QUEST
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Invest with Experience

Quest Australian Equities Concentrated Portfolio

QUARTERLY REPORT
June 2025

Australian Equities Concentrated Portfolio

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ACCOUNT NAME: Mr John Citizen

Portfolio Movement	
Previous market value 31/03/2025	
Contributions during Quarter	
Portfolio movement*	
Market Value 30/06/2025	

Your portfolio performance for the quarter*	5.46%
Market return (S&P / ASX 300 Accumulation Index)	9.48%
Your portfolio performance for the 12 months*	0.67%
Market return (S&P / ASX 300 Accumulation Index)	13.74%

* Includes fees for the period.

MARKET REVIEW

The June 2025 quarter experienced significant market volatility, characterized by initial sharp declines stemming from global trade war fears, followed by a remarkable recovery across subsequent months.

The quarter commenced in April with the Australian market experiencing an extraordinary month, rising +3.6%. This followed an initial cratering of -9% due to the shock of Trump's "Liberation Day" tariffs and the prospect of a global trade war, though a strong recovery ensued as Trump scaled back the more extreme elements of his tariff package.

May saw the Australian market deliver a chunky +4.2% return, building on the previous month's bounce. Global markets performed even better, driven by a temporary US-China tariff truce. The **S&P 500** rallied +6.2%, marking its best May since 1990, and the **NASDAQ** delivered an exceptional +9.6% gain, propelled by optimism in the Tech/AI sector as shown in the following chart. The Reserve Bank of Australia (RBA) cut interest rates by 0.25% in May.

In June, the Australian market continued its recent strength, rising +1.4%. Global markets performed considerably better, with the US S&P 500 up +5.0% and NASDAQ gaining +6.6%. The Australian market (XKOAI) ended the quarter up a +9.5%.

Government bond yields ended the quarter not far from where they started, reflecting diminishing inflation concerns. The Australian dollar, which had a shocking fall below US$0.60 courtesy of Trump in April, finished up +5% at US$0.66.

Sector performance was dynamic. **Discretionary Retail, Banks, REITs**, and **Technology** were strong performers in April and May, with Technology notably seeing exceptional individual returns in May (+19%). **Gold** stocks, which were well supported in April (+5%) and May (+11%), became the worst-performing sector in June (-9.4%). Conversely, **Energy** was the worst sector in April (-8%) but rebounded strongly in May (+9%) and was the best performer in June (+8.9%). Momentum remained a key factor in markets, with cyclicals and growth stocks generally well supported.

