

Portfolio Profile

Antares Ex-20 Australian Equities Fund

December 2020



Fund description and investment return objective

The Fund is an actively managed, concentrated portfolio of equities outside the largest 20 Australian listed companies by market capitalisation (as defined by the S&P/ASX 20 Total Return Index) that Antares identifies as having the potential to offer significant long-term capital growth. The Fund may also invest in equities expected to be listed on the Australian share market.

The investment objective is to outperform the Benchmark (after fees) over rolling five year periods.

Manager's commentary

The portfolio survived a volatile December month, returning 0.7% (net of fees) which compared to our benchmark of -0.3%¹. The market changed direction during the month as COVID case numbers surged in the Northern Hemisphere and fears were raised about a mutation of the virus in Great Britain which may threaten vaccination plans. This combined with a new outbreak in Sydney that led to border closures in Australia and took the wind out of the so-called "re-opening" trade.

Our best contributor for the month was Afterpay (APT). The change in market direction helped some of the "COVID-winners" recover their momentum and APT is chief amongst these. APT was promoted into the S&P ASX 20 in December, which aided sentiment. APT also provided an upbeat November trading update, albeit the release did not include a numerical update, only commentary. Finally, the RBA revealed it had concluded its investigations into the prevention of surcharging by buy-now pay-later operators, and concluded it was in consumers' interests. This removed some of the regulatory concerns that some people have about the APT business model.

Mineral Resources (MIN) was also strong in December, driven primarily by the strength of the iron ore price. China's demand for iron ore has been driven by its large COVID-driven stimulus and supply remains constrained due to continuing issues in Brazil. Also helping MIN in the month were the first signs that the Lithium market may have bottomed with demand beginning to recover. Alongside its mining services iron ore mining businesses, MIN is a major lithium producer.

Polynovo (PNV) surged in December as the company provided a number of small, but positive updates on various trials and markets in the month. In particular, it provided an update on a critical Investigation Exemption Device trial in the United States, which, if successful, will help its NovoSorb product meet the Standard of Care certifications required for mainstream acceptance in the US. It also announced entry into the Benelux and Swedish markets in Europe.

Shares in A2 Milk (A2M) fell during December after the company provided downbeat earnings guidance. While the market had been expecting some weakness in A2M's sales in 2021 as it struggled to replace the lucrative Daigou channel into China, the update revealed that the Daigou channel weakness has also found its way into the e-commerce channel in China, a bigger hit than had been previously anticipated.

IDP Education (IEL) also had a weaker month. While there was no new company specific news, COVID news weighed on sentiment towards the re-opening of Australia's education sector to international students. In particular, the belief that the Sydney outbreak was linked to international travel has dulled expectations that international students will return to Australia in 2021.

Qantas (QAN) shares were also weak in the month. QAN had been a strong contributor last month as optimism around the vaccines grew, but in a month where COVID news began to weigh on sentiment, most especially the domestic border closures here in Australia, QAN shares were weaker. We continue to believe, however, that QAN will be a major beneficiary of the impact of COVID over the longer term as key rival Virgin struggles to recover from its recent period of administration.

Portfolio facts

Inception date:	1 October 2019
Fund size at 31 December 2020:	\$28.1m
Benchmark:	S&P/ASX 200 Total Return Index excluding the companies listed on the S&P/ASX 20 Total Return Index.
Investment timeframe:	At least 5 years
No. of shares:	15 to 30

Top 10 share holdings

as at 31 December 2020 (alphabetical order)

- Afterpay
- Ansell
- Aristocrat Leisure
- BlueScope Steel
- James Hardie Industries
- Medibank Private
- Metcash
- Nine Entertainment Co Holdings
- Qantas Airways
- Qube Holdings

Investment returns as at 31 December 2020¹

Period	1 month	3 months	1 year	3 years pa	5 years pa	7 years pa	Since inception pa
Net return ² %	0.7	16.2	12.5	-	-	-	11.0
Gross return ³ %	1.0	17.4	15.9	-	-	-	14.1
Benchmark return %	-0.3	11.7	1.2	-	-	-	1.7
Net excess return %	1.0	4.5	11.3	-	-	-	9.3
Gross excess return %	1.3	5.7	14.7	-	-	-	12.4

¹ Past performance is not a reliable indicator of future performance. Returns are not guaranteed and actual returns may vary from any target returns described in this document.
² Investment returns are based on exit prices, and are net of management fees and assume reinvestment of all distributions. The performance inception date is 2 October 2019.

Investor profile

The Ex-20 Australian Equities Fund is designed for investors seeking an actively managed, highly concentrated portfolio of Australian securities that excludes the top 20 stocks by market capitalisation. The Fund aims to provide investors with long term capital growth.

Investment details

Minimum investment:	\$20,000
Minimum additional investment:	\$5,000
Income treatment:	Half-yearly distribution or re-investment
Entry fee:	Nil
Exit fee:	Nil
Management fee:	0.85% (incl. net effect of GST) per annum
Performance fee:	The performance fee is calculated as 15% of the difference between the Fund's quarterly return (after deducting the management fee and assuming the reinvestment of distributions) and the Benchmark's quarterly return ⁵ .

⁵ The Benchmark of the Fund is S&P/ASX 200 Total Return Index excluding the S&P/ASX 20 Total Return Index..

Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 Dec 20
Australian shares	90%	100%	100%	97%
Cash and cash equivalents	0%	0%	10%	3%

Distribution history⁴

Quarter end	Cents per unit
31 December 2020	0.60
30 June 2020	0.91
31 December 2019	0.00

⁴ Distribution rates have been rounded to two decimal places. As a result, the actual payment rate may differ slightly to the rates listed above.

Franking levels

Year end	
30 June 2020	97.61%

About Antares

Antares is a dedicated asset management business managing more than \$31.0bn on behalf of Australian investors, with \$4.0bn in Australian equities and more than \$27.0bn in fixed income (as at 30 September 2020).

At Antares we are wholly focused on delivering performance for investors through an investment approach underpinned by dedication, experience and discipline. We recognise and are ready for market uncertainty, and believe great performance is achieved through a focus on both risk and return. Antares consists of two divisions – Antares Equities (formerly Portfolio Partners and Aviva Investors) and Antares Fixed Income (formerly National Specialist Investment Management).

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

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