Quarterly Review

Yield stocks – are we at an inflection point?

September 2016

Is the strong demand for yield stocks in recent years cyclical or structural? How long can the current low interest rate environment persist? Will yield stocks sell off when interest rates start to rise again and which sectors will be worst affected? What about the bank sector which has lagged the rally? These are all important questions occupying the minds of yield focused investors. In this article, the Portfolio Managers of Antares Dividend Builder, discuss these issues in detail and how Antares is managing the implications within our yield portfolios.

The information contained within this article is intended as factual information although we acknowledge that there is a reasonable likelihood of doubt and the information is not intended to imply any recommendation or opinion about a financial product.

Yield stocks revisited

We last wrote in detail about yield stocks in late 2014 when the yield sector of the share market had performed very strongly for several years. Fast forward nearly two years, and this theme is still a major focus for equity investors. Over this period, the strength of investor demand for high yielding shares has been phenomenal, both in Australia and globally, as interest rates have fallen and investors have searched for alternative sources of yield. It seems sensible to start questioning whether such strong demand for yield stocks can continue in the future.

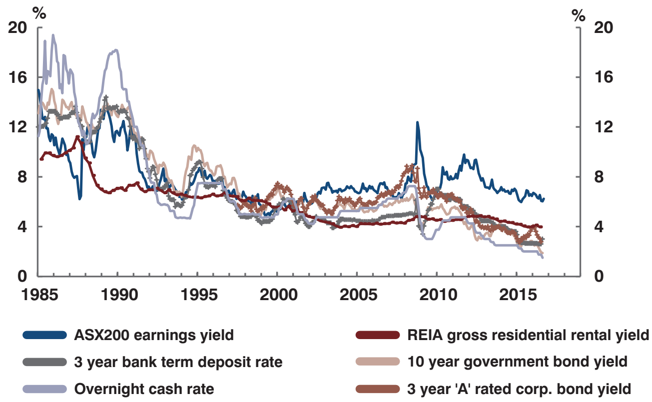
A key issue in this debate is the degree to which yield stocks have simply benefited from cyclical forces which are temporary, or whether the structural component - the aging population – is becoming more dominant. Antares' believes that there has been a strong cyclical component, given interest rates have fallen to historically low levels. This should start to unwind once interest rates rise but the exact timing of this shift is hard to predict. More importantly, the structural shift towards an aging population is undoubtedly happening and this should provide ongoing demand for high dividend yield stocks on a longer term view.

Historically low global interest rates a key cyclical driver

The Reserve Bank of Australia's (RBA's) decision to cut interest rates by 25 basis points in early August brought the official cash rate to just 1.5%. Whilst this is historically low by Australian standards and implies our monetary policy is very stimulatory, many overseas countries currently have negative interest rates and bond yields (eg Japan, Germany, Switzerland) so low yields are a global phenomenon. This is unlikely to change in the near term given sluggish global growth and very subdued inflation pressures. The only major country currently in monetary policy tightening mode is the US, but even if the US Federal Reserve raises interest rates by another 25 basis points in the next few months, the Federal Funds rate will still only be around 0.5% which is still exceptionally low in an historical context.

Very low interest rates make the yields available from shares extremely attractive to yield focused investors, many of whom are retired and rely on yield investments for their income. Chart 1 shows the yields currently available on term deposits, 10-year bonds and the S&P/ASX 200 Index. At around 4.5%, the current share market yield is well above that available from interest rate investments, and this is one of the major reasons why yield stocks have done so well.

Chart 1: Yields – term deposits, 10-year bonds and earnings yield



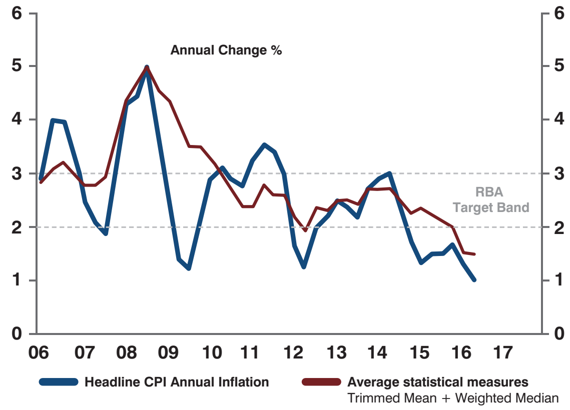
Source: REIA, RBA, IBES, MSCI, Datastream, Citi Research, Sept 2016. Rental yield is adjusted for property quality.

So when will Australian interest rates start to rise?

