

Market Summary – March 2026

The Quest Long Short Australian Equities Fund fell 11.5% as global markets tanked after the US declared war on Iran. The Fund is up **10.3% p.a net of fees since inception** over five years ago compared to the index return of 11.6%.

The Australian market fell 7% as the conflict and closure of the Strait of Hormuz saw oil prices and bond yields surge. This was compounded by the second RBA hike of CY26. The S&P500 (-5%) fared best, whilst Japan slumped 13%.

The month was as chaotic as any in recent memory. Markets whipsawed on near-daily developments as Trump alternated between threatening the end of Iran, seizing the Strait and claiming victory. A market anxious about AI risks and private credit couldn't absorb an inflationary oil shock.

Fund performance was very disappointing and was driven by 3 main factors: underweight energy, overweight small caps and a shock Phase III clinical trial failure by Immutep.

The Fund is positioned for a de-escalation in the Middle East war, with a ceasefire in everyone's interests and the clock ticking for Trump until the US mid-term elections. Equity markets have recovered very strongly so far in April.

Performance Drivers – March 2026

POSITIVE

Overweight – Origin, Infratil, Pilbara Minerals, Coles

Underweight – Northern Star, Evolution, NAB, ARB

NEGATIVE

Overweight– Immutep, Genesis Minerals, Life360, Capricorn Metals, Amcor, ALS, Catapult, Judo Capital

Underweight– Telstra, Woodside, Macquarie, Santos

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 Managers	Richard Dixon & Shishir Prajapati
Stock Numbers	51 (40 longs, 11 shorts)
Fund Exposure	109% long, 11% short, 98% net
Active Share	65%
Tracking Error	5.2% (ex-ante)
Fund Size	\$65.3 million
Unit Price	\$1.5423 (NAV @ 31/3/26)
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 March 2026	1 month	3 months	FYTD	1 year	3 years pa	5 years pa	Inception pa
Quest Long Short*	-11.5%	-11.8%	-5.2%	0.0%	1.0%	4.8%	10.3%
S&P/ASX 200 Index	-7.1%	-1.6%	2.0%	11.7%	9.5%	8.6%	11.6%
Value added*	-4.4%	-10.2%	-7.2%	-11.7%	-8.5%	-3.8%	-1.3%

*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 have escalated so far in CY26. 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 has dislocated all asset classes by dramatically escalating the conflict and stoking fears of an inflation driven global economic crisis.

We've previously highlighted that applied AI would soon start to meaningfully reshape global labour markets. That inflection is now occurring, with major technology companies (including Meta, WiseTech and Block) undertaking material headcount reductions as AI capabilities substitute for quite a broad range of human tasks. This constitutes a multi-year structural headwind for society, employment and corporate earnings visibility.

Analysis suggests routine, rules-based roles are more exposed than skilled, site-based trades like electricians. The scale and timing of disruption will partly hinge on the adoption of robotics and autonomous vehicles, as well as how quickly regulatory/legal frameworks adapt. We are positioned to benefit from the rollout of AI and have increased holdings in data centre suppliers and service providers including Goodman, Infratil and Maas.

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 short positions in **Data#3, Evolution Mining** and **Vicinity Centres**, as well as actively trading **DB Infrastructure, SRG Global, Resmed, Coles, Northern Star** and **Sandfire**.

We increased holdings in **Life360, Block, ALS, Goodman, Infratil, Rio Tinto & Emerald Resources**. These were funded by reducing or exiting **Ancor, BHP, Ventia, NAB, Dexus, CSL** and **Immutep**.

Gold behaved more like a risk asset than a haven, falling 12% despite the escalating conflict in the Middle East. The sell-off was driven by record gold ETF outflows of US\$13 billion as leveraged investors and CTAs liquidated to meet margin calls amid a surging USD and rising real yields. Emerging market central banks sold to mobilise reserves and defend weaker currencies. The AUD gold price fell 10%, yet ASX gold equities tanked 25–40%. The structural bull case remains firmly intact. US fiscal deficits show no sign of narrowing, with the USD share of global central bank reserves (58%) at its lowest since 1994 while gold's share continues to rise. Central bank buying is broadening and geopolitical risk has intensified. We used the correction to increase our gold exposure.

Key overweight positions at month end included **Challenger, Infratil, Origin Energy, Resmed, ALS, Ventia Services, Capricorn Metals, Ramsay Health Care, Rio Tinto** and **Goodman Group**.

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