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Quest Australian Equities Concentrated Portfolio

QUARTERLY REPORT
June 2026

Australian Equities Concentrated Portfolio

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Portfolio Movement	
Previous market value 31/03/2026	
Contributions during Quarter	
Portfolio movement*	
Market Value 30/06/2026	

Your portfolio performance for the quarter*	9.87%
Market return (S&P / ASX 300 Accumulation Index)	4.14%
Your portfolio performance for the 12 months*	3.23%
Market return (S&P / ASX 300 Accumulation Index)	6.16%

* Includes fees for the period.

MARKET REVIEW

The June quarter of 2026 marked a decisive turnaround from the turmoil of March, as the Iran conflict gradually de-escalated into a ceasefire and global markets, led by Asian semiconductor suppliers and US mega caps, staged a powerful recovery. The Australian market (ASX300 Accumulation) rose **4.1%** for the quarter, a solid but unspectacular outcome that masked more dramatic moves beneath the surface, from **Megaport's +208%** surge to a harsh de-rating of the big four banks.

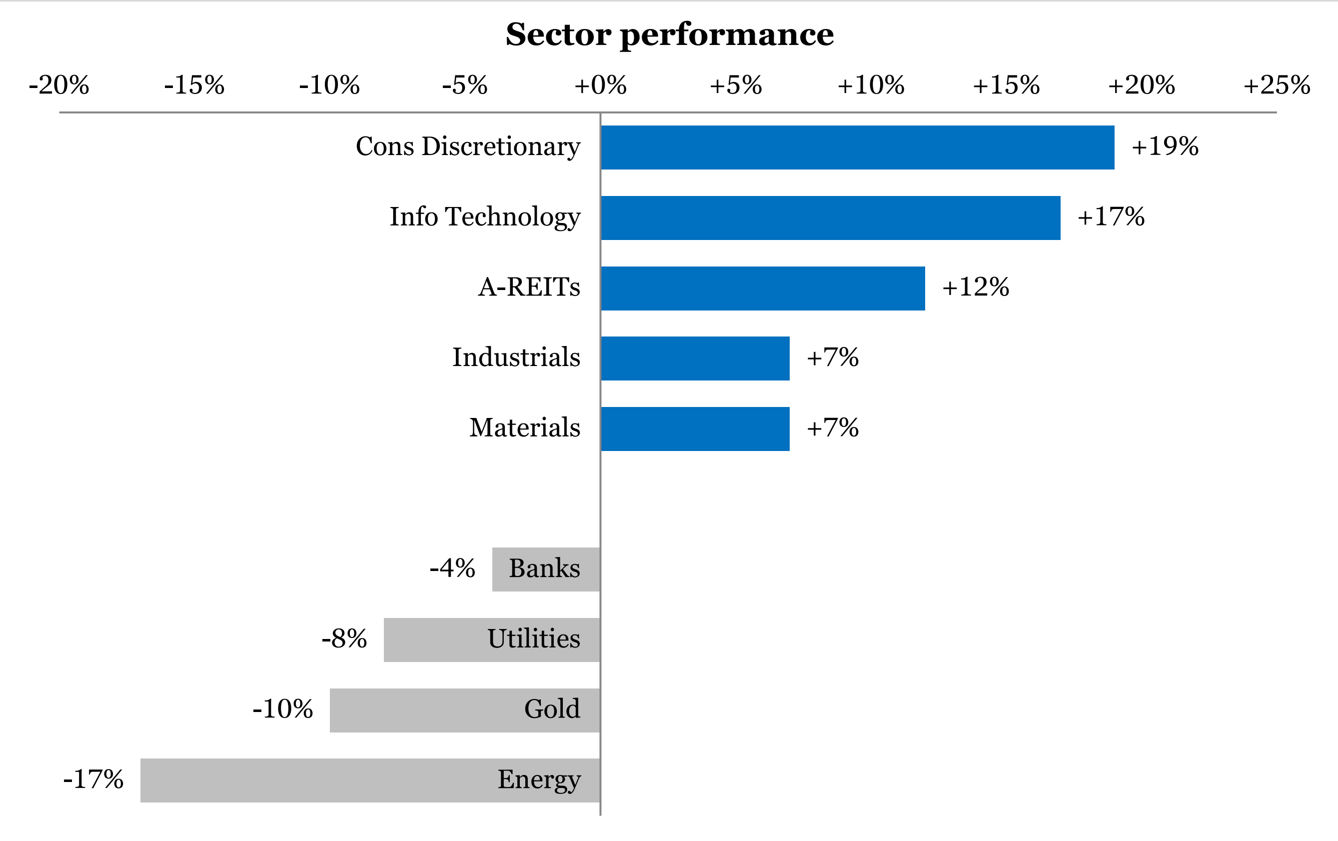
April saw markets recoup much of March's losses as attention swung back to AI infrastructure spending. US equities (**S&P 500**) surged **+10.5%** for the month as hyperscalers **Google** and **Amazon** both rose around 30% and semiconductors jumped **+40%** globally, while the AUD strengthened **+5.0%** as the USD retreated and bond yields rose only modestly — a welcome relief after March's sharp move.