Rather than attempting to forecast macro turning points, we believe it is helpful to look at the factors keeping interest rates low and analyse whether these are likely to change in the near term:

- **Low inflation –** The number one reason why the RBA has continued to cut interest rates is lower than expected inflation in recent quarters. Chart 2 shows the current headline and underlying inflation rates along with the RBA's inflation target range. All measures of inflation are now well below the RBA's 2-3% range and the detail of the latest inflation report suggests the benign inflation environment is a broad-based phenomenon. Even anecdotal evidence suggests inflation pressures are low – simply look at all the "sales", "discounts" and "bargains" available next time you go shopping!

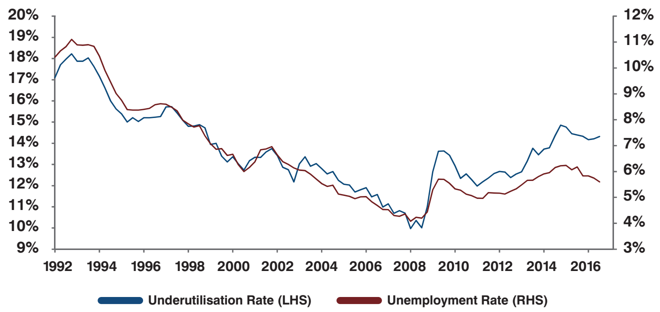
Chart 2: Inflation rates and RBA target range



Source: NAB Asset Management, August 2016

- **Low wage growth –** One of the key factors keeping inflation low is very low wage growth. The annual rate of wage growth was only 2% in Q2 which is the lowest it has been since records began. This is despite relatively strong employment growth and a falling unemployment rate. To explain this anomaly, economists have been focusing on the underutilisation rate which measures the unemployed plus people who are underemployed (ie they would like to work more hours than they are currently but are unable to find additional work). Chart 3 shows that whilst the unemployment rate has fallen, the underutilisation rate remains at a relatively high level. This suggest labour supply is actually quite plentiful and is likely to keep wage growth subdued for some time to come.

Chart 3: Australian unemployment rate and underutilisation rate



Source: Capital Economics, Thomson Datastream, Sept 2016.

- **Subdued domestic growth –** Whilst GDP growth of 3.3% over the year to June 2016 is the strongest it has been in four years, growth across states and sectors has been divergent. Strong growth in consumer spending, housing construction and exports have helped offset the downturn in mining investment which has particularly impacted Queensland and Western Australia.

- **Low interest rates themselves –** This might sound counter intuitive, but some commentators are now suggesting that low interest rates may actually constrain growth by cutting the incomes of savers. Goldman Sachs cites the Commonwealth Bank that currently has 11.9m depositors and only 1.9m borrowers - a ratio of six to one in favour of depositors. In addition, 75% of these depositors are over 55 hence they are likely to be using at least some of their interest payments as income[1]. Given retirees are a growing demographic, this perverse effect of lower interest rates could well be an issue.

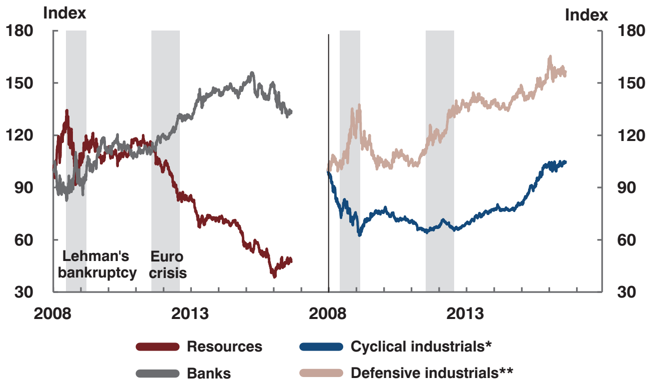
- **Global macro uncertainty –** The global backdrop has been challenging, with Chinese share market volatility, emerging market weakness, the UK vote on Brexit and US election uncertainty all impacting markets so far in 2016.

Summarising the above suggests low interest rates will be around for some time yet in Australia, given historically low wages and subdued global growth are likely to continue to hold inflation below the RBA's target range in coming quarters. That said, official interest rates may not be reduced any further domestically, with the RBA currently having a neutral policy bias. This suggests we are definitely getting towards the tail end of the cyclical yield trade.

High valuations make some yield stocks vulnerable

Defensive and yield focused companies have clearly outperformed cyclical companies for many years (Chart 4) as cyclical earnings have been constrained by weak growth, whilst the uncertain market environment and historically low interest rates globally, have caused a strong investor preference for defensive and interest rate sensitive stocks. These defensive investments now have quite stretched valuations and have been coined the "TINA" trades (There Is No Alternative). They are very "crowded" and clearly vulnerable to a change in sentiment.

