

High Growth Shares Fund

antares

Monthly Performance Report December 2022

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 %	-4.0	6.6	-0.5	7.2	7.6	9.2	9.4	10.4
Benchmark return %	-3.2	9.4	-1.1	5.5	7.1	8.4	8.7	8.0
Net excess return %	-0.8	-2.8	0.6	1.7	0.5	0.8	0.7	2.4

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

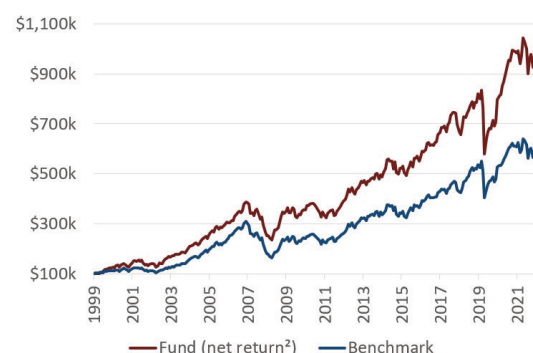
Australian shares declined sharply in December. All sectors posted negative returns with the sharpest falls in consumer discretionary and information technology given concerns over growth prospects. Industrials also disappointed given rising interest rates and bond yields. The resources sector was more resilient as iron ore prices rose on China's recovery hopes.

The Antares High Growth Shares Fund delivered a return of -4.0% (net of fees) for the month of December 2022.

Contributing to performance was an overweight position in Northern Star (NST) and short positions in Pilbara Minerals (PLS) and Downer EDI (DOW). NST shares performed well as the gold price continued to increase in December, building on the November gains. Lithium stocks, including PLS, were again weaker in December on concerns about the outlook for lithium prices on falling demand for electric vehicles. In December DOW's CEO announced his intention to retire in early 2023. A week later the company announced accounting irregularities that saw an overstatement of earnings in its utilities business of some \$30m - \$40m approximately. This combined with ongoing challenging trading conditions resulted in DOW reducing its earnings guidance. Soon after, ratings agency Fitch announced it was downgrading DOW's debt rating outlook from stable to negative. DOW shares were sold down sharply.

Detracting value were overweight positions in APM Human Services (APM), Aristocrat Leisure (ALL) and IGO. APM shares dropped sharply in December on the back of mixed news flow. The company announced the acquisition of Everyday Independence, a mobile allied health business which is complimentary to APM's existing capability and is expected to be EPS accretive from the first year. But a slower than expected ramp up of the UK contract and higher interest costs saw some analyst downgrades and heavy volume traded in the stock. Nonetheless we believe APM is a high-quality operator in a fragmented industry with a history of transitioning successfully through program changes. ALL shares have remained under pressure following the relatively subdued FY23 guidance provided by the

\$100,000 invested since inception



Sector allocation

GICS ³	%
Financials Ex Reits	26.2
Metals & Mining	24.1
Health Care	15.4
Communication Services	8.9
Consumer Discretionary	7.2
Industrials	7.0
Real Estate	4.0
Materials Ex Metals & Mining	3.0
Energy	2.4
Information Technology	1.2
Consumer Staples	1.1
Utilities	-0.4

company. As well as the general sell down of lithium stocks on fears of falling demand for electric vehicles, IGO announced that a fire in the power station used by its Nova operation would result in production and processing delays.

Australia's economy appears resilient judging by solid results for business surveys and the labour market. Australia's unemployment rate remained at multi decade lows of 3.4% after the strong job gains in November. However, the dramatic inflation acceleration is concerning with annual inflation running at 6.9% in November. Expected sharp increases in retail electricity and gas prices as well as higher rents and wages suggest that the inflation threat should continue in 2023. The Reserve Bank raised the cash interest rate by a further 0.25% to 3.1% in December and signaled the expectation of further interest rate increases.

Top 10 share holdings

(alphabetical order)

- ANZ Group
- BHP Group
- Commonwealth Bank of Australia
- CSL
- Goodman Group
- Northern Star Resources
- Santos
- Telstra Group
- Wesfarmers
- Westpac Banking Corporation

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.

Portfolio facts

Inception date	7 December 1999
APIR Code	PPL0106AU
Fund size as at 31 December 2022	\$316.5m
Benchmark	S&P/ASX 200 Total Return Index
Redemption Unit Price as at 31 December 2022	\$1.0239
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)

Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 December 2022
Australian shares - Net	90%	100%	100%	99.7%
Australian shares - Long	90%	-	125%	122.5%
Australian shares - Short	0%	-	-25%	-22.8%
Cash and cash equivalents	0%	0%	10%	0.3%

Distribution history⁶

	Dec 22	Sep 22	Jun 22	Mar 22	Dec 21	Sep 21	Jun 21	Mar 21	Dec 20	Sep 20	Jun 20
Distribution (cents per unit)	1.54	1.33	11.08	2.30	1.76	1.80	9.10	0.68	0.26	0.42	0.00

Portfolio managers

NICK PASHIAS

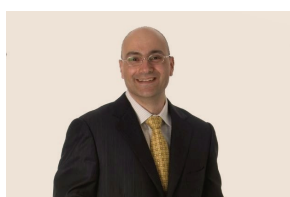
Head of Equities

Years with the group: 24

Years of Industry Experience: 24

Key Responsibilities:

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



ANDREW HAMILTON

Head of Implementation

Years with the group: 22

Years of Industry Experience: 25

Key Responsibilities:

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



Platform availability

- Asgard
- CFS FirstWrap
- Macquarie
- Netwealth
- Praemium
- BT Panorama/BT Wrap
- Hub24
- MLC/Navigator
- Powerwrap

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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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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