May brought tentative diplomacy, with Trump/Iran negotiations and numerous tweets suggesting a resolution was possible. Brent oil dropped **19%** for the month and inflation concerns diminished at the margin. AI-related businesses continued to boom globally, with the NASDAQ Composite up **8.4%** for the month, actually lagging the pace of earnings revisions, while locally **Materials** was the best sector, rallying **10.5%** on the back of **BHP +16%**.

June delivered an Iran war Memorandum of Understanding which, despite a lack of real progress on several key issues, demonstrated how much both sides want to end hostilities. Brent fell a further **21%** for the month, taking the quarterly decline to **38%**, and the AUD slipped back below US$0.70. Artificial intelligence-related flows rotated from Mag7 hyperscalers into their semiconductor suppliers, including **TSMC +14%**, **Advanced Micro Devices +13%** and **Lam Research +36%**, while **Microsoft** fell **17%** and **Amazon** dropped **12%**. The South Korean KOSPI surged **+68%** over the quarter — one of the strongest quarterly moves of any major index in decades — driven sky-high by semiconductor suppliers including **Samsung Electronics** and **SK Hynix**.

Sector performance on the ASX reflected this rotation. **Consumer Discretionary +19%** and **Information Technology +17%** led the market for the quarter, followed by **A-REITs +12%**, **Industrials +7%** and **Materials +7%**. At the other end, **Energy -17%** was the weakest sector as the oil price collapsed on de-escalation, followed by **Gold -10%**, **Utilities -8%** and **Health Care -6%**. The big four banks, having peaked at an aggregate local index weight of around 26%, fell **5%** for the quarter and were a persistent drag on the headline index even as other sectors rallied hard — see the chart below.

Gold's June quarter decline -14% is notable given the conflict backdrop. The metal behaved more like a risk asset than a haven through the period, falling as leveraged investors unwound positions to meet margin calls amid a firmer US dollar. Government bond yields eased modestly through May and June as inflation fears tied to the oil shock receded, providing some relief for long-duration valuations after March's sharp move higher.



Source: IRESS

PORTFOLIO PERFORMANCE & ACTIVITY

Quarter Performance

The Quest portfolio returned **+11.3%** (pre fees) in the June quarter, well ahead of the ASX300 Accumulation Index's **+4.1%** after a tough start to the year. April and May did the heavy lifting, with Quest's growth and AI-adjacent exposures rewarded handsomely. June itself finished within a whisker of the benchmark after two excellent months. The table below sets out the major specific holding impacts for the quarter.

Quest Concentrated Portfolio Contribution June Quarter 2026	
Best	**Worst**
Megaport	Resmed
BHP	Judo Capital
Aristocrat	Genesis Minerals
Infratil	Santos
Goodman Group	
Macquarie Group	
Challenger	
Block	
Life360	
Capricorn Metals	

Megaport was the largest contributor to portfolio performance, capping a remarkable run since the position was first added in April on the contrarian view that the business was an AI beneficiary rather than a casualty of the ‘SAASpocalypse’ sweeping through ASX software names. **Megaport** services include secure data movement, solutions for the CPU-heavy compute requirements of agentic AI and more recently GPU’s for running AI inference workloads. The position was topped up via the company's equity raising at $14.30 during the quarter and later trimmed as a guidance upgrade lifted the share price further.

Infratil followed the AI interest, underpinned by an announcement doubling its data centre capacity to over 1GW, while **Aristocrat, Block, Challenger, Life360** and **Goodman Group** all added meaningfully. Not holding **Westpac, Woodside** and **CSL**, all names Quest has avoided for some time on valuation and/or quality grounds, also helped as each lagged the market.

