

Ex-20 Australian Equities Fund



Monthly Performance Report July 2022

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 Fund's objective is to outperform (after management fees) the 'Benchmark' (S&P/ASX 200 Total Return Index excluding the companies listed in the S&P/ASX 20 Total Return Index) over rolling five year periods.

Investment returns¹

Period	1 month	3 months	1 year	2 years pa	3 years pa	Since inception pa
Net return ² %	6.7	-7.2	-2.6	13.6	--	7.1
Benchmark return %	7.6	-6.9	-2.3	9.6	--	3.1
Net excess return %	-0.9	-0.3	-0.3	4.0	--	4.0

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

The strategy delivered a net return of 6.7% for the month, while our benchmark returned 7.6%. Markets globally surged in July in the belief that central banks were doing enough to contain inflation with front end loaded rate rises in most major economies. This saw a shift down in yield curves as the markets began to think the peak in interest rates would be nearer and perhaps shallower than previously thought.

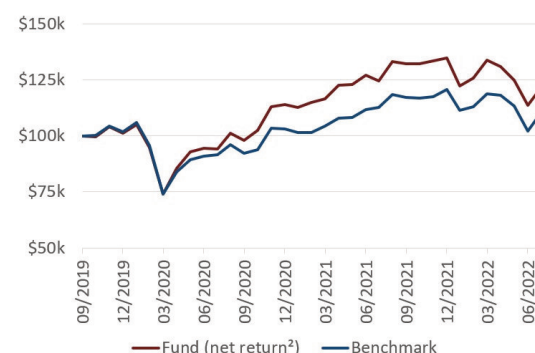
Our best contributor for the month was Telix Pharmaceuticals (TLX). TLX shares rose by more than 60% in July as the company made a string of positive announcements including the US commercial launch of its prostate cancer imaging product Illucix, completion of a 300 person trial of its kidney cancer imaging trial and appointment of a new CFO; this saw a significant lift in consensus earnings upgrades.

Megaport (MP1) shares also surged. The company's shares have been battered in recent months after a mediocre March quarterly. In July the company released a much better set of numbers which showed that profitability is closer than the market expected, thus reducing the chances of an equity raise. Further, sales in its existing networking services products surged after a pause in recent months, highlighting the growth potential of its portfolio. It was also helped by the fall in longer term rate expectations.

Finally, shares in IDP Education (IEL) were also strong in July. While there was no new specific news, the company is a long duration growth stock, and its valuation was helped by the fall in longer term rate expectations.

Elders was our biggest detractor for the month of July. There was no particular company news, but shares were weaker on market fears around an outbreak of foot and mouth disease in Australia. There has been an outbreak of the virus in Bali, Indonesia, with fears it could easily come to Australia via an inadvertent tourist returning. Fragments of the virus have indeed been found here, but these have been linked to an outbreak in China, and the fragments were inert given Customs' treatment of Chinese organic matter imported to Australia.

\$100,000 invested since inception



Sector allocation

GICS ³	%
Metals & Mining	13.5
Consumer Staples	12.5
Consumer Discretionary	12.5
Financials Ex Reits	12.4
Industrials	12.4
Health Care	12.2
Communication Services	11.5
Information Technology	7.7
Energy	5.1
Materials Ex Metals & Mining	0.0
Real Estate	0.0
Utilities	0.0

Tabcorp was weaker in the month of July. There was little specific information from the company, but the Chief Operating Officer did surprise the market, resigning not long into the job.

Shares in QBE Insurance traded down in July, as interest rates expectations fell as has been previously discussed. Our investment thesis on QBE is related to self help after a long period of mismanagement, as well as strong gross written premium growth.

Top 10 share holdings

(alphabetical order)

- Aurizon
- Cochlear
- IDP Education
- Medibank Private
- Metcash
- Nine Entertainment
- Qantas Airways
- QBE Insurance
- Seek
- Treasury Wine Estates

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. 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 July 2022
Australian shares	90%	100%	100%	92.7%
Cash and cash equivalents	0%	0%	10%	7.3%

Portfolio facts

Inception date	1 October 2019
Fund size as at 31 July 2022	\$42.3m
Benchmark	S&P/ASX 200 Total Return Index excluding the companies listed on the S&P/ASX 20 Total Return Index.
No. of shares	15 to 30
Distribution	Half-yearly distribution or reinvestment
Management fee⁴	0.85% pa
Performance fee⁵	15% of the Fund's net quarterly return in excess of the benchmark quarterly return

Distribution history⁶ and Franking levels

	Jun 22	Dec 21	Jun 21	Dec 20	Jun 20
Distribution (cents per unit)	11.21	0.57	3.43	0.60	0.91
Franking levels	11.7%	-	29.5%	-	97.6%

Portfolio managers

JOHN GUADAGNUOLO

Head of Fundamentals

Years with the group: 14

Years of Industry Experience: 22

Key Responsibilities:

John is the Portfolio Manager of the Ex-20 Australian Equities Model Portfolio and Managed Fund.



WINSTON CHONG

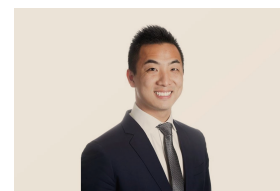
Investment Manager

Years with the group: 4

Years of Industry Experience: 11

Key Responsibilities:

Winston is the Deputy Portfolio Manager of the Ex-20 Australian Equities Model Portfolio and Managed Fund.



Platform availability

- BT Panorama
- Macquarie Wrap
- Netwealth
- Hub24
- MLC/Navigator
- Praemium

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.

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).

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

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>

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 billion (at 30 June 2022) 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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