Ex-20 Australian Equities Fund

antares

Monthly Performance Report
September 2023

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 returns[1]

Period	1 month	3 months	1 year	2 years pa	3 years pa	Since inception pa
Net return[2] %	-4.3	-4.5	8.7	-1.7	9.2	6.3
Benchmark return %	-4.3	-2.4	12.6	-0.6	7.8	3.5
Net excess return %	0.0	-2.1	-3.9	-1.1	1.4	2.8

[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 Fund weathered a volatile September, with a decline of 4.3% (net of fees) in line with its benchmark's fall. The month saw a sharp move up in interest rates, particularly at the longer end of the curve. The yield on US 10 Year Treasuries spiked from 4.11% to 4.57%, driven by higher for longer rate expectations, a resilient US economy and sharply higher crude oil prices. Such dramatic moves drive increases in volatility and push up discount rates on equities, which especially hurts the longer duration infrastructure and technology segments of the market.

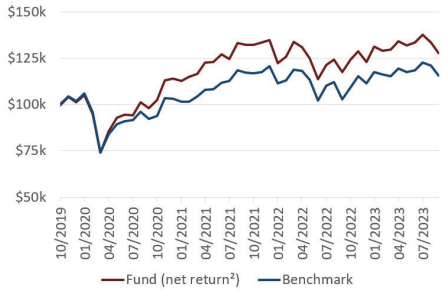
Paladin Energy (PDN) was the best contributor for the month. The Uranium producer rallied as uranium prices globally began to climb, expectations around increased use of uranium globally in the energy transition lifted and as the company successful navigates the restart of its Langer Heinrich mine in Namibia, scheduled for 1st Quarter 2024.

Ventia Services (VNT) also enjoyed a solid month. There was no specific company news released, although we note that VNT was not rewarded by the market after releasing a solid FY 23 profit result in August. With the flurry of results late, it may be the market was catching up with that news.

Finally, Metcash (MTS) was also a solid contributor. Again, there was little company specific news released but the read through from the results released by grocery rivals Coles and Woolworths, as well as hardware group, Bunnings, all suggested that MTS was more than holding its own, despite expectations of a loss of share in a post COVID normalisation.

Detracting from performance was Block (SQ2). The company suffered a small outage in its Square Seller retail point of sale equipment globally which hurt sentiment, while the march up in longer duration interest rates hurt its valuation as discount rates spiked, disproportionately impacting longer duration equities such as SQ2.

$100,000 invested since inception



Sector allocation

GICS[3]	%
Industrials	25.6
Consumer Discretionary	14.4
Financials Ex Reits	9.9
Metals & Mining	9.0
Health Care	8.5
Consumer Staples	8.3
Communication Services	8.1
Information Technology	4.8
Utilities	3.7
Real Estate	2.9
Energy	2.5
Materials Ex Metals & Mining	2.4

Qantas (QAN) also detracted from performance. The noise around the company and its former Managing Director, Alan Joyce, reached something of a crescendo in September, while operationally, the higher oil prices pose a risk to near term earnings. We continue to retain our investment in the company, which we see as compelling.

Finally, Tabcorp (TAH) fell on speculation that a ban on advertising may impact the revenue line of the business (this despite TAH advocating for the ban), and rival Entain reported an underwhelming performance in its September earnings release. Finally, speculation increased that the Victorian Wagering licence may be split between TAH and Sportsbet.

Top 10 share holdings

(alphabetical order)

- Aurizon
- Brambles
- Cochlear
- IDP Education
- Lottery Corporation
- Medibank Private
- Metcash
- Qantas Airways
- Seek
- Worley

Stock Activity

Buys / Additions

Mineral Resources (MIN) - We added MIN back to the portfolio. MIN shares have fallen nearly 30% since we exited the position earlier in the year. Over that time, lithium prices have fallen, but iron prices have risen. We think the risk – return profile here is compelling given the projects that sit ahead of MIN and the proven capability of its management team to finance such large undertakings, which the market is doubting at present.

Sells / Reductions

IGO Ltd - To fund our investment in MIN, we sold our position in IGO Ltd. The market responded positively to the IGO dividend policy released at its FY 23 results. It therefore outperformed the lithium cohort on the market. We saw this as a catalyst and with little new opportunity to add value near term, we sold the stock to fund our investment in MIN.

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 2023
Australian shares	90%	100%	100%	95.2%
Cash and cash equivalents	0%	0%	10%	4.8%

Portfolio facts

Inception date	1 October 2019
APIR Code	PPL5308AU
Fund size as at 30 September 2023	$26.7m
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 fee[4]	0.85% pa
Performance fee[5]	15% of the Fund's net quarterly return in excess of the benchmark quarterly return

Distribution history[6] and Franking levels

	Jun 23	Dec 22	Jun 22	Dec 21	Jun 21	Dec 20	Jun 20
Distribution (cents per unit)	4.00	0.85	11.21	0.57	3.43	0.60	0.91
Franking levels	40.3%	-	11.7%	-	29.5%	-	97.6%

Ex-20 Australian Equities Fund
Monthly Performance Report
September 2023

antares

Portfolio managers

JOHN GUADAGNUOLO

Head of Fundamentals

Years with the group: 16

Years of Industry Experience: 23

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: 5

Years of Industry Experience:13

Key Responsibilities:

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

Platform availability

- BT Panorama
- MC Wrap / Navigator
- eXpand Extra
- Netwealth Wrap
- Hub 24
- Praemium
- Macquarie Wrap
- PowerWrap

[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$4.9 billion (at 30 June 2023) 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

Important information: MLC Investments Limited ABN 30 002 641 661, AFSL 230705 ("MLCI") is the Responsible Entity of, and the issuer of units in, the Antares Ex-20 Australian Equities Fund ARSN 635 799 530 ('the Fund'). MLCI has appointed Antares Capital Partners Ltd ABN 85 066 081 114, AFSL 234483, trading as Antares Equities (Antares) as the Investment Manager of this product. MLCI and Antares are part of the Insignia Financial group of companies (comprising Insignia Financial Holdings Ltd ABN 49 100 103 722 and its related bodies corporate) ('Insignia Group').

The information contained in this communication may constitute general advice and does not take into account your objectives, financial situation or needs. Because of that, before making any decision about whether to acquire or continue to hold an investment in the Fund, you should consider its appropriateness, having regard to your objectives, financial situation and needs, plus consider the relevant Product Disclosure Statement. We recommend you obtain financial advice tailored to your own personal circumstances.

The capital value, payment of income and performance of the Fund are not guaranteed. An investment in the Fund is subject to investment risk, including possible delays in repayment of capital and loss of income and principal invested. Neither MLCI or Antares nor any other member of the Insignia Financial Group guarantees the repayment of your capital, payment of income or the performance of your investment. 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.

Any projection or other forward looking statement ('Projection') in this report is provided for information purposes only. No representation is made as to the accuracy or reasonableness of any such Projection or that it will be met. Actual events may vary materially. Opinions constitute our judgement at the time of issue and are subject to change. Neither MLCI, Antares nor any member of the IOOF Group, give any warranty of accuracy, nor accept responsibility for any loss or liability incurred by you in respect of any error, omission or misrepresentation in the information.