The largest single drag was not holding **Wesfarmers**, which rallied strongly through the quarter; avoiding a rally can cost as much as a stock-specific loss, and this was a timely reminder of that asymmetry. **ResMed** weighed on performance as the market continued to fret over Philips' potential return to the sleep apnoea market was well as GLP1 obesity treatment implications, despite ResMed's own robust growth. **Judo Capital's** surprise downgrade in June post three recent guidance confirmations and weakness in **Genesis Minerals** were the other notable detractors.

A number of portfolio changes were made through the quarter. In April, Quest trimmed defensive exposures including **Amcor, Coles** and **Ventia** and increased **Goodman Group, BHP** and **Pinnacle**, while initiating three new positions. **Macquarie** was added on share price weakness related to private credit concerns, which Quest views as a buying opportunity given the business's strong record of prudent capital allocation and resilient annuity-style asset management earnings; its cost and technology advantage should continue to drive share gains in what is likely to be a challenging banking market.

Block returned to the portfolio after announcing a 40% workforce reduction from AI-driven efficiency — notable because it came while the business was performing strongly rather than in response to a weakening top line — with both CashApp and Square accelerating across key metrics.

The most notable adjustment in May was the switch from **Origin Energy** to **Santos**. Quest remains attracted to Origin's portfolio of businesses and expects to return to it in time, but the decision to extend the life of the Eraring power station, together with two misguided Federal Government electricity policies and the delayed Kraken IPO, capped Origin's near-term earnings potential. Santos, by contrast, offers an attractive free cashflow yield having finally delivered the Barossa LNG and Pikka oil projects, with PNG's Papua LNG project also likely to commence construction in late 2026 — Santos is now largely ex major capital expenditure and operating in energy-supportive jurisdictions, though neither leg of the switch performed over the quarter.

Quest also added **Breville, Lovisa** and **Sigma**, attractive consumer-facing businesses with durable franchises and relatively low exposure to AI-driven shopping disruption, funded by exits of **NAB, Emerald** and **Coles** and a trim of **BHP**.

June brought three further additions. **Southern Cross Electrical (SXE)** is a diversified electrical contractor, well managed and growing rapidly to deliver major energy transmission projects and new data centres, at a time when electrical skills are in short supply in Australia and sector tailwinds should continue for years; a capital raising at $4 to fund growth and potential acquisitions provided the entry point.

Ampol will be familiar to clients through its large retail petrol franchise; the ACCC's approval of its acquisition of EG Garages Australia during the quarter should allow new management to recover fuel volume lost under EG's ownership, with an added benefit from increased focus on fuel security. **FDC**, a 30-year-old refurbishment and construction business, was added at an attractively priced IPO — rare on the ASX in recent years — with founders and insiders remaining material shareholders post-listing, the stock priced at 12x with no debt, negative working capital and an expected fully franked dividend yield of 5%+. **ResMed, Xero** and some profit-taking in **ANZ** were other funding sources for the quarter's additions.

MARKET OUTLOOK

Iran: From Crisis to Ceasefire

Our March quarterly noted the portfolio was positioned for a de-escalation in the Middle East, "**with a ceasefire in everybody's interest and the clock ticking on US mid-term elections which matter to Trump**". That call played out broadly as expected: by May, Trump/Iran negotiations were underway and Brent had fallen 19%, and June delivered a war Memorandum of Understanding that, while incomplete on several key issues, confirmed both sides want hostilities to end.

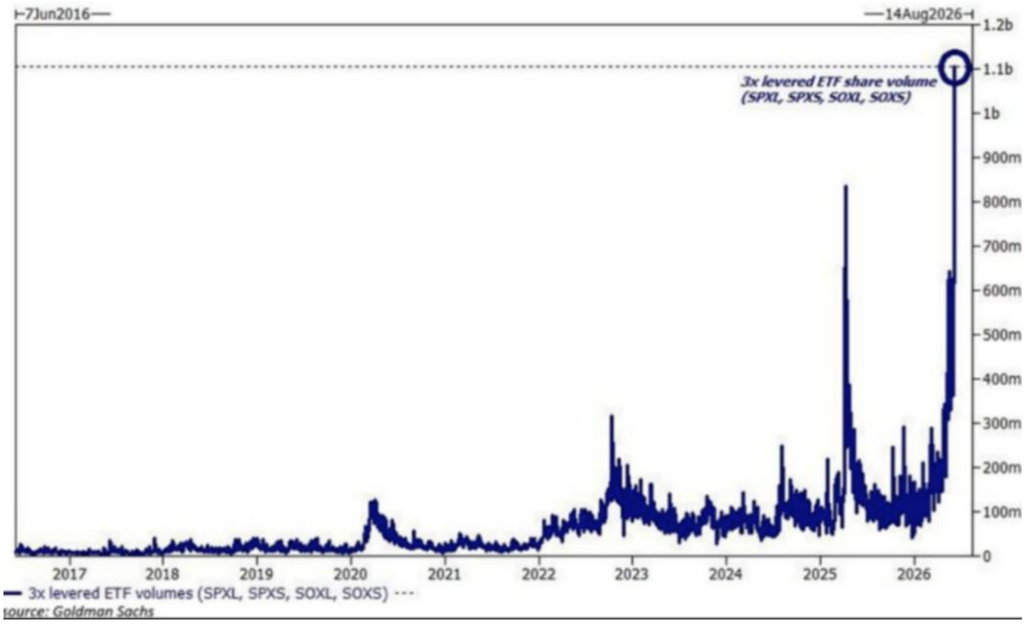
Brent has now fallen **38%** from its March peak, energy stocks have given back their conflict-driven gains, and gold — which behaved more like a risk asset than a haven through the crisis — has continued to underperform, down a further **10%** in the June quarter.

