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Quest Australian Equities Concentrated Portfolio

QUARTERLY REPORT
September 2025

Australian Equities Concentrated Portfolio

Mr John Citizen
123 ABC Street
Sydney NSW 2000

ACCOUNT NAME: Mr John Citizen

Portfolio Movement	
Previous market value 30/06/25	
Contributions during Quarter	
Portfolio movement*	
Market Value 30/09/25	

Your portfolio performance for the quarter*	5.67%
Market return (S&P / ASX 300 Accumulation Index)	4.99%
Your portfolio performance for the 12 months*	0.40%
Market return (S&P / ASX 300 Accumulation Index)	10.76%

* Includes fees for the period.

MARKET REVIEW

The September 2025 quarter delivered a solid +5.0% return for the S&P/ASX 300. Global stock markets saw a significant shift in risk attitudes driven by several factors including resilient corporate earnings, expectations of interest rate cuts and economic policy signals. Global tariff threats were paused or partially rolled back, especially between the US and China, which triggered rebounds in both US and Chinese equities. Whilst returns were generally strong, there was notable outperformance in technology, AI and gold assets.

A key development was the US Federal Reserve's decision to cut interest rates by 25 basis points in September to a 4.00–4.25% target range, its first reduction since December 2024. The cut was cited as a "risk management" measure to support the cooling U.S. labour market. Although inflation remained somewhat elevated at around 3%, signs of weakening labour market momentum prompted the Fed to act pre-emptively to prevent a sharper economic slowdown.

Political brinkmanship in Washington escalated throughout September, culminating in a government shutdown in early October. Notably, the gold price continued to soar, reflecting its strategic portfolio role amid widening fiscal imbalances and escalating geopolitical tensions.

In contrast to the US, the RBA held rates steady at 3.6%. Despite inflation being now within the 2-3% target range, the RBA highlighted residual inflation concerns together with ongoing global uncertainty relating to US tariffs. This pivot to a more hawkish stance reduced the likelihood of further near-term cuts and weighed on local stock market sentiment.

US markets delivered strong returns with the S&P 500 up +8% and the tech-biased NASDAQ up +11%. Robust earnings, particularly among technology giants, helped underpin positive sentiment and diminished near-term risk aversion. The ongoing AI investment boom continued. Titans of the sector like NVIDIA (+18%), Oracle (+29%) and AI infrastructure player Arista Networks (+42%) were standout performers, reflecting unrelenting demand for their AI networking equipment.

Most other global markets also performed well with good returns posted in the UK (FTSE) +7%, Japan (Nikkei) +11% and China +20% (MSCI). Germany (DAX) -0.1% was a notable exception.

Sector performance in Australia was a tale of two markets. Materials was the standout, putting in a stunning +19% return. Utilities (+10%) and Consumer Discretionary (+9%) also posted chunky gains. At the other end of the spectrum, it was a brutal quarter for Healthcare, which was down a painful -11%. Energy (-3%) and Consumer Staples (-3%) were also notable laggards.

In commodities, iron ore held firm to close at US$105/tonne. As political turmoil intensified in the US, gold acted as a classic safe-haven asset and attracted significant bids, finishing up 14% for the quarter at US$3,858/oz. The Australian dollar reflected the mixed sentiment, managing a modest gain to end the quarter at US$0.66.

