

Ex-20 Australian Equities Fund



Monthly Performance Report December 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 % | -4.4 | 4.7 | -8.8 | 3.9 | 6.7 | 6.6 |
| Benchmark return % | -3.4 | 8.3 | -7.8 | 3.9 | 3.0 | 3.0 |
| Net excess return % | -1.0 | -3.6 | -1.0 | 0.0 | 3.7 | 3.6 |

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

December saw markets resume their declines on the back of continued hawkish language from global central banks about the need to maintain higher interest rates for longer to deal with inflation. These fears were magnified, somewhat ironically, by continued good economic news in the United States. Adding to the confusion was the COVID situation in China which had been deteriorating, yet we saw the authorities pivot quickly away from the strict COVID Zero policy to an almost full re-opening of the country.

The Fund returned -4.4% (net of fees) for the month which compared to our benchmark's return of -3.4%.

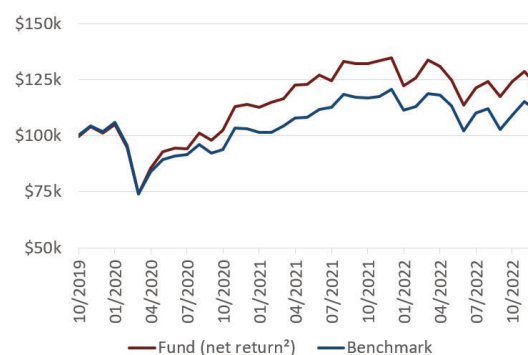
Of the stocks owned by the Fund, our best contributor for the month was Northern Star as gold prices continued to rally on the back of the weakness in the US dollar. As we noted last month, gold has been seen as a hedge for inflation.

QBE Insurance rallied with little new news. Given that QBE is a beneficiary of higher rates globally, the previously mentioned focus on higher rates for longer by global Central banks would be a positive for QBE.

Tabcorp (TAH) enjoyed a strong month in December. The company has shown good capital discipline in refusing to bid against itself for the Western Australian wagering licence. Further, its key focus on increasing market share in digital wagering has become apparent after the football World Cup. Anecdotal evidence suggests that TAH had a strong World Cup and took share from peers such as Sportsbet, reversing a long-term trend.

APM Human Services (APM) again detracted from performance. There was no new news regarding the company although the market may be increasingly nervous about potential reforms to government policy in the areas of assistance for the long term unemployed and those with disabilities seeking work, areas where APM is acknowledged as the clear market leader. Further, we understand that some in the market have interpreted recent contract wins as lower margins – our investigations indicate that this is not the case.

\$100,000 invested since inception



Sector allocation

| GICS ³ | % |
|------------------------------|------|
| Metals & Mining | 19.2 |
| Industrials | 14.5 |
| Consumer Discretionary | 13.5 |
| Health Care | 11.1 |
| Communication Services | 10.9 |
| Financials Ex Reits | 10.4 |
| Consumer Staples | 10.0 |
| Information Technology | 5.2 |
| Energy | 5.2 |
| Materials Ex Metals & Mining | 0.0 |
| Real Estate | 0.0 |
| Utilities | 0.0 |

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Nine Entertainment (NEC) shares were down for the month. There was no news released by the company but we posit two potential factors to explain the fall. Firstly, its 60% owned Domain Group (DHG) struggled in the month as property listings declined materially. Secondly, industry data suggests that NEC's share of free to air television revenue was weaker in November.

IDP Education (IEL) detracted from performance despite there being little news released. There has been speculation that the crackdown by the Canadian government on the education sector could hurt IEL. We disagree as we believe universities will need more evidence of the bona fides of foreign students before allowing them admittance. This helps the market leader in the student placement sector, being IEL, as most of its competitors do not have sufficient resources to ensure a thorough background check.

Top 10 share holdings

(alphabetical order)

- Aurizon
- Cochlear
- IDP Education
- Medibank Private
- Metcash
- Northern Star Resources
- 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.

Portfolio facts

| | |
|---|---|
| Inception date | 1 October 2019 |
| APIR Code | PPL5308AU |
| Fund size as at 31 December 2022 | \$50.3m |
| 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 |

Investment guidelines and ranges

| | Minimum | Benchmark Allocation | Maximum | As at 31 December 2022 |
|----------------------------------|---------|----------------------|---------|------------------------|
| Australian shares | 90% | 100% | 100% | 96.6% |
| Cash and cash equivalents | 0% | 0% | 10% | 3.4% |

Distribution history⁶ and Franking levels

| | Dec 22 | Jun 22 | Dec 21 | Jun 21 | Dec 20 | Jun 20 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|
| Distribution (cents per unit) | 0.85 | 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

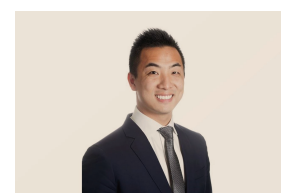
Investment Manager

Years with the group: 5

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\$4.9 billion (at 30 September 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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