Quest used the energy sector's retreat to consolidate around **Santos** rather than chase the sector broadly, and continues to hold **BHP, Rio Tinto** and select gold names for their structural, rather than geopolitical, investment cases. With global energy stockpiles having eroded materially since March, Quest remains mindful that any re-escalation — whether in the Middle East or elsewhere — would find the market poorly positioned to absorb a second shock.

AI: Rotation to the Enablers

The AI theme continued to evolve through the quarter, from the broad, indiscriminate re-rating (and de-rating) of software and hyperscalers seen in the March quarter, to a more nuanced rotation into the physical enablers of AI infrastructure. April's rally was led by hyperscaler capex; June's by their semiconductor suppliers — **TSMC, Advanced Micro Devices** and **Lam Research** all posted strong gains, while Korea's chip-heavy KOSPI rose **67.8%** for the quarter, one of the strongest quarterly moves by any major index in decades.

Quest's own AI-adjacent positioning — **Megaport, Infratil** and **Goodman Group** — has been rewarded through this rotation, each validated by company-specific news flow (Infratil's capacity expansion, Megaport's guidance upgrade) rather than by index re-rating alone, which gives Quest more confidence in the durability of the holdings than in the broader AI trade. That said, record daily trading volumes in triple-levered US technology ETFs through June as shown in the following chart from Goldman Sach together with the returns seen in some Asian markets are reminders that speculative excess is building in pockets of the market, and Quest continues to size these positions with that risk in mind.



Currently, global economic views vary from ‘late cycle’ to resilient or in the case of Europe, China & New Zealand sluggish recovery. Without massive AI and renewable energy investment, global growth rates would be noticeably lower. Inflation in the shorter term and government debt in a longer term remain material concerns. This is especially so as the cost of US long term debt continues to creep higher.

The US has recently passed through the level where public debt exceeds GDP. This is an influential threshold as the cost of debt starts materially eating the economy’s growth rate. There's no single threshold where servicing becomes "a problem", but a marker people watch is interest as a share of revenue. Historically, sustained readings above ~20–25% have preceded fiscal crises in developed markets. The US is forecast by their CBO to be currently at 18% and at 21% in 2030. Australia is around 5%, but our consumer is materially more leveraged.

Quest Federal Treasury Submission

Readers may remember Quest lodged a submission into ASIC’s Public and Private Markets inquiry in mid 2025. We have recently submitted a further paper into Federal Treasury’s Superannuation performance test review. Our principle concern isn’t with having a test but how the test is influencing the local equity market. The following are two statements we make in the submission.

“We see the cracks in the base of a major dam, and much of Australia is downstream. The performance test was designed to protect retirees — but by forcing superannuation funds to hug the ASX index, it has set in motion distortions in our capital markets that will harm retirees and the Australian economy for decades if not addressed.”

Major index weighted stocks are trading well above their history, their global peers and the balance of the ASX. These valuations are not justifiable by EPS growth or EPS revisions. The Superannuation performance test is largely responsible. ASX index is now simultaneously a benchmark, a target and a distortion. Change is necessary.”

The latest paper provides evidence of Quest’s concerns voiced in the first paper. It is available on our website. https://www.questap.com.au/insights.

We have reason to believe change is necessary and also possible. Two of Australia’s largest superfunds have also voiced their concerns.