

## Monthly Performance Report August 2022

### Fund description and investment return objective

The Fund is an actively managed concentrated portfolio of equities listed (or expected to be listed) on the Australian share market. The Fund's objective is to outperform (after management fees) the 'Benchmark' (S&P/ASX 200 Total Return Index) over rolling five-year periods.

### Investment returns<sup>1</sup>

Period	1 month	3 months	1 year	3 years pa	5 years pa	7 years pa	10 years pa	Since inception pa
Net return <sup>2</sup> %	2.0	-2.6	-3.4	6.1	7.0	8.3	9.2	9.9
Benchmark return %	1.2	-2.4	-3.4	5.5	8.1	8.5	9.3	8.9
Net excess return %	0.8	-0.2	0.0	0.6	-1.1	-0.2	-0.1	1.0

<sup>1</sup> Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market.

### Investment commentary

Australian shares outperformed most global markets with the S&P/ASX 200 delivering a small gain. Energy shares and Resources led the market given continued strong demand for gas and coal in the wake of Russian supply concerns and the ongoing push for decarbonisation. There were modest gains also for communication shares and industrials. However, the AREITs were weaker given the sensitivity to rising interest rates and bond yields.

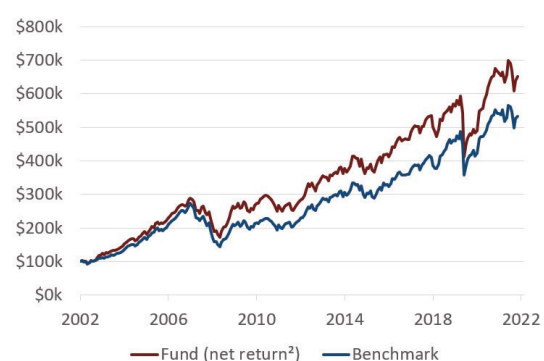
August is also reporting season for most Australian companies and this year it was better than feared. Pressures from labor shortages, wage inflation and fuel costs were in line with expectations, however some companies showed resilient revenue growth. Outlook statements were generally not as gloomy with some companies demonstrating effective pricing power.

The Antares Elite Opportunities Fund delivered a return of 2.0% (net of fees) for the month of August 2022.

Contributing to outperformance were overweight positions in IGO Limited (IGO), Santos (STO) and South32 (S32). IGO Ltd (IGO) performed well in August. While its result was largely in line with its pre-released production report in July, lithium prices surged in July, and IGO was a beneficiary. STO announced a higher dividend and increased on-market share buyback from \$250m to \$350m. STO is leveraged to domestic gas and global LNG markets and thus is a beneficiary of the very strong gas price. S32 delivered a record result with strong cashflow enabling an increase in dividend and capital management.

Detracting value were overweight positions in Seek (SEK) and Goodman Group (GMG) together with the decision not to own Woodside Energy (WDS). SEK delivered an above guidance result with an outlook that was better than market expectations at the revenue and operational profit lines. The stock declined, however, given the market's focus on some mixed messages during the results briefing from the company CEO Ian Narev. We feel this is largely misplaced, but acknowledge we need to see the company deliver a more upbeat tone on its operations to reassure investors. Despite reporting buoyant development work in progress and earnings and a strong performance fees outlook, GMG shares were weaker in August. This follows a stellar performance in July and coincides

### \$100,000 invested since inception



### Sector allocation

GICS <sup>3</sup>	%
Financials Ex Reits	26.5
Metals & Mining	19.5
Health Care	11.3
Communication Services	8.6
Industrials	7.0
Real Estate	5.8
Consumer Staples	5.7
Consumer Discretionary	5.5
Materials Ex Metals & Mining	4.7
Energy	4.4
Information Technology	1.1
Utilities	0.0

with general weakness across the AREITs given the increase in bond yields. WDS reported a record interim dividend partly due to surplus BHP cash following acquisition of the BHP petroleum business. The company is on track to reduce leverage as a beneficiary of higher commodity prices.

Australia's economy appears resilient judging by solid results for business surveys, the labour market and retail spending. Australia's unemployment rate in July fell to 3.4% which is the lowest since 1974 and retail spending surged. However, the dramatic inflation acceleration is concerning. The Reserve Bank updated their annual CPI inflation forecasts to 7.75% by the end of 2022. Given this inflation threat, the Reserve Bank raised the cash interest rate by 0.5% to 1.85% in August.