Source: Iress

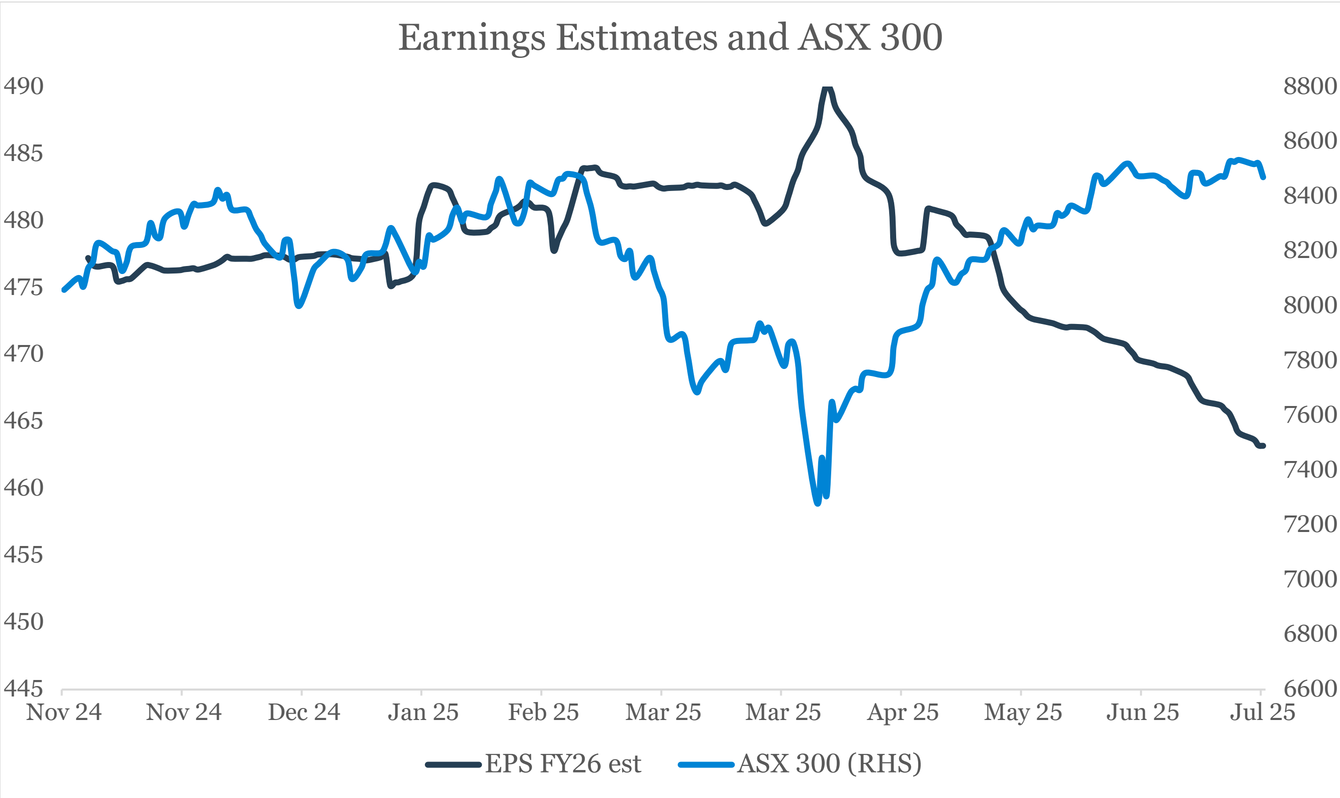
PORTFOLIO PERFORMANCE & ACTIVITY

Quest's portfolio struggled given the gyrations of the ASX over the quarter. Early in April, as President Trump celebrated 'Liberation Day', we made a number of moves to reduce the impact of a tariff induced material drop in global GDP, with defensives and cash added and global cyclicals cut.

The major exits were **Worley, Macquarie Group, Capstone Copper, Flight Centre** and **Goodman. Woolworths** and **Resmed** were added. Holdings in **NAB** and **ANZ** were increased. We banked the recent gains from **Charter Hall** and switched to **Mirvac.** We have continued to make adjustments to the portfolio during the quarter. Despite an elevated overall market, we continue to find attractive investments that satisfy our criteria.

So far being prudent has been a mistake. The chart below shows that whilst aggregate ASX earnings have been falling, equity markets have raced ahead. The US market has a similar remarkable pattern. Uncertainty and PE expansion are strange bedfellows but that is the current dilemma. To quote Isaac Newton:

I can calculate the motions of heavenly bodies but not the madness of people

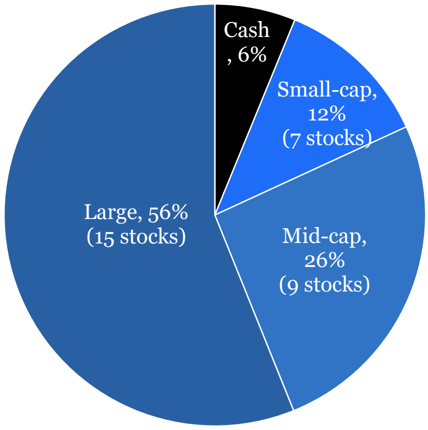


Source: Bloomberg

The table on the following page details recent key performance drivers. In summary, some of our investments have worked well (ie Ventia, Catapult), others have not (IDP, CSL) and then there are factors not easily explained (primarily CBA).

Quest Concentrated stock performance June Quarter 2025			
Best		**Worst**	
Catapult Group	69.4%	IDP Education	-62.4%
Boss Energy	58.1%	Capstone Copper	-24.9%
Qualitas	45.6%	Worley	-20.0%
Wisetech	34.2%	Northern Star	-14.8%
Ventia Services	28.9%	Immutep	-14.3%
Qoria	19.3%		
Block	18.7%		
NAB	18.5%		
Resmed	17.9%		

*No holding



Two years ago Quest visited **Catapult Group** in their offices in the US and UK. The investment was languishing close to our entry level five years earlier. Our mission was to review our hypothesis that sports data would prove valuable and Catapult was extremely well placed to deliver that value. We returned to Quest and increased to holding close to the Quest maximum of 10% of any company. The share price has since escalated more than 500%. Some profits have been banked but the company is progressing well.

