

Portfolio Profile

Antares Ex-20 Australian Equities Fund

October 2021



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 strategy delivered a net return of 0.2% for the month of October, a slightly positive return in a month which saw our benchmark return -0.3%. The market continues to consolidate around current levels as it weighs the prospect of higher than anticipated inflation, persistent supply chain bottlenecks and possible earlier than expected tightening in monetary policy against the gains made in global COVID-19 vaccination rates and clinical treatments.

Our best contributor for the month was Paladin Energy (PDN). With the Glasgow climate summit looming in November, investors have looked to uranium as a possible solution to baseload energy needs to replace coal. The current energy crises in parts of Europe and China have highlighted the shortfall between the limits of renewable energies' abilities to meet actual demand requirements. Nuclear technology has advanced markedly in recent years and has the benefit of producing carbon free energy. OZ Minerals (OZL) also enjoyed a strong October. Its quarterly production statement saw it lower its cost guidance (based mainly on increasing gold credits). Further, the price for its major commodity, copper, remained strong, assisted by concerns around supply as the largest refiner of copper, China, struggles with energy issues. Of all the investment opportunities provided by the energy transition away from hydrocarbons, it is copper that we feel is the lowest risk given its role in any electric technology. Finally, Lynas Rare Earths (LYC) rallied in October. As with other basic materials, China is the major player in the refining of rare earths and the market has been concerned about supply given the energy disruptions there. LYC enjoys the strategic benefit of being the largest player in the market outside of China and rallied accordingly.

Star Entertainment (SGR) detracted from performance and we exited our position. During the month there were media reports that alleged potential breaches of anti-money laundering (AML) rules by SGR. This was reflected in SGR's share price. While these are allegations, rather than proven, we believe the allegations will create further headwinds for SGR's recovery. Finally, we note a likely outcome will be more onerous AML requirements on all operators in the industry, thus lowering industry profitability. Medibank Private (MPL) also fell in October. There was no specific news on MPL and we feel the business' prospects are underrated as the COVID-19 pandemic has given people a greater focus on healthcare – hence a greater interest in health insurance, of which MPL is the market leader here in Australia. Finally, Ansell (ANN) continued its post results weakness as the market extrapolated poor results from Malaysian peers such as Top Glove to ANN's single use exam glove business. While some of these comparisons are valid, and demand has fallen faster than the market had anticipated, ANN has several other businesses where feedback has been strong and we actually added to the position during October on the back of that news combined with the price weakness.

Investment returns as at 31 October 2021¹

Period	1 month	3 months	1 year	3 years pa	5 years pa	7 years pa	Since inception pa
Net return ² %	0.2	6.1	29.2	-	-	-	14.4
Gross return ³ %	0.3	6.4	31.7	-	-	-	17.1
Benchmark return %	-0.3	3.7	24.3	-	-	-	7.2
Net excess return %	0.5	2.4	4.9	-	-	-	7.2
Gross excess return %	0.6	2.7	7.4	-	-	-	9.9

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.

Portfolio facts

Inception date:	1 October 2019
Fund size at 31 October 2021:	\$39.3m
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 October 2021 (alphabetical order)

- Lynas Rare Earths
- Medibank Private
- Metcash
- Nine Entertainment Co Holdings
- Oz Minerals
- Qantas Airways
- QBE Insurance Group
- Qube Holdings
- Santos
- Seek

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 Oct 21
Australian shares	90%	100%	100%	95%
Cash and cash equivalents	0%	0%	10%	5%

Distribution history⁴

Quarter end	Cents per unit
30 June 2021	3.43
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 2021	29.46%
30 June 2020	97.61%

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\$5.5 billion (at 30 September 2021) under advice across a range of strategies including large capitalisation, concentrated, property, 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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