

5 March 2012

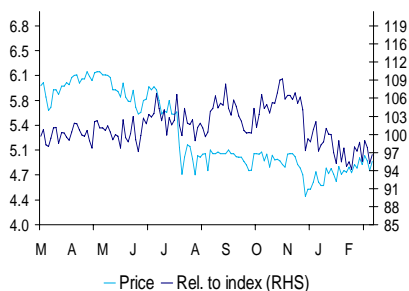
Quest for Growth

2.6% February gain boosts YTD NAV growth to 6.1%

Equity Investment Instruments
Belgium

Current price € 4.80
Target price € 6.00

Buy
Rating Unchanged



Source: Thomson Financial Datastream

Bloomberg QFG BB
Reuters QUFG.BR
www.questforgrowth.com

Market Cap € 56.6m
Shares outst. 11.8m
Volume (daily) € 42,891
Free float 90.6%

Next corporate event

(€ m)	2009	2010	2011
Net result	18.1	20.6	-13.3
Adj. net result	18.1	20.6	-13.3
Basic EPS (€)	1.53	1.74	-1.15
ROE	26.8%	24.1%	-12.6%
Adj. eq. value	7.25	8.99	7.88
Premium/disc.	35.9%	42.9%	39.7%
DPS (€)	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%

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Summary:

End-of-February NAV p.s. increased to € 8.38 vs. a € 7.90 reading at YE11. Changes to the listed portfolio weren't out of the ordinary in February and the valuation of non-listed investments produced no surprises either. Buy.

News:

February NAV increased to € 8.38 p.s., versus € 8.17 at end-January (+2.6% m/m, +6.1% YTD). The stock moved sideways and ended the month at € 4.81 (+1.1% m/m, +1.3% YTD), due to which the discount increased further to 42.6% (end-January 2012: 41.74%).

Quest's activity in the listed portfolio segment included across the board changes. Stakes were upped in Gerresheimer and Melexis, while stakes in Unit4, Andritz, Arcadis, Imtech and Wacker Chemie were lowered. Quest again again added Stratec Biomedical to the ranks, while selling its full Mobotix stake. Combined, the listed portfolio at current prices totals € 54.1m and accounts for 55.5% of NAV. Listed assets break down in Software & Services (15.9%), Technology & Hardware (5.7%), Pharma & Biotech (1.2%), Healthcare Equipment (8.8%), Semiconductors (1.6%), Electrical & Engineering (15.3%) and Materials & Others (6.0%). Quoted/unquoted assets (Sphere Medical) weight 0.9%.

The aggregated value of the direct Private Equity stakes remained level vis-à-vis end-of-January: capital invested into various 3rd party investment funds moved sideways as no quarterly revaluations were implemented and only a limited amount of committed capital was called. Awaiting the remaining € 2.5m provision to be allocated to the direct Private Equity portfolio, the latter underwent no changes. The direct and indirect PE portfolios are valued at a resp. € 18.1m and € 14.4m and total for € 32.6m (33.4 % of NAV).

We estimate net cash at € 3.3 m (3.4% of NAV), which includes the valuation of options and other items on the balance sheet as well as € 2.5m of the said provisions. Commitments total € 15.9m (48.7% of the PE portfolio).

Our View:

Both Quest's stock price and NAV underperformed equity markets on a YTD-basis, but the stock's valuation remains very undemanding nevertheless; the current 43.2% discount is substantial and excessively high against the historical average (9-year average: 29.9%). After implying a 30% discount, the stock still leaves upside potential of 25% before it would reach our € 6.0 TP. Items that continue to hold back the stock are the lack of dividend visibility as well as a recent bout of provisions that make there are but few triggers for unlocking value out of the Quest portfolio. Abiding well is the near wrapping up of the merger between Capricorn VP and Quest Management.

Conclusion:

We stick to our € 6 TP and Buy rating, which is based on valuation ground only.

