

High Growth Shares Fund



Monthly Performance Report August 2023

Fund description and investment return objective

The Fund is an actively managed portfolio of Australian equities listed (or expected to be listed) on the Australian share market that invests in both long and short positions. It uses a range of investment strategies including active trading along with the ability to use exchange traded derivatives.

The Fund's objective is to outperform (after management fees) the 'Benchmark' (S&P/ASX 200 Total Return Index) over rolling five year periods.

Investment returns¹

Period	1 month	3 months	1 year	3 years pa	5 years pa	7 years pa	10 years pa	Since inception pa
Net return ² %	-3.0	1.2	8.1	14.0	7.2	9.4	9.0	10.4
Benchmark return %	-0.7	3.9	9.6	10.7	7.0	8.6	8.0	8.1
Net excess return %	-2.3	-2.7	-1.5	3.3	0.2	0.8	1.0	2.3

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

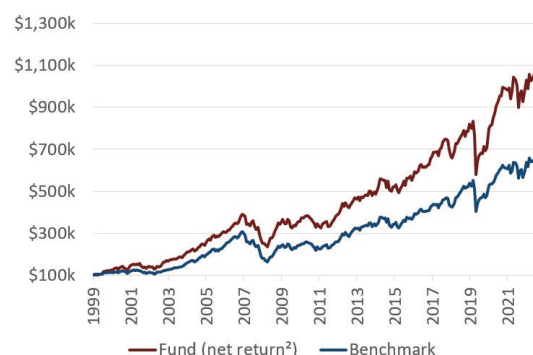
Australian shares disappointed in August with a mild decline given concerns over China's prospects as well as the Australian consumer. The Utilities and Consumer Staples sectors led the market declines given concerns about the consumer's ability to absorb higher electricity & gas prices as well as rising mortgage interest rates and rents. Information Technology declined in line with a more cautious view after their recent strong gains. Despite a rebound in the iron ore price to above US\$110 per ton, the Resources sector posted a -1.8% negative return with concerns over China's prospects. There were some positives with surprisingly strong gains for Consumer Discretionary and Real Estate on hopes that the Reserve Bank has ceased raising interest rates.

August is also reporting season for most Australian companies and while results were largely in line with expectations, the prospect of rising costs and a slowing economy saw reasonably soft guidance for the FY24 year which flowed through to earnings downgrades.

The Antares High Growth Shares Fund returned -3.0% (net of fees) for the month of August 2023, compared to its benchmark's -0.7% return.

Detracting value were overweight positions in Iress (IRE), Resmed Inc (RES) and Block Inc (SQ2). IRE's result was accompanied by its fourth material earnings downgrade in 12 months, citing cost pressures and a weaker revenue outlook. The company also announced that it would suspend its interim dividend. RES' 4Q result was below market expectations, driven by lower margins and higher costs. There is also some concern that the increased use of Ozempic for weight loss could reduce the prospect of sleep apnoea and subsequent demand for RES' machines. Compounding this was the release of clinical trial results by Novo Nordisk, the manufacturer of Ozempic that indicated another of its weight loss products, Wegovy, could reduce the risk of serious heart problems and heart-related death by 20%. Having risen by more than 21% in July, SQ2 shares were sold down in August after reporting its 2Q23 results. This was despite the company exceeding expectations and upgrading full year EBITDA guidance. The

\$100,000 invested since inception



Sector allocation

GICS ³	%
Metals & Mining	22.8
Financials Ex Reits	20.6
Health Care	16.0
Real Estate	10.0
Communication Services	7.4
Industrials	6.2
Consumer Staples	4.9
Energy	4.3
Consumer Discretionary	3.6
Utilities	1.7
Materials Ex Metals & Mining	1.6
Information Technology	0.9

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decline appears to be driven by the outlook provided by management whereby 3Q23 gross margins were decelerating, as well as overall macroeconomic concerns. A material portion of SQ2's earnings are exposed to transaction volumes in small and medium sized businesses, which are adversely impacted by a slowdown in US consumer spending.

Contributing to performance were overweight positions in Goodman Group (GMG), Botanix (BOT) and Paladin (PDN). GMG reported 16% EPS growth and guided for a further 9% EPS growth in FY24 under conservative assumptions. Yet even these positives were surpassed by the extent of GMG's data centre (DC) pipeline, which is being driven by significant growth in data storage and AI, and includes a 3GW power allocation capacity within their land bank for DC development and the potential to increase it to 4GW in the near term. Other operational metrics for GMG also remain very solid. During the month, Botanix announced the promotion of its former Chief Operating Officer Dr Howie McKibbin to CEO. The company also noted it was stepping up commercialisation activities ahead of the pending launch of Sofpironium Bromide, with FDA approval targeted for late September. PDN's FY23 result revealed larger expenses than were expected but investors focused on the restart works at Langer Heinrich and a positive outlook for uranium.

