

Market Summary – June 2025

The Quest Long Short Australian Equities Fund rose 0.1% as equity markets rallied further in a volatile finish to FY25. The Fund has risen **13% p.a net of fees since inception** over five years ago compared to the index return of 12.9%.

The Australian market rallied 1.4%, building on the recent bounce to be up an incredible 20% from the April lows. Global markets outperformed again with the S&P500 +5%, NASDAQ +6%, Nikkei Japan +7% and MSCI China +3%.

Government bond yields (10yr) eased in the US & Australia, possibly on diminishing inflation fears and despite growing unease about the challenging fiscal position in the US. Strong price momentum factors led to more PE expansion.

Locally, Energy (+9%) led the gains, followed by Financials (+4%) whilst Communications & Discretionary rose 1.5%. The main laggards were Materials (-3%) and Staples (-2%). Oil (+6%) & copper (+4%) rose again, while iron ore fell 4%.

The surge in equity markets since Liberation Day, bringing indices back to new all-time highs, has been astonishing. Equity markets are ignoring rising bond yields, ballooning US debt, weak earnings revisions and Trump trade threats.

Performance Drivers – June 2025

POSITIVE

Overweight- Qualitas, Ventia, Qoria, GQG Partners, ALS

Underweight – Rio Tinto, Evolution Mining, Coles

NEGATIVE

Overweight – Light & Wonder, Immutep, CSL, Reece

Underweight – CBA, James Hardie, Macquarie Group

Investment Profile

The Quest Long Short Australian Equities Fund aims to outperform the S&P/ASX 200 Accumulation Index after fees over the medium to long term with an actively managed portfolio of long and short positions.

Short selling (up to 30% of Fund NAV) aims to enhance returns when selected stocks are expected to fall or underperform. Proceeds may then be reinvested in preferred long positions to further enhance returns.

Portfolio Features

Fund Inception	30 April 2020
Benchmark	S&P/ASX200 Accumulation Index
Investment Strategy	Fundamental with a key focus on business quality and free cash flow
Time Horizon	5 years+
Portfolio Manager	Richard Dixon
Stock Numbers	58 (40 longs, 18 shorts)
Fund Exposure	115% long, 20% short, 95% net
Active Share	84%
Tracking Error	5.5% (ex-ante)
Fund Size	\$86.8 million
Unit Price	\$1.6643 (NAV @ 30/6/25)
APIR Code	ETL4748AU
Research Ratings	Lonsec – Recommended Zenith – Recommended
Platforms	Netwealth, HUB24, Praemium, BT Panorama, Asgard, Ausmaq MLC Wrap, Navigator, Expand, MyNorth, Mason Stevens

Performance*						
To 30 June 2025	1 month	3 months	1 year	3 years pa	Inception pa	Inception
Quest Long Short*	0.1%	5.4%	-3.0%	6.0%	13.0%	88.1%
S&P/ASX 200 Index	1.4%	9.5%	13.8%	13.6%	12.9%	87.4%
Value added*	-1.3%	-4.1%	-16.8%	-7.6%	+0.1%	+0.7%

*Fund returns and value added is NET of all fees. Past performance is no guarantee of future performance.



Outlook

The regular market gyrations that were a feature of 2023, were repeated throughout 2024 and again in 2025. The market rally and resilience over the last year or so was initially driven by the big reversal in bond yields as inflationary pressures eased and focus shifted to the timing of future rate cuts. Trump may keep geopolitical tensions high, however the key factors driving markets will be the path of inflation and interest rates in FY26. The shockingly high tariffs announced on April 2 fuelled stagflation fears of slowing growth and rising inflation.

In recent months we noted that the optimism in the market in relation to rate cuts appeared to be excessive. These expectations have now eased from multiple cuts in the short term to fewer cuts over a longer timeframe. Whilst inflation is within the RBA target band of 2-3%, it may be hard to contain as it was above that for 13 consecutive quarters. The RBA continued their cautious easing cycle with a 25bp cut at the last meeting in May. August will be an interesting test for our market as we deal with the Aug 1 tariff deadline and reporting season.

We continue to be focused on bottom-up stock picking and our long-term returns will be primarily driven by stock specific exposures rather than macro themes. We continue to selectively find opportunities to deploy capital in quality stocks at reasonable prices amidst the ongoing volatility. As always, we focus on companies that demonstrate an improvement in business quality and we have multiple examples of those in the portfolio.

Portfolio Activity

The Long Short Fund remains actively managed as volatility, style rotation and return dispersion stay elevated. We locked in profits by exiting tactical long positions in **Santos, Capricorn Metals** and **GPT**, whilst **Xero, James Hardie, DBI, Ramelius** and a **Virgin/Qantas** pair were actively traded amidst the volatility.

We increased recent Fund additions **Judo Capital, Challenger** and **Ramsay Health Care** (see below) and added to overweight positions in **Ancor, Rio Tinto, Origin Energy** and **GQG Partners** at attractive prices. This buying was funded by reducing or exiting several positions including **NAB, Mirvac** and **Boss Energy**.

Judo is an emerging SME bank founded in 2016 by experienced bankers aiming to revive the relationship banking model previously successful at several major banks including NAB. Quest skipped Judo's 2021 IPO, but the bank now shows that above-average returns are possible in its service-based niche target market.

Annuity provider **Challenger** is set to improve significantly in the future as superannuation demographics shift. After decades focused on accumulation, pension income is becoming essential. Challenger is the largest provider of retirement annuities and new APRA rules will make them more attractive for both providers and customers.

Ramsay has struggled since 2022 due to low hospital volumes and rising costs, especially nursing labour. Healthscope's failure led the Health Minister to urge insurers to increase funding or face tougher regulation. As the most efficient operator, Ramsay is well positioned to benefit and potentially gain market share just as hospital volumes are improving. Any divestment of Ramsay's troubled European assets would also be positive.

Key overweight positions at month end included **ALS Limited, Resmed, Ventia Services, CSL, Xero, GQG Partners, Wisetech, CAR Group, Block Inc** and **Challenger**.

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Quest Long Short Australian Equities Fund's Target Market Determination is available here www.eqt.com.au/insto. A Target Market Determination describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.