

Elite Opportunities Fund

antares

Monthly Performance Report August 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 returns¹

Period	1 month	3 months	1 year	3 years pa	5 years pa	7 years pa	10 years pa	Since inception pa
Net return ² %	-3.0	0.9	6.2	12.0	5.4	7.5	7.5	9.8
Benchmark return %	-0.7	3.9	9.6	10.7	7.0	8.6	8.0	8.9
Net excess return %	-2.3	-3.0	-3.4	1.3	-1.6	-1.1	-0.5	0.9

¹ 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

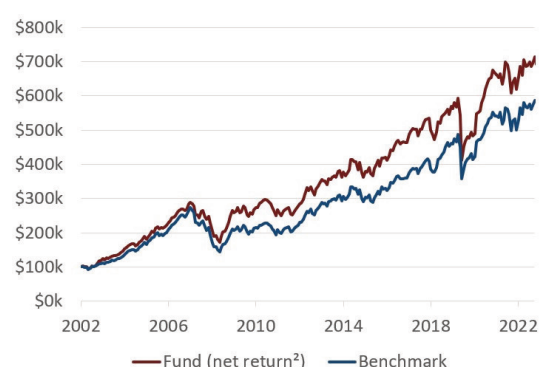
Australian shares disappointed in August with a mild decline given concerns over China's prospects as well as the Australian consumer. The Utilities and Consumer Staples sectors led the market declines given concerns about the consumer's ability to absorb higher electricity & gas prices as well as rising mortgage interest rates and rents. Information Technology declined in line with a more cautious view after their recent strong gains. Despite a rebound in the iron ore price to above US\$110 per ton, the Resources sector posted a -1.8% negative return with concerns over China's prospects. There were some positives with surprisingly strong gains for Consumer Discretionary and Real Estate on hopes that the Reserve Bank has ceased raising interest rates.

August is also reporting season for most Australian companies and while results were largely in line with expectations, the prospect of rising costs and a slowing economy saw reasonably soft guidance for the FY24 year which flowed through to earnings downgrades.

The Antares Elite Opportunities Fund returned -3.0% (net of fees) for the month of August 2023.

Detracting from performance were overweight positions in Iress (IRE), Resmed Inc (RES) and Block Inc (SQ2). IRE's result was accompanied by its fourth material earnings downgrade in 12 months, citing cost pressures and a weaker revenue outlook. The company also announced that it would suspend its interim dividend. RES' 4Q result was below market expectations, driven by lower margins and higher costs. There is also some concern that the increased use of Ozempic for weight loss could reduce the prospect of sleep apnoea and subsequent demand for RES' machines. Compounding this was the release of clinical trial results by Novo Nordisk, the manufacturer of Ozempic that indicated another of its weight loss products, Wegovy, could reduce the risk of serious heart problems and heart-related death by 20%. Having risen by more than 21% in July, SQ2 shares were sold down in August after reporting its 2Q23 results. This was despite the company exceeding expectations and upgrading full year EBITDA guidance. The decline appears to be driven by the outlook provided by management whereby 3Q23 gross margins were decelerating, as well as overall macroeconomic

\$100,000 invested since inception



Sector allocation

GICS ³	%
Financials Ex Reits	23.4
Metals & Mining	21.4
Health Care	12.1
Communication Services	8.4
Real Estate	7.3
Consumer Discretionary	5.9
Consumer Staples	4.8
Energy	4.8
Industrials	4.5
Materials Ex Metals & Mining	3.5
Utilities	2.0
Information Technology	1.9

concerns. A material portion of SQ2's earnings are exposed to transaction volumes in small and medium sized businesses, which are adversely impacted by a slowdown in US consumer spending.

Contributing to performance were overweight positions in Goodman Group (GMG), Aristocrat Leisure (ALL) and James Hardie Industries (JHX). GMG reported 16% EPS growth and guided for a further 9% EPS growth in FY24 under conservative assumptions. Yet even these positives were surpassed by the extent of GMG's data centre (DC) pipeline, which is being driven by significant growth in data storage and AI, and includes a 3GW power allocation capacity within their land bank for DC development and the potential to increase it to 4GW in the near term. Other operational metrics for GMG also remain very solid. Aristocrat Leisure shares have continued their upward trajectory since reporting their interim results in May. JHX reported a strong 1QFY24 result, which was well ahead of consensus estimates and buoyed by further headway in US new home construction and price rises in Australia.

Australia's economy is showing significant signs of slowing down with real retail spending declining over the past nine months to June. Essentially consumers are struggling to keep spending as the squeeze from higher goods and services prices, rising mortgage interest rates and rents take their toll. Employment also fell marginally in July with the unemployment rate edging up from 3.5% to 3.7%. There was some mild relief as annual consumer inflation moderated from 5.4% in June to 4.9% in July according to the new ABS monthly measure. The Reserve Bank again held the cash interest rate steady at 4.1% but maintained guidance that further interest rate rises may be required to get inflation back to their 2% to 3% target range.

Top 10 share holdings

(alphabetical order)

- ANZ Group
- Aristocrat Leisure
- BHP Group
- Coles Group
- Commonwealth Bank of Australia
- CSL
- Goodman Group
- Santos
- South32
- Telstra 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 2023
Australian shares	95%	100%	100%	98.5%
Cash and cash equivalents	0%	0%	5%	1.5%

Portfolio facts

Inception date	18 November 2002
APIR Code	PPL0115AU
Fund size as at 31 August 2023	\$171.2m
Benchmark	S&P/ASX 200 Total Return Index
Distribution	Quarterly
Management fee⁴	0.70% pa
Performance fee⁵	20% of the Fund's net performance in excess of the performance hurdle (benchmark return +5% pa)

Distribution history⁶ and Franking levels

	Jun 23	Mar 23	Dec 22	Sep 22	Jun 22	Mar 22	Dec 21	Sep 21	Jun 21	Mar 21	Dec 20
Distribution (cents per unit)	6.01	0.74	0.96	1.55	6.60	1.05	0.75	1.38	5.78	0.69	0.48
Franking levels	48.8%	-	-	-	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: 16

Years of
Industry Experience: 23

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: 23

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
- eXpand Extra
- MLC Wrap / Navigator
- Praemium
- BT Panorama
- Hub 24
- Netwealth Wrap
- PowerWrap
- CFS First Wrap
- Macquarie Wrap
- North
- uXchange
- Clearview
- MLC Masterkey Fundamentals
- OneVue
- Voyage

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

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

⁴ 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.

⁵ 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.

⁶ 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>

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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 30 June 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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