

Market Summary – August 2025

The Quest Long Short Australian Equities Fund rose 1.6% as equity markets continued their very strong start to FY26. The Fund is up **13.6% p.a net of fees since inception** over five years ago, broadly in line with the index return.

The Australian market rallied 3.1%, its fifth consecutive monthly gain, to be up well over 20% from the April lows. The S&P 500 (+3.2%) rose twice as much as the NASDAQ, while the MSCI China & Nikkei Japan both gained over 4%.

Reporting season was extremely volatile with a record 46% of stocks moving +/-5% on result day. Revenue weakness offset by cost-out to protect margins was a common story. Huge return dispersion saw value +7% trounce growth -3%. Equity markets have been strong despite weaker earnings, with FY25 being the 3rd consecutive year of falling ASX EPS.

Locally, Materials (+9%) and Discretionary (+7%) did best, whilst Utilities, REITs and Financials also rallied 3-5%. Health Care plunged 13% on weak results, especially CSL. Gold, copper & iron ore surged 3-5%, whilst oil tanked 7%.

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

Performance Drivers – August 2025

POSITIVE

Overweight – Vault Minerals, Seek, Eroad, Qoria, Judo

Underweight – CBA, James Hardie, Woolworths, Telix

NEGATIVE

Overweight– CSL, Wisetech, Amcor, Ramsay, Xero

Underweight– Westpac, Lovisa, Wesfarmers, Brambles

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	53 (42 longs, 11 shorts)
Fund Exposure	111% long, 13% short, 98% net
Active Share	79%
Tracking Error	5.4% (ex-ante)
Fund Size	\$88.6 million
Unit Price	\$1.7037 (NAV @ 31/8/25)
APIR Code	ETL4748AU
Research Ratings	Lonsec – Recommended
Platforms	Netwealth, HUB24, Praemium, BT Panorama, Asgard, Ausmaq MLC Wrap, Navigator, Expand, MyNorth, Mason Stevens

Performance*

To 31 August 2025	1 month	3 months	1 year	3 years pa	Inception pa	Inception
Quest Long Short*	1.6%	4.8%	0.2%	4.3%	13.6%	97.0%
S&P/ASX 200 Index	3.1%	7.0%	14.7%	13.0%	13.6%	97.8%
Value added*	-1.5%	-2.2%	-14.5%	-8.7%	+0.0%	-0.8%

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



Outlook

The regular market gyrations that have been a consistent feature in recent years looks set to continue in FY26. 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.

Equity markets have been strong despite earnings forecasts falling in Australia and the US. As predicted by Macquarie, the weak local reporting season led FY25 to being a third consecutive year of declining earnings. Real productivity improvements are needed or Australia will be reliant on the RBA to keep cutting interest rates. The RBA continued their easing cycle with a third 25bp cut at their most recent meeting in early August.

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 covering tactical short positions in **Light & Wonder**, **IAG**, **Qantas** and **Imdex**, as well as actively trading **James Hardie**, **Iress**, **Qoria**, **BHP**, **Firefly Metals** and **Capstone Copper**.

We further increased recent Fund addition **Infratil** (see below) and established several new long positions including **AUB**, **Eroad**, **Dicker Data** and **Emerald Resources** at attractive prices. This buying was funded by reducing or exiting several positions including **CSL**, **Ramsay Health Care**, **Wisetech** and **Qualitas**.

Infratil has been added to the Fund after considerable research. IFT is a portfolio of assets, managed by a successful team based in NZ, but their ~50% of CDC is our primary focus. CDC is one of Australia's largest data centre operators, dominating government and essential infrastructure applications. The Future Fund is the other major CDC shareholder. The AI revolution is well underway, with a step change in data centre demand just one facet. Critical to our research is assessing the ROIC available given the huge cost of this revolution. Meta for instance is spending \$US64-72bn in 2025, largely on AI and data centre infrastructure. CDC has demonstrated they can contract, fund and deliver DCs as well as staying abreast of technological advances and client requirements. Other listed ASX alternatives are priced well above the IFT implied valuation of CDC.

Key overweight positions at month end included **Ventia Services**, **Aristocrat**, **ALS Limited**, **Infratil**, **Resmed**, **Seek**, **Block Inc**, **Amtor**, **Challenger** and **Xero**.

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Quest Long Short Australian Equities Fund's Target Market Determination is available here www.eqm.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.