

Ex-20 Australian Equities Fund

antares

Monthly Performance Report October 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 %	5.8	2.3	-6.1	10.2	7.6	7.3
Benchmark return %	6.3	-0.8	-6.5	7.8	2.9	2.6
Net excess return %	-0.5	3.1	0.4	2.4	4.7	4.7

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

October saw markets rally back from the eventual falls in what was a volatile September. Nonetheless this occurred into the headwind of more hawkish rhetoric from the US Federal Reserve. While the US continued to talk about inflation and the need to stamp it out, other central banks, including our own Reserve Bank, eased some of the tightening pressure. Further, the month saw the arrival of major cyber crime in the listed Australian market with Medibank (MPL) targeted by an apparently sophisticated scheme. The strategy generated a return of 5.8% for the month compared to our benchmark at 6.3%.

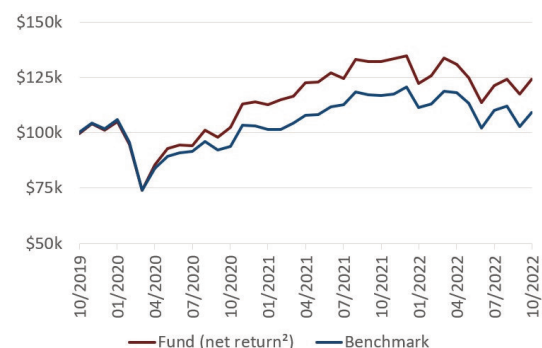
Our best contributor for the month was Telix Pharmaceuticals (TLX) which continued to provide positive updates on both its existing Illucix product but also promising news about the pipeline of additional products it hopes to bring to market in coming quarters.

Qantas (QAN) also had a strong month, surprising the market with a major profit upgrade that was released in advance of its Annual General Meeting (AGM). With capacity remaining limited by the difficulties of restarting a major operation such as an airline, QAN is well-placed to benefit from excess demand relative to available supply. We were also heartened by the news that QAN staff would receive an earlier than scheduled pay rise given the company's earnings recovery is so advanced.

Finally IDP Education (IEL) contributed well over the month. IEL held its AGM where there was little new news released. Rather, it has been the steady recovery in net migration to Australia that has improved sentiment towards the stock.

As alluded to in our introduction, Medibank (MPL), suffered from a major cyber attack whose details emerged in October. MPL has been one of our highest conviction positions as we saw the company's customer centricity in its response to COVID as both appealing and strategic. We have kept our conviction in the position despite the set back. Thus far we believe the company's ethos and culture has helped it handle the fallout better than others in a similar position and believe

\$100,000 invested since inception



Sector allocation

GICS ³	%
Metals & Mining	16.7
Industrials	14.6
Consumer Staples	13.2
Consumer Discretionary	12.8
Health Care	11.9
Communication Services	10.6
Financials Ex Reits	8.3
Information Technology	6.4
Energy	5.5
Materials Ex Metals & Mining	0.0
Real Estate	0.0
Utilities	0.0

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that customer attrition will be minimal. While we will obviously monitor this, in our view the market's reaction to the news ignores the way the company has generally operated.

Megaport (MP1) also endured a tough month following its AGM market update. We were surprised by the share price reaction to what we thought looked like an in-line quarterly update, albeit with a mildly weaker cashflow forecast that we anticipated. Some in the market took this to mean the company would need to raise equity and sold the stock heavily. We disagree.

APM Human Services (APM) also detracted from performance. There was no new news regarding the company other than an extension to one of its major contracts with the Australian Government (Disability Employment Services) which we actually took to be a positive. Perhaps the share price weakness was more an indication of a lack of conviction in this company given its relatively new status as a listed company.

Top 10 share holdings

(alphabetical order)

- Aurizon
- Cochlear
- IDP Education
- Metcash
- Nine Entertainment
- 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 31 October 2022
Australian shares	90%	100%	100%	96.6%
Cash and cash equivalents	0%	0%	10%	3.4%

Portfolio facts

Inception date	1 October 2019
APIR Code	PPL5308AU
Fund size as at 31 October 2022	\$48m
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

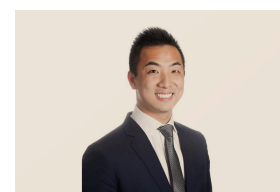
Investment Manager

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\$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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