CBA has risen 45% since June 2024 despite the FY26 earnings expectations actually moderating over time. CBA is Australia's highest quality bank (B rated) but the rally is well beyond an expensive defensive explanation. The 29x FY26 PE, four standard deviations above average, is not justified by its 5% EPS growth over a decade. Michael Evans recently lodged a submission to ASIC's Private and Public Markets inquiry attributing the CBA bubble to the unintended consequences of two APRA policies that are 'materially to the long-term detriment of retirees'. Investing in CBA was deemed unreasonable in mid 2024 and is materially less reasonable now.

Quest exited **IDP** following a "materially worse than anticipated earnings downgrade" in June. Although the business isn't "broken," short-term re-rate catalysts are absent, as both new UK and Australian leadership tightened policy post-election, to IDP's detriment.

As stated above, gains were realised from the Charter Hall investment and the proceeds were reinvested in **Mirvac.** They also have exposure to office properties but add residential exposure. At the same time employment growth is gradually absorbing vacant space, especially in Sydney and Brisbane. Mirvac's residential developments are expected to benefit from two RBA rate cuts so far and more likely. **Dexus** (DXS) was also added after a prolonged decline due to poor sentiment around office buildings post-pandemic. Quest is increasingly optimistic office valuations have bottomed. Replacement costs materially above current values limit new supply. A CEO change and recent Sydney office sales indicate asset stabilization. Dexus trades at a 24% discount to NTA and has a yield over 5%

CAR Group was also recently added. The business rates well on Quest's qualitative assessment. CAR was buffeted during the Trump tariff noise, perhaps due to concerns about lower US consumer confidence. They have strong market positions in key geographies and we see valuation upside. **Seek** was added and also rates highly on our qualitative assessment. It has been an inconsistent performer in recent years as job volumes retreated from the very high levels generated as the economy emerged from COVID. Seek continued to invest in its product during that time and is now displaying clear pricing power. Job ad volumes appear to be bottoming. Seek should also benefit from any further cuts in interest rates.

In June three new holdings were funded by reducing **NAB**. **Judo Capital**, founded in 2016 to recreate relationship banking, now demonstrates better than average banking returns from its service-based niche. C**hallenger**'s future looks a lot better than the mediocre past due to evolving superannuation demographics, with a broad shift from accumulation to pension income becoming the necessity. As almost the sole Australian retirement annuity provider, Challenger is well-positioned for new APRA rules making annuities materially more attractive for providers and recipients.

Ramsay Health Care was added to the portfolio after struggling since 2022 from low hospital volumes and high costs. Developments in the private hospital sector, including Healthscope's failure and pressure on insurers from the Health Minister, position Ramsay, as the most efficient operator, to gain market share and benefit from improved funding. The outlook for volumes has improved, and divesting ailing European investments would be welcomed. Ramsay now shows improving economics and an attractive valuation.

Major holdings

Largest industrial holdings:	National Australia Bank CSL Aristocrat Leisure ANZ
Large resource holding:	BHP
Mid caps:	ALS Limited Dexus Challenger Judo Capital Xero
Small cap industrials:	Catapult MAAS Group Qualitas Block Ventia Services
Small cap resources:	Vault

MARKET OUTLOOK

The June 2025 quarter saw global equity markets navigating a complex landscape of shifting economic signals and geopolitical uncertainty. Bond yields remained a key focus, with global yields fluctuating as investors weighed mixed indicators on inflation and growth. In Australia, the Reserve Bank of Australia (RBA) opted to keep interest rates on hold at its July meeting, citing ongoing moderation in inflation, a stabilising labour market and the need to support household confidence amid global volatility. Productivity is a key focus for the RBA and there is an expectation it will improve. We note that this has, thus far, proven to be elusive.

Gold prices remained elevated, reflecting continued demand for safe-haven assets in the face of policy unpredictability and ongoing geopolitical tensions. Energy prices were also firm, underpinned by persistent conflict in key producing regions, which added another layer of complexity for both consumers and businesses.

While the outlook remains clouded by the unpredictable nature of President Trump's policy decisions—particularly regarding tariffs and foreign affairs—there are still opportunities for investors willing to look beyond short-term noise. The potential for abrupt policy shifts creates volatility in global markets, but also provides openings for nimble, research-driven investors.

Despite these challenges, the Quest investment process continues to identify new opportunities. Our experience and disciplined approach to bottom-up stock selection has been valuable in navigating turbulent conditions. We remain focused on quality businesses with robust balance sheets and the ability to adapt to changing environments. Encouragingly, new investments have been added to the portfolio during the quarter, demonstrating that even in uncertain times, opportunities can be found.