

Ex-20 Australian Equities Fund



Monthly Performance Report February 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 returns¹

Period	1 month	3 months	1 year	2 years pa	3 years pa	Since inception pa
Net return ² %	-1.7	0.4	2.5	6.0	10.8	7.8
Benchmark return %	-1.3	0.7	2.8	6.9	6.6	4.2
Net excess return %	-0.4	-0.3	-0.3	-0.9	4.2	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

February saw markets cool after a strong January. The strength of the US economy is driving expectations of higher rates for longer which is creating increasingly negative sentiments in markets. The strategy generated a net return of -1.7% for the month, which, disappointingly, trailed that of our benchmark at -1.3%. We have historically performed well in reporting periods, this time however, we think the market had a very strong macro lens and has missed some interesting developments in key holdings.

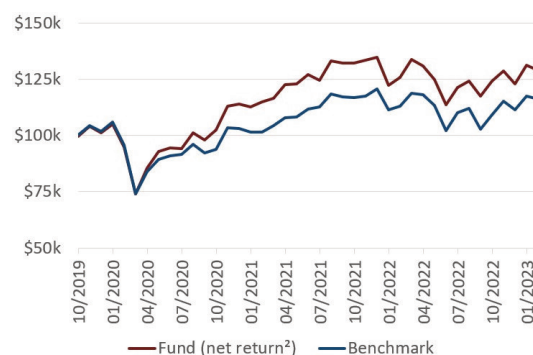
Our best contributor for February was Medibank Private (MPL). We have maintained our view that the market over-reacted to the potential impact on customer retention after its cyber security incident. This was partially vindicated in its half year result as policy numbers stabilised and began to grow again in February, whilst claims inflation, a key aspect of our thesis, was lower than expected, which helped support the stock.

Lottery Corporation (TLC) also enjoyed a strong month on the back of a result that beat expectations. Revenue growth was ahead of market and costs were well-managed leading to upgrades, taking the share price with it. Further, TLC benefitted from being seen as a "defensive growth" stock that could deliver in a choppy market.

Finally, QBE reported a strong CY 2022 result with strong premium growth and claims that were below expectations, again leading to earnings upgrades and a strong share price reaction. Further, QBE announced it had signed a risk share agreement that will reduce the volatility in its underwriting business, which was well-received by the market.

Our biggest detractor in February was Northern Star (NST). NST released its results for the six months to 31 December 2022, that were generally in line with expectations. But, the decline in the share price was driven by the strength of the US dollar, as US interest rate expectations again began to rise.

\$100,000 invested since inception



Sector allocation

GICS ³	%
Metals & Mining	16.4
Industrials	14.4
Consumer Discretionary	13.2
Communication Services	11.4
Financials Ex Reits	11.4
Consumer Staples	9.2
Information Technology	7.8
Health Care	7.5
Energy	5.2
Real Estate	3.4
Materials Ex Metals & Mining	0.0
Utilities	0.0

Aurizon Holdings (AZJ) also saw its share price fall as the company provided a disappointing update to the market. Of particular concern was that the growth engine of the business, bulk haulage, struggled in the half, following a disappointing 2H FY 2022. On further investigation, we have concluded the market has made some incorrect assumptions about this business given the impact of weather down the East Coast. We also believe the market has overlooked the substantial progress being made in its transition away from bulk coal haulage with its major new contract win with Toll.

Finally, IDP Education (IEL) also detracted from performance. While the result was not optically strong compared to expectations, there was a lot of cost put into the business ahead of the expected upturn in student applications from India and China. We believe the result was actually very sound when allowing for this necessary cost input.

Top 10 share holdings

(alphabetical order)

- Aurizon
- Cochlear
- IDP Education
- Lottery Corporation
- Medibank Private
- Qantas Airways
- QBE Insurance
- Seek
- South32
- 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 28 February 2023
Australian shares	90%	100%	100%	97.3%
Cash and cash equivalents	0%	0%	10%	2.7%

Portfolio facts

Inception date	1 October 2019
APIR Code	PPL5308AU
Fund size as at 28 February 2023	\$57.6m
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

	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

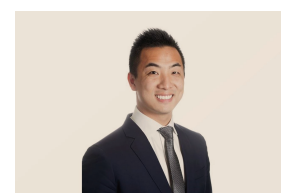
Investment Manager

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\$5.0 billion (at 31 December 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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