

# Elite Opportunities Fund



## Monthly Performance Report May 2023

### 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> %	-1.9	0.1	2.6	13.6	6.4	7.6	7.9	9.8
Benchmark return %	-2.5	-0.9	2.9	11.4	7.5	8.3	8.1	8.8
Net excess return %	0.6	1.0	-0.3	2.2	-1.1	-0.7	-0.2	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

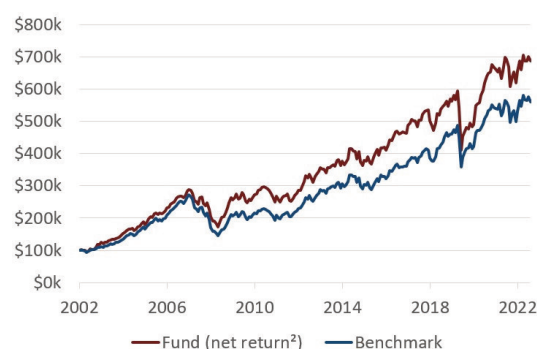
Australian shares fell in May as lower commodity prices, higher interest rates and weak consumer spending cautioned investors. The sharpest falls were in the consumer discretionary and staples sectors given signs of a retail recession for consumer spending. The combination of higher mortgage interest rates, rising rents and stubborn inflation pressures is squeezing purchasing power. There was also notable weakness in the resource sector given lower coal and iron ore prices on China concerns. Financials also disappointed given the prospect of lower profit margins with higher deposit interest rates and more sedate credit demand. Echoing the US market and the surge of investment interest in anything remotely related to artificial intelligence (AI), the Australian Information Technology sector posted a double-digit gain for May.

The Antares Elite Opportunities Fund delivered a return of -1.9% (net of fees) for the month of May 2023.

Contributing to performance were overweight positions in James Hardie Industries (JHX) and Santos (STO) together with not owning NAB. JHX's share price improvement post results reflects better than expected earnings margins and 1Q24 earnings guidance. It also appears that the US housing market has bottomed leading to improved investor sentiment towards housing related stocks. The onset of cold weather and strong spot gas prices has boosted sentiment for gas producers. Several of STO's plants that experienced outages early this year, including Moomba and Varanus island, have recovered, removing concerns about production. Supply disruptions for competitor Beach Energy may have been another positive for STO sentiment. NAB shares were under pressure after the bank released its first half results for 2023. Despite some positives, including a lift in dividend, the market reacted to comments from the bank on the impact of lower house prices and volume growth amid increased competition. This was reflected in a \$393m credit impairment charge.

Detracting value were overweight positions in IDP Education (IEL) and South 32 (S32) together with not owning Woodside Energy (WDS). IEL shares were sold off sharply on news that the Canadian government was opening the English testing

### \$100,000 invested since inception



### Sector allocation

GICS <sup>3</sup>	%
Financials Ex Reits	25.6
Metals & Mining	20.5
Health Care	13.3
Communication Services	8.5
Industrials	8.2
Real Estate	6.0
Consumer Discretionary	5.2
Energy	4.5
Materials Ex Metals & Mining	3.7
Consumer Staples	3.5
Information Technology	1.2
Utilities	0.0

in the Student Direct Stream market to other providers. With prices for major commodities and metals falling in May on concerns about Chinese demand, it was not surprising to see S32's share price also finish the month down, particularly after flagging higher costs in its most recent quarterly report. The strong spot gas price and positive sentiment for gas producers combined with reports that LNG cargo liftings from the North West Shelf and Wheatstone are tracking ahead of consensus forecasts for 2Q23 were positives for WDS.

Australia's economy is subdued given sedate retail spending and weak housing construction activity. Consumers are understandably reluctant to spend given high inflation and interest rates. The RBA's surprise 0.25% May interest rate hike only added to the worry list. Inflation pressures remain stubborn with strong rises in electricity and rental costs pushing April's consumer annual inflation to 6.8%. Housing is complex as house and apartment prices have rebounded, but there has been a big slide in new housing approvals and a rise in insolvencies amongst builders. There are also signs that the labour markets strength is fading with a loss of jobs in April and the unemployment rate edging up from 3.5% to 3.7%.

## Top 10 share holdings

(alphabetical order)

- ANZ Group
- Aristocrat Leisure
- BHP Group
- Commonwealth Bank of Australia
- CSL
- Goodman Group
- Santos
- Telstra Group
- 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.

## Portfolio facts

<b>Inception date</b>	18 November 2002
<b>APIR Code</b>	PPL0115AU
<b>Fund size as at 31 May 2023</b>	\$198.2m
<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)

## Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 May 2023
<b>Australian shares</b>	95%	100%	100%	99.3%
<b>Cash and cash equivalents</b>	0%	0%	5%	0.7%

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

	Mar 23	Dec 22	Sep 22	Jun 22	Mar 22	Dec 21	Sep 21	Jun 21	Mar 21	Dec 20	Sep 20
<b>Distribution (cents per unit)</b>	0.74	0.96	1.55	6.60	1.05	0.75	1.38	5.78	0.69	0.48	0.54
<b>Franking levels</b>	-	-	-	60.4%	-	-	-	35.2%	-	-	-

## Portfolio managers

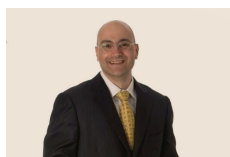
### NICK PASHIAS

Head of Equities

Years with the group: 25

Years of Industry Experience: 25

**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: 26

**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\$4.9 billion (at 31 March 2023) 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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