Chart 4: Relative performance of major market sectors



*Cyclicals comprise sectors within GICS Level 1 industrials, consumer discretionary, financials (ex banks, insurance, REITS) and materials (ex mining).
**Defensives comprise GICS Level 1 consumer staples, health care, telecoms, and utilities. Source: MSCI, Datastream, Citi Research, Sept 2016

The August reporting season suggested that earnings of cyclical stocks may have bottomed and begun a tentative improvement. This is very important as it may provide investors with the investment "Alternative" that has been lacking in recent years. Interestingly, most interest rate sensitive and defensive sectors (telecoms, utilities, REITs, healthcare) have significantly underperformed the broader share market in August and September as investors focused on this improvement in cyclical earnings and the prospect of another interest rate rise from the US Federal Reserve.

This is significant as markets are forward looking and tend to "price in" expected information before it actually happens. If investors believe that Australian interest rates are now on hold and that US interest will be increased again quite soon, Australian bond yields could start to trend higher as US bond yields rise. This would start to reduce the cyclical attractiveness of dividend yields even if domestic short term interest rates remain unchanged. So a turning point in sentiment may already be in play. In this environment, some types of yield stocks will be more vulnerable than others. This theme is discussed in more detail in the sector specific commentary below.

Yield stocks – where to from here?

The end of the monetary policy easing cycle is clearly a cyclical risk for yield stocks, as is the possibility that some companies have to reduce their dividend payments due to sluggish earnings growth (eg Woolworths in the recent reporting season). To analyse in more detail what the current environment implies for yield stocks, it is helpful to differentiate between the types of yield stocks in the market – the banks, traditional interest rates sensitives and non-traditional yield stocks.

Banks – valuations attractive but awaiting new information

The bank sector has lagged the rally in yield stocks so far this year as the overhang of stock from the large capital raisings in late 2015 was still impacting the market and investors were also worried about the potential for a significant rise in bad and doubtful debts (BDD) as very low commodity prices were severely impacting some resource stocks. The banks did report a modest rise in BDD earlier in the year but it was not as bad as the market feared. Our subsequent meetings with bank management also suggested the BDD situation is not deteriorating rapidly and if anything, it appears to be similar to where it has been over the past few years.

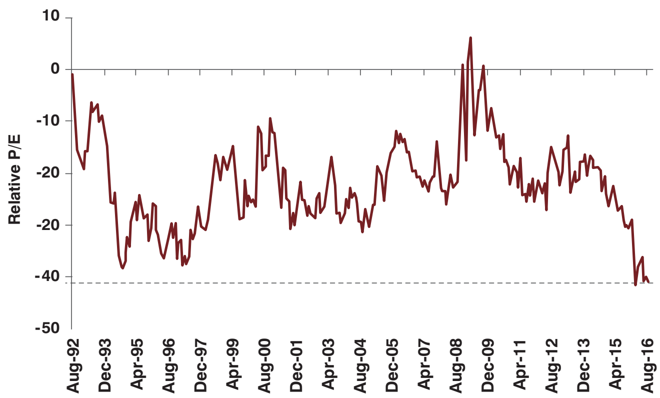
The only banks to report in the August reporting season were Commonwealth Bank (CBA) and Bendigo Bank (BEN), with the latter being too small to really influence the sector. The other major banks only delivered 3Q16 trading updates that did not contain much new information. The main points of note included:

- Provisioning was generally stable, suggesting no worsening in the bad and doubtful debt (BDD) situation. This was a welcome development.
- The sector is continuing to experience a low revenue environment which is increasing competition (particularly in the mortgage market) and putting pressure on margins. This is unlikely to change until the interest rate cycle turns and enables the banks to widen margins again.
- All four major banks are competing strongly in mortgages and the small and medium enterprise market. This reflects a decision to move away from offshore businesses (eg NAB divested its UK operations, ANZ is reducing offshore assets) and refocus back on the domestic market.
- There is a continued focus on cost cutting to achieve earnings growth and to cover award mandated wage increases. There is also interest in generating efficiencies through next generation technology and systems.

Whilst this backdrop does not seem overly positive, Antares is overweight the bank sector within our yield portfolios for several reasons:

- Bank valuations are cheap in absolute terms and relative to the overall market (Chart 5). This is very significant as the rest of the industrial market is generally trading quite expensively.
- Banks are still delivering relatively high yields. For example, the indicative Bloomberg 1-year forward yield estimates for the major banks are around 6.7% for ANZ, 7.4% for NAB (but there is a high chance this will be reduced), 6.4% for WBC and 6.0% for CBA.
- The major banks repriced their mortgage books late last year and this should provide some earnings growth in the year ahead.
- Higher interest rates may actually be positive for the bank sector as it could potentially provide scope for margin improvement.