Australia's economy is showing significant signs of slowing down with real retail spending declining over the past nine months to June. Essentially consumers are struggling to keep spending as the squeeze from higher goods and services prices, rising mortgage interest rates and rents take their toll. Employment also fell marginally in July with the unemployment rate edging up from 3.5% to 3.7%. There was some mild relief as annual consumer inflation moderated from 5.4% in June to 4.9% in July according to the new ABS monthly measure. The Reserve Bank again held the cash interest rate steady at 4.1% but maintained guidance that further interest rate rises may be required to get inflation back to their 2% to 3% target range.

Top 10 share holdings

(alphabetical order)

- ANZ Group
- Aristocrat Leisure
- BHP Group
- Coles Group
- Commonwealth Bank of Australia
- CSL
- Goodman Group
- Santos
- South32
- Telstra Group

Investor profile

The Fund is actively managed and its returns may be volatile when compared with the benchmark return. As such, it may suit investors who are willing to accept a very high level of risk in exchange for the opportunity to earn higher potential returns. The Fund offers investors the potential for long-term capital growth and income through a range of investment strategies such as short selling, enhanced long positions and active and opportunistic trading such as pairs trading.

Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 August 2023
Australian shares - Net	90%	100%	100%	98.8%
Australian shares - Long	90%	-	125%	121.0%
Australian shares - Short	0%	-	-25%	-22.2%
Cash and cash equivalents	0%	0%	10%	1.2%

Portfolio facts

Inception date	7 December 1999
APIR Code	PPL0106AU
Fund size as at 31 August 2023	\$316.7m
Benchmark	S&P/ASX 200 Total Return Index
Redemption Unit Price as at 31 August 2023	\$1.0263
Distribution	Quarterly
Management fee⁴	1.05% pa
Performance fee⁵	20% of the Fund's net performance in excess of the performance hurdle (benchmark return +5% pa)

Distribution history⁶

	Jun 23	Mar 23	Dec 22	Sep 22	Jun 22	Mar 22	Dec 21	Sep 21	Jun 21	Mar 21	Dec 20
Distribution (cents per unit)	5.74	1.13	1.54	1.33	11.08	2.30	1.76	1.80	9.10	0.68	0.26

Portfolio managers

NICK PASHIAS

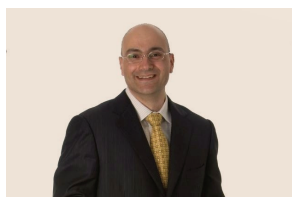
Head of Equities

Years with the group: 25

Years of Industry Experience: 25

Key Responsibilities:

Nick is the Portfolio Manager of the High Growth Shares Fund.



ANDREW HAMILTON

Head of Implementation

Years with the group: 23

Years of Industry Experience: 26

Key Responsibilities:

Andrew is the Deputy Portfolio Manager of the High Growth Shares Fund.



Platform availability

- Asgard
- eXpand Extra
- MLC Wrap / Navigator
- PowerWrap
- BT Panorama
- Hub 24
- Netwealth Wrap
- uXchange
- Clearview
- Macquarie Wrap
- North
- Voyage
- CFS First Wrap
- MLC Masterkey Fundamentals
- Praemium

Investment Terms and Guidelines

Short selling involves borrowing a share from a prime broker to sell to the market, with an agreement to purchase that share back at a later date. When the Fund short sells a share, we anticipate taking advantage of declines in the price of that share by selling the share at one price, and then aiming to buy back that share at a subsequent lower price. Short selling is limited to 25% of the value of the Fund's net assets.

Enhanced long positions refer to the shares in which the Fund holds the largest overweight positions when compared to its benchmark weighting. Long positions are limited to 125% of the value of the Fund's net assets. All long and short positions will be managed to provide investors with a gross exposure to the share market of up to 150%, but the overall net exposure will be between 90 - 100%.

Active trading refers to trading in shares where the Fund has held a range of different positions over a relatively short period of time, with a view to fully exploiting all available opportunities to add value as market circumstances change. It may also involve simply managing an overweight or other position held - adding to or reducing the position to benefit from smaller movements in the share price.

² Investment returns are based on exit prices, and are net of management fees and assume reinvestment of all distributions.

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. ACP may, from time to time, negotiate fees which are different to those described in the PDS with certain sophisticated and professional investors or wholesale clients (as defined in the Corporations Act).

⁵ Performance fee is calculated as 20% of the Fund's investment return (net of management fee) above the sum of the Benchmark (the Benchmark of the Fund is S&P/ASX 200 Total Return Index) and 5%.

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. The Fund holds its investments on revenue account. Therefore, gains which are made by the Fund on its investments and distributed to unitholders are treated as revenue, rather than capital, with no entitlement to the capital gains tax (CGT) discount. A full distribution history and franking levels can be found on our website at <https://www.antarescapital.com.au/home/prices-and-performance/distributions>

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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

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