

# Elite Opportunities Fund



## Monthly Performance Report May 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> %	-3.2	2.2	4.8	7.0	7.8	7.4	10.2	10.2
Benchmark return %	-2.6	3.2	4.8	7.8	8.8	7.5	10.4	9.1
Net excess return %	-0.6	-1.0	0.0	-0.8	-1.0	-0.1	-0.2	1.1

<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

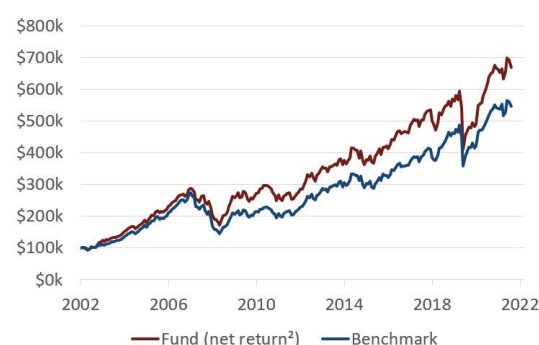
Australian shares underperformed other developed markets in May. However, this comes after a more resilient performance compared to global share markets this year. For May, there were notable sharp falls in the real estate and information technology sectors in response to higher bond yields. Consumer staples and consumer discretionary shares were also weak given concerns that rising inflation and interest rates are squeezing household budgets. The resources sector was more encouraging with a modest gain given the persistent strength in commodity prices. The election of the new Labor Government on May 21st seems to have had minimal immediate impact on Australian share markets.

The Antares Elite Opportunities Fund delivered a return of -3.2% (net of fees) for the month of May 2022.

Contributing to the Fund's performance were overweight positions in South 32 (S32) and Westpac (WBC) together with the decision not to own Macquarie Group (MQG). S32 provided an upbeat business and strategy update in May that flagged volume growth in excess of 20% on the prior year. The positive long-term outlook for its diversified commodities portfolio that has a low carbon focus and the company's attractive dividend yield helped underpin the stock price in May. WBC reported its half year results during May, which despite being below last year pleased the market. The company announced an increase in dividend and reiterated its commitment to cutting costs, both of which were well received by the market. MQG reported a 56% increase in FY 22 net profit during the month, but failed to meet analyst expectations which saw the stock marked down.

Detracting value were overweight positions in Goodman Group (GMG), Nine Entertainment (NEC) and Seek (SEK). GMG was sold down in May despite another strong quarterly update and increased earnings guidance. The faster than expected rise in interest rates has seen the real estate sector in general de-rated and GMG was not exempt. NEC sold off during the month as the market grew more concerned around the outlook for the domestic economy, despite NEC suggesting at an investor conference that it expects to grow television revenues through the cycle through its high growth BVOD offering. SEK was weaker as the global tech sell off continued in May on the prospect of rising rates.

### \$100,000 invested since inception



### Sector allocation

GICS <sup>3</sup>	%
Financials Ex Reits	26.5
Metals & Mining	23.3
Communication Services	8.6
Health Care	8.6
Industrials	7.0
Real Estate	5.9
Consumer Staples	5.4
Materials Ex Metals & Mining	4.6
Energy	4.5
Consumer Discretionary	4.2
Information Technology	1.3
Utilities	0.0

Australia's economy appears to be progressively improving judging by solid results in business surveys, employment and retail spending. Australia's unemployment rate fell to 3.9% in April, the lowest since 1974. However, the acceleration in inflation is concerning and has seen the Reserve Bank (RBA) raising the cash interest rate by 25bps to 35bps in May with expectations of more increases to come.

## Top 10 share holdings

(alphabetical order)

- ANZ Banking Group
- BHP Group
- Commonwealth Bank of Australia
- CSL
- Goodman Group
- Santos
- South32
- Telstra Corporation
- Transurban Group
- Westpac Banking Corporation

## 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 May 2022
<b>Australian shares</b>	95%	100%	100%	98.9%
<b>Cash and cash equivalents</b>	0%	0%	5%	1.1%

## Portfolio facts

<b>Inception date</b>	18 November 2002
<b>Fund size as at 31 May 2022</b>	\$222.9m
<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

	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>	1.05	0.75	1.38	5.78	0.69	0.48	0.54	0.08	0.64	1.27
<b>Franking levels</b>	-	-	-	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: 14

Years of Industry Experience: 21

**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: 21

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\$5.7 billion (at 31 March 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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