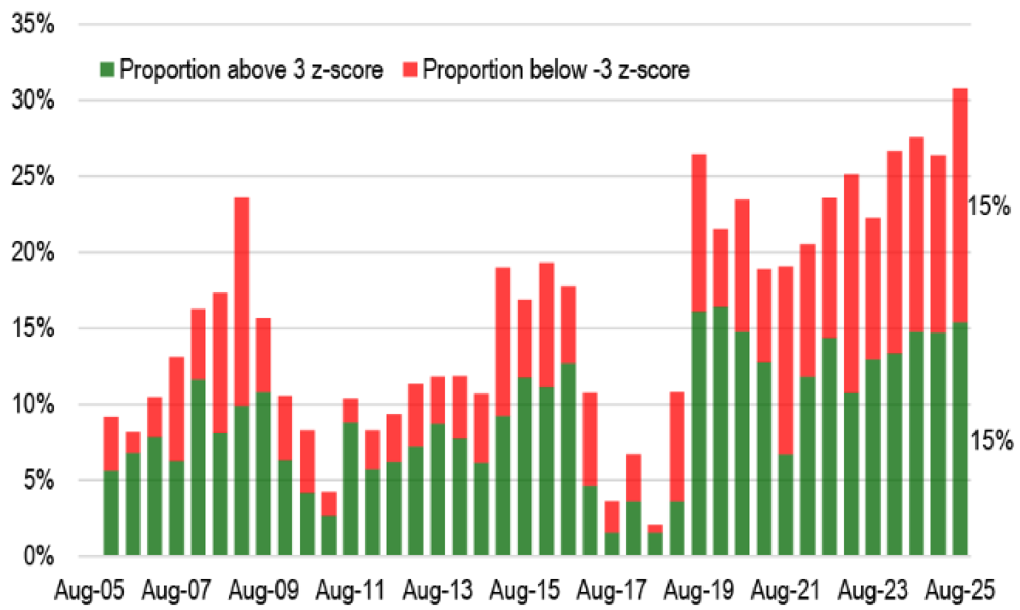
US 10-year Treasury yields moved down slightly to end the period at 4.15%. The major drivers were changing Federal Reserve policy expectations and changing employment dynamics. In Australia, 10-year government bond yields inched up to 4.3% as the RBA held rates steady. Stability in yields supported equity valuations and encouraged investment into riskier assets.

PORTFOLIO PERFORMANCE & ACTIVITY

Quest's portfolio returned **5.8%** in September quarter, outperforming a strong market.

The underperformance of **CBA** (not owned) was a notable positive contributor. CBA's FY25 result was in line with expectations but the market capitalisation has dropped $40bn from the ridiculous $191 per share seen at the end of June to $167. Gold stocks were highly sought and holdings in **Vault Minerals (+57%) Northern Star (+30%)**, and gold proxy **ALS (+18%)** were our best contributors. Small cap cyber safety provider **Qoria (+46%)** was also very strong as it continued to demonstrate good business momentum and was promoted into the ASX300 index. Other good performers included **SEEK (+20%), ANZ (+14%), Origin (+19%) and BHP (+18%)**. The biggest drags were **CSL (-16%)**, **Amcor (-16%)** and **Wisetech (-17%)** on weak results and **GQG (-20%)** following a negative flow number (subsequently exited in early August).

August reporting season was the focus of the quarter, which saw even greater price volatility than usual. The chart below from JPMorgan highlights this. It measures the portion of companies with material value adjustments post reporting, even on minor earning adjustments. The second half of FY25 was the most volatile in 20 years, well above the average of the last five years.



Source: Bloomberg Finance L.P.

Over 56% (by weight) of the Quest portfolio reported earnings that met or exceeded our expectations, whilst 24% did not report. That leaves 12% that disappointed, prominently **CSL**, **Wisetech**, **Ramsay Healthcare** and **Amcor**.

We initiated several new positions in the quarter:

Infratil (IFT) has been added to the portfolio after considerable investigation. IFT is a portfolio of assets, managed by a very successful team based in NZ but its ~50% stake in 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. CDC is well-positioned to capitalise on this trend, having demonstrated its ability to fund, deliver, and manage advanced facilities. Other listed ASX alternatives are priced materially above the IFT implied valuation.

We initiated a position in quick service Mexican food chain **Guzman Y Gomez (GYG)** following a trading update that saw a sharp sell off. We are attracted to its positioning as a "clean and fresh" option that resonates with younger consumers. The company has delivered close to double-digit comparable sales growth for the last 5+ years driven by menu innovation, expanding operating hours, astute marketing and embracing delivery. The model is underpinned by strong store level economics (second only to McDonalds), which delivers attractive returns for franchisees. We expect the current 225 stores in Australia could realistically expand to 500-600 stores over the next 10 years. GYG also has international expansion plans (with the US being the focus) but we do not need to assume any offshore success to justify the current valuation. We believe the underlying drivers of comparable sales growth remain intact and the recent share price weakness has provided an opportunity.

