

Portfolio Profile

Antares Ex-20 Australian Equities Fund

December 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 Fund delivered a net return of 0.9% for the month of December, trailing that of our benchmark which returned 2.7%. The market took a very decisive "risk off" turn mid-month which notably impacted some of our higher conviction positions. These are often longer dated in their assumptions which can at times leave them vulnerable to such corrections. What was surprising was that the quality nature of our portfolio left it exposed to this short term volatility.

Our best contributor for the month was Lynas Rare Earths (LYC). Rare earth prices continued to move up during the month, while consolidation amongst major players in China supported industry structure. This provided strength to the LYC share price in the month.

Metcash (MTS) was a solid contributor in December following the release of a strong half year to October. While MTS's grocery business did well, the star performer was the hardware business, in particular the recent addition of Total Tools, a retail business that is delivering great leverage to strong sales numbers.

Our overweight position in OZ Minerals (OZL) also contributed strongly in December. The price for its major commodity, copper, remained strong, assisted by concerns around supply as the largest refiner of copper, China, struggles with energy and lockdown 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.

All three of our major detractors were tech-oriented companies – Afterpay (APT), Megaport (MP1) and Seek (SEK). With the exception of APT there was no negative news released pertaining to the operational side of these business, rather we saw a market rotation away from higher valuation sectors, such as tech, to the more "value" part of the market.

In fact, job ads on SEK's platforms continued to grow despite expectations of a slowdown, while anecdotal evidence of the benefits of MP1's new MVE product began to circulate.

With respect to APT, which was the most significant detractor for the month, the price of its shares is now firmly linked to the price of Block (SQ US) in the United States given the merger of the two businesses that looms early in 2022. SQ US has been one of the worst performers in the recent tech sell-off in the US, being classified with other higher risk tech businesses. These businesses tend to be early in their life cycles and so requiring a heavier level of re-investment to create their longer term value. As discount rates move up with inflationary expectations these stocks can suffer from temporary valuation adjustments. SQ's September quarterly missed revenue expectations and this also impacted its share price performance, thus dragging APT down with it.

Portfolio facts

Inception date:	1 October 2019
Fund size at 31 December 2021:	\$42.7m
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 2021 (alphabetical order)

- IGO
- Lynas Rare Earths
- Medibank Private
- Nine Entertainment Co Holdings
- Oz Minerals
- Qantas Airways
- Qube Holdings
- Santos
- Seek
- Treasury Wine Estates

Investment returns as at 31 December 2021¹

Period	1 month	3 months	1 year	3 years pa	5 years pa	7 years pa	Since inception pa
Net return ² %	0.9	2.1	18.3	-	-	-	14.2
Gross return ³ %	1.0	2.3	20.2	-	-	-	16.8
Benchmark return %	2.7	3.1	17.1	-	-	-	8.3
Net excess return %	-1.8	-1.0	1.2	-	-	-	5.9
Gross excess return %	-1.7	-0.8	3.1	-	-	-	8.5

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

Distribution history⁴

Quarter end	Cents per unit
31 December 2021	0.57
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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