Long Short

QUEST

Invest with Experience

Market Summary – July 2026

The Quest Long Short Australian Equities Fund fell 0.3% as global equities endured a sharp AI momentum reversal. The Fund is up **11.9% p.a net of fees since inception** over six years ago compared to the index return of 12.0%.

The Australian market rose 2.3% as tech selling rotated into perceived large cap safe havens, especially banks (+8%). Global equities were mixed: S&P500 flat, NASDAQ -3%, Japan -8% & South Korea -22%, whilst China surged +9%.

Locally, sector rotation saw Energy +12%, Financials +6%, and Healthcare +2%, while Technology & Industrials fell. Energy rose as oil surged +23% on fading ceasefire hopes. Inflation remains a key issue. US 30-yr bond yields climbed once again to 5.2%, its highest level in nearly two decades.

With that backdrop, the Fund gave back some ground after a big June quarter, with our bank underweight a key drag. Looking ahead, US earnings momentum remains strong. The local reporting season is again likely to be volatile, but early signs suggest consumers are holding up quite well, and firm commodity prices should support resource stocks.

Performance Drivers – July 2026

POSITIVE
Overweight -WEB Travel, Ampol, Genesis Minerals, Santos, FDC Consolidated, Sigma Healthcare, Catapult
Underweight – Lynas Rare Earths, Wesfarmers

NEGATIVE
Overweight– Megaport, Siteminder, Pilbara Minerals, Ventia Services, ALS Limited, Vault Minerals, Goodman
Underweight– NAB, Westpac, Woodside, South32

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	47 (35 longs, 12 shorts)
Fund Exposure	110% long, 12.5% short, 97.5% net
Active Share	70%
Tracking Error	5.5% (ex-ante)
Fund Size	$62.4 million
Unit Price	$1.7125 (NAV @ 31/7/26)
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 July 2026	1 month	3 months	1 year	3 years pa	5 years pa	Inception pa	Inception
Quest Long Short*	**-0.3%**	**8.3%**	**4.1%**	**2.6%**	**4.2%**	**11.9%**	**102.0%**
S&P/ASX 200 Index	2.3%	4.1%	6.0%	10.4%	8.0%	12.0%	103.4%
Value added*	**-2.6%**	**+4.2%**	**-1.9%**	**-7.8%**	**-3.8%**	**-0.1%**	**-1.4%**

*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 via the escalating conflict with Iran 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.

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 maintained holdings in data centre service providers including Goodman, Infratil, Megaport 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. As always, we focus on identifying companies that are demonstrating an improvement in business quality where we can deploy fresh capital at reasonable prices.

Portfolio Activity

The Long Short Fund remains actively managed as volatility, style rotation and return dispersion stay elevated. We locked in profits by covering a few short positions including **ARB**, **Lynas Rare Earths** and **Weebit Nano** as well as actively trading **WEB Travel**, **Pilbara Minerals**, **NextDC** and **Southern Cross Electrical**.

We increased holdings in **ANZ, Coles, Guzman y Gomez, Capstone, Vault Minerals** and **Woodside.** These were funded by profit taking in **Challenger, Goodman, BHP, Computershare** and **Aristocrat**.

We broadened our energy holdings by initiating a position in **Woodside**. Energy sector positioning is on the agenda amid speculation there are "too many energy CEOs per barrel." The long-term implications of the Iran conflict will take time to play out, but with 20% of global LNG sourced from Qatar via the Strait of Hormuz, energy-dependent Asian economies need to diversify their supply base. This may lift interest in Australian listed suppliers, while also tightening the US Gulf Coast LNG market. Woodside's new Louisiana LNG plant has become attractive to US producers like Exxon, who are also seeking to build out their LNG trading capabilities.

Key overweight positions at month end included **ANZ, Infratil, Macquarie Group, Rio Tinto, Block Inc, Megaport, Sigma Healthcare, Ampol, Coles** and **Aristocrat.**

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