

Maintained

Hold

Price (24/07/14)	€7.22
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Maintained

Target price (12m)	€8.60
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Forecast total return	19.1%
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Bloomberg	QFG BB
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Quest for Growth: 1H14 performance 3.4%, in line with expectations

Yesterday, after close, Quest published a 1H14 trading update in line with our expectations. Our updated NAV stands at €9.85/share implying a 26% discount to NAV. We rate Quest a HOLD as we see limited short term events that could trigger a discount narrowing.

Performance: During 1H14, Quest has realized, including reinvestment of the dividend, a 3.41 % NAV TSR, thereby accreting to €9.88/share. This compares with a -3.2% TSR of the STOXX EU 600 Technology index, 6.8% for the NASDAQ (dollar return) and 12.5% for the TECDEX Index (price performance). Quest's 1H14 share price performance was 3.4% as on the one hand investors crystallized part of the discount through the dividend and its advantageous taxation regime while on the other hand the discount slightly expanded from 24% to 26% during 1H14. The 3.4% NAV performance translated into a net profit of €4m.

Asset class review: The quoted equity portfolio consolidated its performance during 2Q14, posting a 5% share price performance during 1H14. Main laggard during the half year was EVS (-21%), most important winners were Nemetschek and Melexis. Two new names entered the portfolio, TKH group and USU Software. Positions in Melexis, Umicore, Nemetschek, Gerresheimer and Ablynx were reduced. Given the low volatility and high market valuations Quest hedged part of its market exposure through the purchase of put options on general indices. Non-quoted equity had a slight negative result with little movements during the quarter. The third party venture funds has a solid performance during the half year with main contributors the Carlyle and LSP fund. The Capricorn venture funds saw a productive quarter in terms of investments.

Asset allocation remained broadly unchanged; hence quoted equity remained the dominant asset class at 61% of total assets. During 1H14, the company's loans receivable value has declined whereas the unquoted and venture fund allocation has increased. Net cash amounted to €3.1m at 1H14 versus €4.3m at FY13.

Outlook: Quest sees limited changes in present market prospects. With valuation peaking it is now up to earnings growth to fuel positive TSR. From that perspective, the improving economic indicators are positive. The high valuations are furthermore supportive in order to realize value creating exits in the non-quoted portfolio.

Matthias Maenhaut, Brussels +32 2557 1693