AGL rejoins **Origin** in the portfolio, with AGL down more than 20% since Quest's exit in 2024. In contrast Origin has risen 15% over the same period. The main reason for the return of AGL is the drop in share price. However, AGL has also forecast that the earnings expected from their New South Wales battery plant will more than offset the headwind caused by the expiring of contracted very low-cost coal supply at the Bayswater power station. The national move towards renewable energy is increasing the volatility of electricity prices. The Australian Energy Market Commission (AEMC) has set the maximum allowed wholesale electricity price for the 2025-26 financial year at $18,600 per megawatt-hour. The capped was flat from 2000 and 2013, before a gradual escalation that has become more dramatic recently. The AI revolution discussed above requires significant amounts of power and it is often identified as one of the primary constraints by data centre operators.

A small positioned in lithium producer **Pilbara Minerals** was initiated late in the quarter. We are dipping our toe back into the lithium market which has been the source of multiple successful Quest investments in the past. This is based on a longer-term view that demand from energy storage and larger vehicles such as trucks can potentially alter the supply-demand balance in lithium and lead to price improvements.

Several positions were exited to fund these additions. **Woolworths** was sold prior to a weak earnings result. **Qualitas** was sold into share price strength as the anticipation of index inclusion (which did not eventuate) saw our target price achieved. **Light and Wonder** was sold in early July due to a heightened risk that the lawsuit with Aristocrat expands in scope as the companies move through the discovery process. **Ramsay** was sold following a disappointing change in pricing terms for a key WA Government hospital contract, concern about the upcoming Fair Work review. With limited near-term catalysts, we saw better opportunities elsewhere.

Shortly after the end of quarter Quest exited our longstanding position in **Catapult Group**. As mentioned in the last quarterly we visited Catapult in their offices in the US and UK two years ago when it was languishing close to our entry level five years earlier. We concluded that Catapult was extremely well placed to capitalise on the increasing value of sports data and its valuation did not reflect its strong competitive position. We increased the holding close to the Quest maximum of 10% of any company. The share price has since rallied over 700% even though our earnings forecasts have not changed materially. The market has well and truly recognised the company's potential (assisted by index inclusion) and is now capitalising a much more optimistic future.

Major holdings

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

MARKET OUTLOOK

The market is currently taking a bullish stance, with US markets consistently posting new all-time highs. The AI boom continues to be the key factor, fuelling significant capital investment and market enthusiasm. While the technological promise is undeniable, we approach the theme with caution. The immense spending on infrastructure is clear, but it is far less certain which companies will capture the lion's share of the economic value in the long term. History shows that during technological revolutions, the ultimate winners are not always the early leaders.

Elsewhere, the sustained strength in the gold price speaks volumes about the underlying risks perceived by investors. Elevated prices are not just a reflection of geopolitical instability, but a broader commentary on the debasement risk to fiat currencies driven by soaring government deficits, especially in the US. This trend is amplified by significant physical buying from central banks and private investors seeking a reliable store of value.

The broader resources complex is also experiencing a resurgence. Key industrial metals like copper are benefiting from structural tailwinds tied to the global energy transition and we maintain a favourable outlook. This strength is mirrored in firm prices for iron ore and a renewed focus on uranium as part of the decarbonization narrative.

Whilst it has been encouraging to see the resurgence in Australian small caps, which have outperformed strongly in recent months, prices are now reaching concerning levels in some pockets. We are also conscious that the current bull market is now maturing and risks are rising more generally.

As always, we have strong regard to portfolio risk and are a careful in how we size individual portfolio positions. We continue to harvest profits from strong performers as target prices are met, rotating into other investments that present a more attractive risk return proposition.

We rely on the Quest investment process to drive us towards new investment opportunities. In our view, experience and discipline matters in assembling a portfolio based on bottom-up stock selection and we remain focused on quality businesses with robust balance sheets and the ability to grow despite uncertain economic environments.