

Ex-20 Australian Equities Fund

antares

Monthly Performance Report September 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 %	-5.4	3.2	-11.1	9.5	--	5.5
Benchmark return %	-8.2	0.5	-12.3	5.5	--	0.6
Net excess return %	2.8	2.7	1.2	4.0	--	4.9

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

September was a very volatile month in global markets, and the local ASX was no exception. The US Federal Reserve stepped up its hawkish language on the need to increase rates and snuff out inflationary pressures in that country. This has created significant pressures in global markets, with fear of another major downturn driving equity investors especially into predominantly macro based trading. In the context that our style is focused on the bottom up fundamentals of our companies, it was pleasing to generate a net return of -5.4% compared to the -8.2% drawdown of our benchmark index.

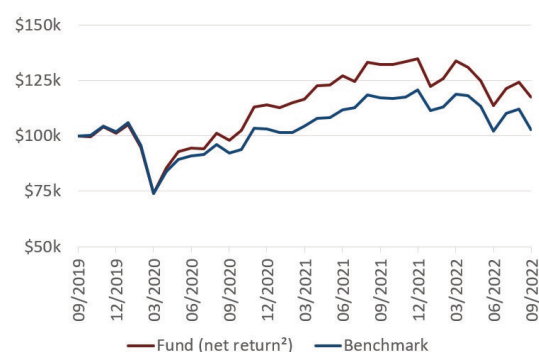
Resmed (RMD) performed well in the volatile markets as its major competitor, Phillips, continued to have regulatory issues in the United States. Further, the secure cashflow of a healthcare company was attractive to investors in a market highly concerned with weakening consumer spending. Finally, as RMD earns nearly all its profits offshore, the weaker Australian dollar sees those translated back at a higher value.

APM Human Services International (APM) was strong in September as investors focused on its betterer than anticipated first earnings release in August. Further, the company announced a deal to acquire Equus Workforce Services in the US. The market liked the price APM has paid, which is highly accretive, as well as the significant diversification of its business away from Australia and more fully into the US market, which is seen to have better contract structures.

Elders (ELD) enjoyed a recovery in the market as the Bureau of Meteorology declared a third La Nina weather system in succession. This typically brings higher than average rainfall to the East Coast of Australia which buoyed sentiment in the agricultural sector generally.

Of the stocks held in the portfolio, those that detracted the most from performance were Iress (IRE), Telix Pharmaceuticals (TLX) and Block (SQ2). Iress struggled in the month after issuing disappointing near-term profit guidance. This was coupled the release of confirmation that it had been appointed as Administrator of the Commonwealth Superannuation Scheme. We see the downgrade as disappointing,

\$100,000 invested since inception



Sector allocation

GICS ³	%
Metals & Mining	16.6
Industrials	14.5
Consumer Staples	13.3
Consumer Discretionary	12.8
Health Care	11.6
Communication Services	10.3
Financials Ex Reits	9.5
Information Technology	6.3
Energy	5.2
Materials Ex Metals & Mining	0.0
Real Estate	0.0
Utilities	0.0

but short term in nature, and are positive that the concurrent announcement of its admin win as supportive of the longer term strategy (and profit targets) of the company.

Telix surprised the market when it announced it had been unable to complete the requests of European regulators to approve the commercial launch of its Illuccix product. The company took a novel approach to the approval process which led to unanticipated demands late in the process. As such it withdrew its request for approval to begin the process from scratch. Illuccix has widespread acceptance in Europe from a medical perspective which is why this announcement was such a surprise.

Block fell in the month as the US Federal Reserve continued to stress its determination to use higher interest rates to reduce inflation. High growth, longer duration companies like SQ2 suffer disproportionately from such moves given the skew of their valuations to future periods.

Top 10 share holdings

(alphabetical order)

- Aurizon
- Cochlear
- IDP Education
- Medibank Private
- Metcash
- Qantas Airways
- QBE Insurance
- Resmed
- 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 30 September 2022
Australian shares	90%	100%	100%	97.6%
Cash and cash equivalents	0%	0%	10%	2.4%

Portfolio facts

Inception date	1 October 2019
APIR Code	PPL5308AU
Fund size as at 30 September 2022	\$44.7m
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: 15

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

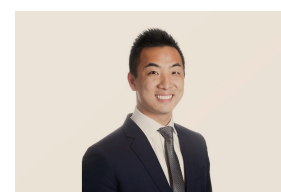
Investment Manager

Years with the group: 4

Years of Industry Experience: 12

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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