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SOTP MODEL – BASED ON CLOSING PRICES OF 2 MARCH 2012

Description	Sector/market	BB	Shares held	Recent change	Last price	Crncy	% of NAV	Valuation (€m)
Quoted companies							15.92%	15.53
Software & Services								
DOCDATA	Euronext Amsterdam	DOCD NA	65,000	0	12.2	€	0.81%	0.79
ECONOCOM	Euronext Brussels	ECONB BB	162,563	0	15.5	€	2.58%	2.52
INIT	Deutsche Börse	IXX GY	106,178	0	15.6	€	1.70%	1.66
LEGUIDE.COM	Euronext Paris	ALGUI FP	80,000	0	16.7	€	1.37%	1.34
NEMETSCHKE	Deutsche Börse	NEM GR	132,500	0	31.0	€	4.20%	4.10
PHARMAGEST INTERACTIVE	Euronext Paris	PHA FP	40,000	0	45.0	€	1.84%	1.80
TRANSICS	Euronext Brussels	TRAN BB	250,000	0	6.9	€	1.77%	1.73
UNIT4	Euronext Amsterdam	UNIT4 NA	75,330	-24,000	21.2	€	1.64%	1.60
Technology Hardware							5.72%	5.58
EVS BROADCAST	Euronext Brussels	EVS BB	90,000	0	40.3	€	3.71%	3.62
LEM HOLDING	Zwitsersland	LEHN SW	5,210	0	453.8	CHF	2.01%	1.96
Pharma & Biotech							2.11%	2.06
TEVA PHARMACEUTICAL	Nasdaq	TEVA US	60,000	0	45.3	USD	2.11%	2.06
Health Care Equipment &							8.79%	8.58
GERRESHEIMER	Deutsche Börse		50,000	6,800	33.6	€	1.72%	1.68
NEXUS	Deutsche Börse		170,000	0	8.3	€	1.45%	1.41
SPHERE MEDICAL HOLDING	AIM		930,031	0	0.8	£	0.92%	0.90
STRATEC BIOMEDICAL	Deutsche Börse		40,000	40,000	30.4	€	1.25%	1.22
UNITED DRUG	Dublin		1,491,786	0	2.3	€	3.46%	3.37
Electrical & Engineering							15.30%	14.93
ANDRITZ	Vienna		55,000	-2,500	73.3	€	4.32%	4.21
ARCADIS	Euronext Amsterdam	ARCAD NA	215,000	-10,000	14.2	€	3.26%	3.18
FAIVELEY	Euronext Paris	LEY FP	27,500		53.6	€	1.51%	1.47
IMTECH	Euronext Amsterdam	IM NA	147,555	-7,500	24.9	€	3.96%	3.87
KENDRION	Euronext Amsterdam		61,500		20.3	€	1.28%	1.25
SCHALTBADU HOLDING	Deutsche Börse	SLT GY	12,000		78.5	€	0.97%	0.94
Semiconductors							1.57%	1.54
MELEXIS	Euronext Brussels	MELE BB	125,133	5,000	12.8	€	1.57%	1.54
Materials							6.03%	5.88
CENTROTEC	Deutsche Börse	CEV GY	73,000		14.1	€	1.06%	1.03
UMICORE	Euronext Brussels	UMI BB	100,000		39.7	€	4.07%	3.97
WACKER CHEMIE	Deutsche Börse	WCH GY	10,000	-2,000	73.3	€	0.90%	0.88
Other sectors							0.00%	0.00
Loan notes & CP							7.75%	7.56
Private Equity investments							33.37%	32.55
		Asset type	Invested	Committed				
ANTERYON	Semiconductors	equity	1.50		€	1.54%	1.50	
CAPRICORN CLEANTECH CO	Technology hardware	equity	1.07		€	1.10%	1.07	
CARTAGENIA	Software & Services	equity	0.63		€	0.64%	0.63	
CLEAR2PAY	Software & Services	equity	5.57		€	5.71%	5.57	
IDEA	Pharma & Biotech	equity	0.16		€	0.17%	0.16	
KIADIS	Pharma & Biotech	equity	2.24		€	2.29%	2.24	
MAGWELL	Software & Services	equity	0.43		€	0.44%	0.43	
PROSONIX	Pharma & Biotech	equity	2.60		£	2.66%	2.60	
SYNTAXIN	Pharma & Biotech	equity	2.40		£	2.46%	2.40	
TCLAND	Pharma & Biotech	equity	1.50		€	1.54%	1.50	
THIRD PARTY INV FUNDS	Various	Funds	14.45	15.94	€	14.82%	14.45	
Portfolio							96.58%	94.21
Net cash (incl. others & options)							3.42%	3.34
Adjusted equity value							100.00%	97.55
Number of shares (outstanding)								11,529,950
Treasury shares (for remuneration purposes, resale, collateral,...)							0.00%	0
Treasury shares (available for cancellation)							0.00%	0
Number of shares (for per share calculation)								11,529,950
Quest for Growth last price								4.80
Adjusted equity value p.s.								8.46
Current discount								43.26%
Target prices								
Target equity value								97.55
Target equity value p.s.								8.46
Discount to target equity value								43.26%

KBCS has a BUY recommendation and a €6 target price.

The upside potential versus a stock price of € 4.8 equals 25%.

The implied discount of our €6 target price vs. the target equity value is 29.08%.

