

Monthly Performance Report May 2022

Fund description and investment return objective

The Fund is an actively managed portfolio of equities listed (or expected to be listed) on the Australian share market. It seeks to deliver regular tax-effective income by identifying and investing in companies with sustainable, and where possible, franked dividends, and provide moderate capital growth over rolling five year periods.

The Fund's benchmark is the S&P/ASX 200 Total Return Index.

Investment returns¹

Period	1 month	3 months	1 year	3 years pa	5 years pa	7 years pa	10 years pa	Since inception pa
Distribution return ² %	0.0	1.2	4.1	4.3	5.1	5.9	5.7	5.8
Growth return ³ %	-2.3	2.4	7.1	3.1	0.8	-0.7	4.6	1.6
Total net return⁴ %	-2.3	3.6	11.2	7.4	5.9	5.2	10.3	7.4
Benchmark return %	-2.6	3.2	8.2	8.4	8.2	7.2	11.7	7.9
Net excess return %	0.3	0.4	3.0	-1.0	-2.3	-2.0	-1.4	-0.5

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

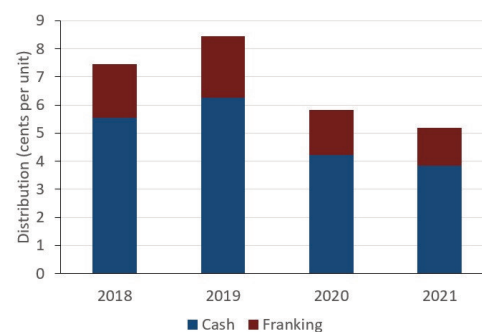
Australian shares underperformed other developed markets in May. However, this comes after a more resilient performance compared to global share markets this year. For May, there were notable sharp falls in the real estate and information technology sectors in response to higher bond yields. Consumer staples and consumer discretionary shares were also weak given concerns that rising inflation and interest rates are squeezing household budgets. The resources sector was more encouraging with a modest gain given the persistent strength in commodity prices. The election of the new Labor Government on May 21st seems to have had minimal immediate impact on Australian share markets.

The annual distribution return to 31 May 2022 for the Antares Dividend Builder Fund was 4.1%. The fund delivered a total return of -2.3% (net of fees) for the month of May which compared to a return of -2.6% for the S&P/ASX200 Total Return Index. No dividends were received during the month.

Contributing to the Fund's outperformance were decisions not to own Goodman Group (GMG) and Macquarie Group (MQG) together with an overweight holding in Westpac (WBC). GMG was sold down in May despite another strong quarterly update and increased earnings guidance. The faster than expected rise in interest rates has seen the real estate sector in general de-rated and GMG was not exempt. MQG reported a 56% increase in FY 22 net profit during the month, but failed to meet analyst expectations which saw the stock marked down. In contrast, WBC reported its half year results during May, which despite being below last year pleased the market. The company announced an increase in dividend and reiterated its commitment to cutting costs, both of which were well received by the market.

Detracting from performance were overweight positions in Nine Entertainment (NEC), CSR and Metcash (MTS). NEC sold off during the month as the market grew more concerned around the outlook for the domestic economy, despite

Distribution history*



Sector allocation

GICS ⁵	%
Financials Ex Reits	36.8
Metals & Mining	16.4
Communication Services	10.1
Industrials	7.8
Energy	6.4
Materials Ex Metals & Mining	5.1
Consumer Staples	3.8
Consumer Discretionary	3.2
Real Estate	3.1
Health Care	2.9
Information Technology	2.5
Utilities	2.1

NEC suggesting at an investor conference that it expects to grow television revenues through the cycle through its high growth BVOD offering. CSR shares were marked down despite announcing a 20% increase in full year earnings and higher-than-expected dividends. While FY23 earnings are expected to be underpinned by the large backlog of homes yet to be built, some brokers have revised their FY24 earnings forecasts to reflect the headwinds facing the housing market and there are growing concerns about the financial health of the construction industry. MTS gave up its April gains as the market grew more concerned about the impact of a cooling housing market on the company's hardware business.

Australia's economy appears to be progressively improving judging by solid results in business surveys, employment and retail spending. Australia's unemployment rate fell to 3.9% in April, the lowest since 1974. However, the acceleration in inflation is concerning and has seen the Reserve Bank (RBA) raising the cash interest rate by 25bps to 35bps in May with expectations of more increases to come.

Top 10 share holdings

(alphabetical order)

- ANZ Banking Group
- BHP Group
- Medibank Private
- Metcash
- National Australia Bank
- Suncorp Group
- Telstra Corporation
- Transurban Group
- Westpac Banking Corporation
- Woodside Energy Group

Investor profile

Dividend Builder aims to provide investors with a regular, tax effective income stream through participating in the Australian share market and investing in companies providing dividend growth. It may also act as an income stabiliser in investment portfolios, especially during shifting or uncertain markets. 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	6 September 2005
Fund size as at 31 May 2022	\$107.1m
Benchmark⁶	S&P/ASX 200 Total Return Index
Distribution	Quarterly
Management fee⁷	0.60% pa

Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 May 2022
Australian shares	90%	100%	100%	98.6%
Cash and cash equivalents	0%	0%	10%	1.4%

Portfolio managers

ANDREW HAMILTON

Head of Implementation

Years with the group: 21

Years of Industry Experience: 25

Key Responsibilities:

Andrew is the Portfolio Manager of the Dividend Builder Model Portfolio and Managed Fund.



JENNIFER LAM

Investment Manager

Years with the group: 9

Years of Industry Experience: 17

Key Responsibilities:

Jennifer is the Deputy Portfolio Manager of the Dividend Builder Model Portfolio and Managed Fund.



Platform availability

- Asgard
- Hub24
- Macquarie
- Netwealth
- BT
- IOOF
- MLC/Navigator
- Praemium

* Cash amounts are based on total distributions per financial year. Franking amounts are calculated based on annual franking levels. A full distribution history and franking levels can be found on our website at <https://www.antarescapital.com.au/home/prices-and-performance/distributions>

² Distributions generated by the fund's assets (eg dividends, realised capital gains and any return of capital).

³ Changes in the unit price reflecting movements in the value of the fund's net assets.

⁴ Investment returns are based on exit prices, and are net of management fees and assume reinvestment of all distributions.

⁵ GICS - Global Industry Classification Standard % are absolute ie sector proportion of portfolio. Source: Antares Equities.

⁶ Performance is compared to the S&P/ASX200 Industrials Total Return Index prior to 1 October 2021 because from that date the Funds Benchmark changed to the S&P/ASX200 Total Return Index.

⁷ Management fee is % per annum of the Fund's net asset value (including GST net of Reduced Input Tax Credit). Certain sophisticated and professional investors or wholesale clients (as defined in the Corporations Act 2001 (Cth)) may be able to negotiate this fee by contacting Client Services.

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\$5.7 billion (at 31 March 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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