 20 and 40 securities and aims to outperform the S&P/ASX 300 index excluding the 20 largest companies. The Portfolio will have significant exposure to mid and small-capitalised stocks benefiting from our proven investment process and experience with smaller companies.

The assessment of business quality is fundamental to the Quest investment process. We aim to identify companies that can deliver good returns on invested capital and sustain those returns through time. Quest has a long track record of investment performance leveraging this process.

The portfolio will typically have a bias to companies with growth characteristics (revenue, earnings and return on equity) and can be expected to have significant exposure to companies not in the benchmark. Both these exposures will vary through time as opportunities arise.

Portfolio risk is actively managed with a focus on capital preservation.

The X20 Unit Trust is also available. It is managed in the same way and can be expected to have the same portfolio holdings as the Ex-20 SMA. The X20 PDS can be accessed by clicking here.

Portfolio Holdings*

LARGE CAP	
Carsales	James Hardie
Light and Wonder	Mineral Resources
Sonic Healthcare	Xero

MID CAP	
Allkem	ALS Limited
Charter Hall	Seek
Steadfast	Ventia

SMALL CAP	
Catapult	Genesis Minerals
Karoon Energy	Maas Group

*Not Complete

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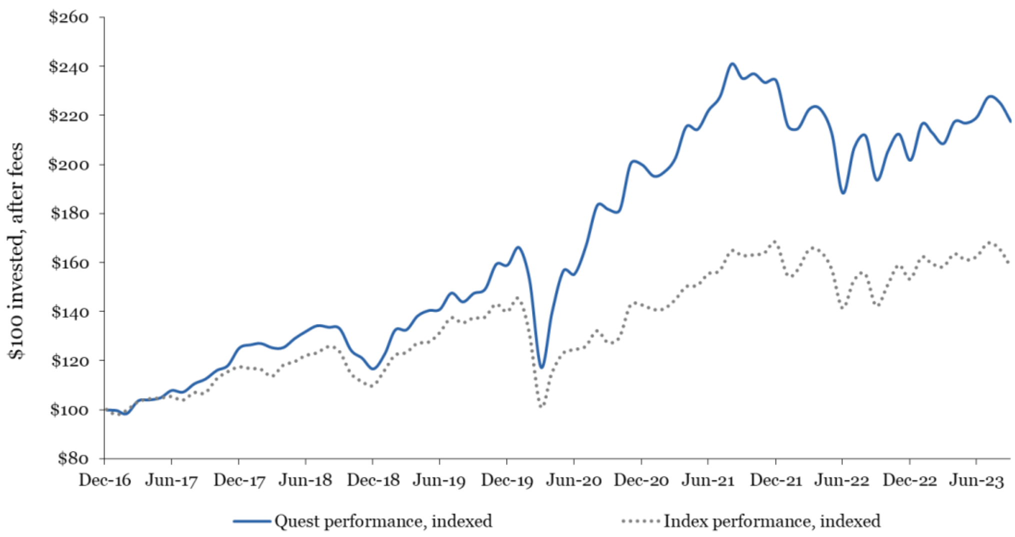
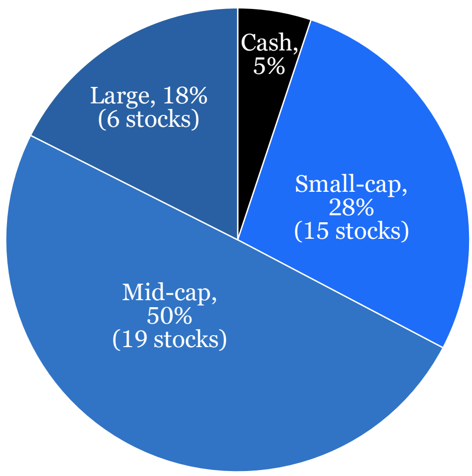
Portfolio Returns



Portfolio 30 September 2023



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