Source: KBC Securities

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FINANCIAL DATA

Income statement (€m)	2006	2007	2008	2009	2010	2011
Sales & operating income	0.0	0.0	0.0	0.0	0.0	0.0
Result from operating activities	0.0	0.0	0.0	0.0	0.0	0.0
Result from financing activities	0.0	0.0	0.0	0.0	0.0	0.0
Result from extraordinary activities	0.0	0.0	0.0	0.0	0.0	0.0
Share of result from associates	0.0	0.0	0.0	0.0	0.0	0.0
Income taxes	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued activities	0.0	0.0	0.0	0.0	1.0	2.0
Minorities	0.0	0.0	0.0	0.0	1.0	2.0
Net result	21.5	0.6	-48.4	18.1	20.6	-13.3
Adj. net result	21.5	0.6	-48.4	18.1	20.6	-13.3
Balance sheet (€m)	2006	2007	2008	2009	2010	2011
Intangible assets & goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Participations acc. for under equity method	0.0	0.0	0.0	0.0	0.0	0.0
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Cash & cash equivalents	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	117.6	116.5	67.7	85.6	106.1	91.2
Equity attributable to holders of the parent	95.9	115.8	67.4	85.4	106.0	91.1
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Financial debt	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	117.6	116.5	67.7	85.6	106.1	91.2
Net debt	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow statement (€m)	2006	2007	2008	2009	2010	2011
Cash flow from operating activities	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid (consolidated)	0.0	0.0	0.0	0.0	0.0	0.0
Other cash flow from financing	0.0	0.0	0.0	0.0	0.0	0.0
Fx and changes to the consolidation scope	0.0	0.0	0.0	0.0	0.0	0.0
Change in cash & cash equivalents	0.0	0.0	0.0	0.0	0.0	0.0
Per share data (€)	2006	2007	2008	2009	2010	2011
Year-end share price (€)	10.00	8.40	3.15	4.65	5.31	4.75
Year-end market cap (€m)	94.6	99.0	37.1	54.8	62.6	56.0
weighted average # shares	9,459,073	11,789,255	11,789,255	11,789,255	11,789,255	11,529,950
weighted average # shares, diluted	9,459,073	11,789,255	11,789,255	11,789,255	11,789,255	11,529,950
Basic EPS (€)	2.28	0.05	-4.11	1.53	1.74	-1.15
Diluted EPS (€)	2.28	0.05	-4.11	1.53	1.74	-1.15
NBV (€)	10.1	9.8	5.7	7.2	9.0	7.7
Adj. eq. value	12.4	9.9	9.9	7.3	9.0	7.9
Premium/disc.	19.49%	14.89%	14.89%	35.86%	42.94%	39.72%
DPS (€)	1.94	0.05	0.00	0.00	0.00	0.00
Dividend yield	19.40%	0.60%	0.00%	0.00%	0.00%	0.00%
Ratios	2006	2007	2008	2009	2010	2011
ROE	20.87%	0.65%	-41.81%	26.83%	24.07%	-12.56%
Total return	20.4%	3.4%	-61.9%	47.6%	14.2%	-10.5%
Pay-out ratio (adjusted net result)	100.0%	93.4%	0.0%	0.0%	0.0%	0.0%
P/E	4.39	159.57	-	3.03	3.04	-
P/NBV	0.99	0.86	0.55	0.64	0.59	0.61
Statutory data	2006	2007	2008	2009	2010	2011
Result from operating activities	20.7	0.3	-48.6	16.9	19.4	-15.2
Result from financing activities	0.9	0.3	0.2	1.2	1.2	1.9
Result from extraordinary activities	0.0	0.0	0.0	0.0	0.0	0.0
Income taxes	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss before tax	21.5	0.6	-48.4	18.1	20.6	-13.3
Dividend paid (statutory)	-21.5	-0.6	0.0	0.0	0.0	0.0
Financial assets	117.3	116.1	67.1	85.1	104.9	90.0
Other assets	0.3	0.4	0.6	0.5	0.3	1.2
Total assets	117.6	116.5	67.7	85.6	107.1	93.2
Capital and reserves	95.9	115.8	67.4	85.4	106.0	91.1
Provisions and deferred taxation	0.0	0.0	0.0	0.0	1.0	2.0
Liabilities	21.6	0.7	0.3	0.1	0.1	0.1
Total assets	117.6	116.5	67.7	85.6	107.1	93.2

Source: KBC Securities

*Historic valuation data are based on historic prices

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	Definition
BUY	Expected total return (including dividends) of 10% or more over a 6-month period
ACCUMULATE	Expected total return (including dividends) between 0% and 15% over a 6-month period
HOLD	Expected total return (including dividends) between -5% and 5% over a 6-month period
REDUCE	Expected total return (including dividends) between -15% and 0% over a 6-month period
SELL	Expected total return (including dividends) of -10% or worse over a 6-month period

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Stock rating	% of covered universe	% of covered universe with investment banking relationship during last year
BUY	32.80%	37.50%
ACCUMULATE	38.50%	50.00%
HOLD	26.20%	12.50%
REDUCE	1.60%	0.00%
SELL	0.80%	0.00%

Quest for Growth is a Belgian investment company focused on listed and unlisted growth companies with the objective of converting capital gains into tax-free income through the Privak-structure.

The price target for Quest for Growth is based on following parameters: Estimated Equity Value (NAV)

The risks which may impede the achievement of our price target are: high correlation with technology markets and sensitive to stock market fluctuations, no recurring profit, need to successfully exit unlisted investments, growth is hampered by regularity payout of realised capital gains

Below is an overview of the stock ratings and target price history in the last 12 months for the stock described in this report.

Date	Rating	Target price
27-JAN-12	Buy	€ 6.00
06-OCT-11	Accumulate	€ 6.00
22-JUN-11	Buy	€ 6.70
29-APR-11	Accumulate	€ 6.70
07-MAR-11	Accumulate	€ 6.30

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