## Top 10 share holdings

(alphabetical order)

- ANZ Banking Group
- BHP Group
- Commonwealth Bank of Australia
- CSL
- Goodman Group
- Santos
- Telstra Corporation
- Transurban Group
- Westpac Banking Corporation
- Woolworths Group

## Investor profile

The concentrated nature of the Fund means that there may be a greater level of risk. The Fund's returns may be quite volatile. As such, the Fund may suit investors who are willing to accept a very high level of risk in exchange for the opportunity to earn higher potential returns.

## Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 August 2022
<b>Australian shares</b>	95%	100%	100%	99.2%
<b>Cash and cash equivalents</b>	0%	0%	5%	0.8%

## Portfolio facts

<b>Inception date</b>	18 November 2002
<b>APIR Code</b>	PPL0115AU
<b>Fund size as at 31 August 2022</b>	\$206.4m
<b>Benchmark</b>	S&P/ASX 200 Total Return Index
<b>Distribution</b>	Quarterly
<b>Management fee<sup>4</sup></b>	0.70% pa
<b>Performance fee<sup>5</sup></b>	20% of the Fund's net performance in excess of the performance hurdle (benchmark return +5% pa)

## Distribution history<sup>6</sup> and Franking levels

	Jun 22	Mar 22	Dec 21	Sep 21	Jun 21	Mar 21	Dec 20	Sep 20	Jun 20	Mar 20	Dec 19
<b>Distribution (cents per unit)</b>	6.60	1.05	0.75	1.38	5.78	0.69	0.48	0.54	0.08	0.64	1.27
<b>Franking levels</b>	60.4%	-	-	-	35.2%	-	-	-	116.0%	-	-

## Portfolio managers

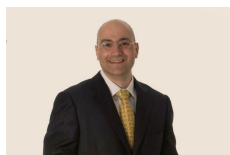
### NICK PASHIAS

Head of Equities

Years with the group: 24

Years of Industry Experience: 24

**Key Responsibilities:** Nick is the Portfolio Manager of the Elite Opportunities Model Portfolio and Managed Fund.



### JOHN GUADAGNUOLO

Head of Fundamentals

Years with the group: 15

Years of Industry Experience: 22

**Key Responsibilities:** John is the Deputy Portfolio Manager of the Elite Opportunities Model Portfolio and Managed Fund.



### ANDREW HAMILTON

Head of Implementation

Years with the group: 22

Years of Industry Experience: 25

**Key Responsibilities:** Andrew is the Deputy Portfolio Manager of the Elite Opportunities Model Portfolio and Managed Fund.



## Platform availability

- Asgard
- Hub24
- MLC/Navigator
- Praemium
- BT
- Macquarie
- Netwealth

<sup>2</sup> Investment returns are based on exit prices, and are net of management fees and assume reinvestment of all distributions.

<sup>3</sup> GICS - Global Industry Classification Standard % are absolute ie sector proportion of portfolio. Source: Antares Equities.

<sup>4</sup> Management fee is % per annum of the Fund's net asset value (including net effect of GST). Certain sophisticated and professional investors or wholesale clients (as defined in the Corporations Act 2001 (Cth)) may be able to negotiate this fee by contacting Client Services.

<sup>5</sup> Performance fee is calculated as 20% of the Fund's net performance in excess of the performance hurdle. Performance hurdle is the benchmark return +5% pa.

<sup>6</sup> Distribution rates have been rounded to two decimal places. As a result, the actual payment rate may differ slightly to the rates listed above. A full distribution history and franking levels can be found on our website at <https://www.antarescapital.com.au/home/prices-and-performance/distributions>

## About Antares Equities

Antares Equities (Antares) is a specialist Australian equities manager. Since 1994, Antares has managed portfolios for wholesale, advised and direct investors through a suite of products including segregated mandates, investment funds and managed account models. Antares has A\$5 billion (at 30 June 2022) under advice across a range of strategies including large capitalisation, concentrated, income and long-short. Antares believes in bottom-up stock picking. A consistent process and detailed, quality research executed by a highly experienced, stable and diverse team underpin this approach. The investment philosophy is based on the belief that markets can misprice stocks and these opportunities can be identified using the proven, proprietary Antares research process. Antares Equities is part of Antares Capital Partners Limited (ABN 85 066 081 114, AFSL 234483).

**For further information please contact our Client Services Team - Toll free: 1800 671 849**

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