

Dividend Builder Fund



Monthly Performance Report May 2023

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	0.6	5.6	4.9	4.8	5.6	5.7	5.8
Growth return ³ %	-2.2	-1.4	-3.3	10.1	2.1	0.3	1.5	1.3
Total net return⁴ %	-2.2	-0.8	2.3	15.0	6.9	5.9	7.2	7.1
Benchmark return %	-2.5	-0.9	2.9	12.4	7.7	7.4	8.6	7.6
Net excess return %	0.3	0.1	-0.6	2.6	-0.8	-1.5	-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.

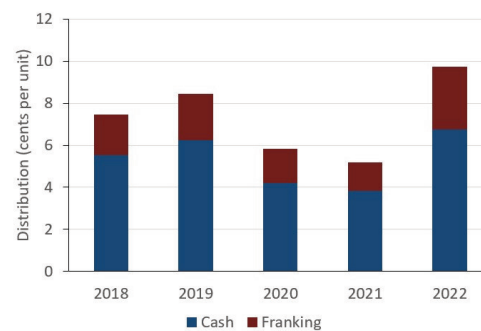
Investment commentary

Australian shares fell in May as lower commodity prices, higher interest rates and weak consumer spending cautioned investors. The sharpest falls were in the consumer discretionary and staples sectors given signs of a retail recession for consumer spending. The combination of higher mortgage interest rates, rising rents and stubborn inflation pressures is squeezing purchasing power. There was also notable weakness in the resource sector given lower coal and iron ore prices on China concerns. Financials also disappointed given the prospect of lower profit margins with higher deposit interest rates and more sedate credit demand. Echoing the US market and the surge of investment interest in anything remotely related to artificial intelligence (AI), the Australian Information Technology sector posted a double-digit gain for May.

The annual distribution return to 31 May 2023 for the Antares Dividend Builder Fund was 5.6%. The fund delivered a total return of -2.2% (net of fees) for the month of May which compared to a return of -2.5% for the S&P/ASX200 Total Return Index. Dividends were received from BHP, Medibank Private, Transurban and Ventia Services during the month.

Contributing to the Fund's performance were overweight positions in Suncorp (SUN) and Ventia Services (VNT) together with not holding a position in Wesfarmers (WES). SUN shares moved counter to the broader financials in May on no particular news including on ANZ's proposed acquisition of its banking business. At VNT's AGM which was held in May, the company reaffirmed its guidance and confidence for 2023 and beyond, citing the strong and growing markets in which it operates and its diverse and resilient portfolio of businesses. The company also announced the extension of a facilities maintenance contract with the Auckland City Council late in the month. WES flagged uncertain market conditions at its May investor day. The company also noted there were challenges with wage inflation and labour productivity which is likely to put downward pressure on margins in the near term.

Distribution history*



Sector allocation

GICS ⁵	%
Financials Ex Reits	35.2
Metals & Mining	16.7
Industrials	10.3
Communication Services	10.1
Energy	7.6
Materials Ex Metals & Mining	5.6
Consumer Discretionary	3.5
Consumer Staples	3.3
Health Care	3.2
Utilities	2.4
Real Estate	2.2
Information Technology	0.0

Detracting from performance were overweight holdings in Metcash (MTS), Nine Entertainment (NEC) and NAB. With consumers becoming very price sensitive and looking to house brands, the independent supermarkets are reported to be losing share to rivals Coles and Woolworths. NEC presented at an investor conference early in the month where it noted TV markets remained challenging. Notwithstanding this, the company indicated it would continue to grow market share and flagged further cost reductions. NAB shares were under pressure after the bank released its first half results for 2023. Despite some positives, including a lift in dividend, the market reacted to comments from the bank on the impact of lower house prices and volume growth amid increased competition. This was reflected in a \$393m credit impairment charge.

Australia's economy is subdued given sedate retail spending and weak housing construction activity. Consumers are understandably reluctant to spend given high inflation and interest rates. The RBA's surprise 0.25% May interest rate hike only added to the worry list. Inflation pressures remain stubborn with strong rises in electricity and rental costs pushing April's consumer annual inflation to 6.8%. Housing is complex as house and apartment prices have rebounded, but there has been a big slide in new housing approvals and a rise in insolvencies amongst builders. There are also signs that the labour markets strength is fading with a loss of jobs in April and the unemployment rate edging up from 3.5% to 3.7%.

Top 10 share holdings

(alphabetical order)

- ANZ Group
- BHP Group
- Commonwealth Bank of Australia
- Medibank Private
- National Australia Bank
- Suncorp Group
- Telstra Group
- 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
APIR Code	PPL0002AU
Fund size as at 31 May 2023	\$98.7m
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 2023
Australian shares	90%	100%	100%	98.9%
Cash and cash equivalents	0%	0%	10%	1.1%

Portfolio managers

ANDREW HAMILTON

Head of Implementation

Years with the group: 22

Years of Industry Experience: 26

Key Responsibilities:

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



JENNIFER LAM

Investment Manager

Years with the group: 10

Years of Industry Experience: 18

Key Responsibilities:

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



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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\$4.9 billion (at 31 March 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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