Chart 5: Bank PE versus industrials PE



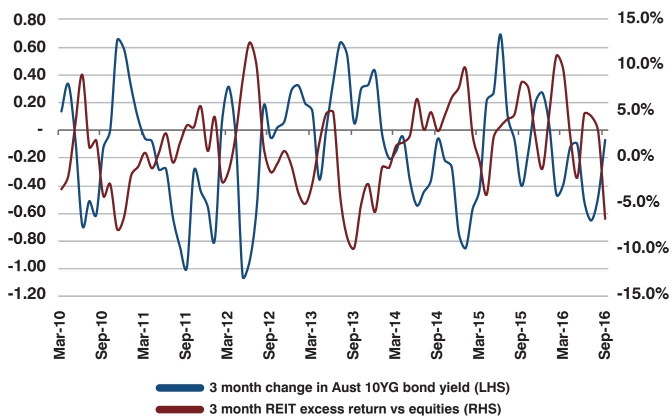
Source: Goldman Sachs, Factset, Bloomberg, Sept 2016.

Obviously, there remains the possibility that the banks will be forced to raise more capital for regulatory reasons and this is also weighing on investors' minds. Whilst we wouldn't rule out further capital needs, we do think banks valuations are currently at levels which price in at least some of this risk.

Traditional yield stocks – the "interest rate sensitives"

REITs, utilities, telecoms and infrastructure stocks are affected by changes in interest rates so they are also known as "bond proxies". Using the example of REITs, the chart below shows just how high the correlation is between the returns generated by these sectors and interest rates. As interest rates (blue line) go up, REIT excess returns (orange line) clearly go down.

Chart 6: Changes in bond yields and REIT excess returns



Source: Bloomberg, Oct 2016

Interest rate sensitive yield stocks have benefited from investors that have a low tolerance to volatility but a high demand for yield which they have not been able to obtain from cash and bonds. Such investors have branched out along the risk-return curve into high yielding equities. If interest rates rise in a meaningful way, these stocks may be vulnerable for several reasons:

- Equity prices are supposed to bear some representation to investors' expectations of discounted cash flows. A major component of the discount rate used is the "risk free rate", which for equities is generally the 10-year government bond rate. So by definition, a movement up in long term bond rates reduces the future discounted cash flows of an equity.

- The traditional bond alternatives, such as term deposits, may start to look attractive again once interest rates start to rise.
- Equity markets may become volatile and experience weakness, causing non-natural owners of interest rate sensitive stocks to panic and sell out of their positions.
- Some interest rate sensitive stocks are incredibly highly geared, with up to four times debt for each dollar of equity. So whilst the management of these companies and trusts have hedged out most of their debt, we believe investors may look through the hedging and calculate what the long term impact might be on cash flows. We expect some investors to be surprised when they do the numbers as we believe some dividend payments will be unsustainable.
- Many investors simply follow trends (in market jargon, momentum), so a change from share prices going up to going down is likely to cause these investors to sell and reinvest elsewhere.

Clearly the impact of these factors will depend on the market's expectation of how much interest rates will rise and inflation, which is a critical determinant of bond prices.

There are several implications of this analysis for Antares Dividend portfolios:

- Dividend Builder still owns some traditional yield stocks where we believe suitable returns can still be earned, although we are underweight the main bond proxy sectors, namely REITs, utilities and infrastructure.
- Antares are fundamental valuation driven investors. If share prices move far enough we will buy or sell based on our robust through-the-cycle valuations. For example, in September, Australian bond yields rose around 20 basis points (ie 0.2 of one percent), yet the share price of Sydney Airport (SYD) fell over 15%. This fall put SYD back in accumulation territory for us based on our internal valuation and research.

Before finishing the discussion of interest rates sensitive stocks, we would also like to comment on a couple of related issues:

An observation on the effect of interest rate moves on equities

As we have commented before, over the long term, historical evidence shows that markets can go both up and down as interest rates rise and have also moved up and down as interest rates fall. There is no mathematical relationship that works in all situations due to the nuances of each market environment. A key ingredient in how the market moves is investor expectations. For example, an investor would happily buy equities if bonds were yielding 10% and the investor expected equities to return 20%. Likewise an investor would accept a bond return of 2% if they thought all other investments would return less than 2%. What renowned economist JM Keynes called "animal spirits" actually decides investors' expectations, and hence how money gets allocated into various asset classes. Needless to say, these sentiment expectations cannot be readily modelled, are extremely dynamic and depend on the market's mood at any point in time.

Market price discovery for interest rates

Without market price discovery for interest rates, investors feel uneasy and become uncertain. Many investors feel uncomfortable about being several years into the "experiment" of non-conventional monetary policies, such as quantitative easing (QE). Interest rates are negative in several of the large global money markets. This has not happened before. It is certainly rational for market participants to worry about what distortions to markets and economies may be occurring. Put another way, what are the unintended consequences of central banks manipulating prices in the biggest market of all, ie the market for money?

Markets are only meaningful if they represent true price discovery. Unfortunately both cash and bond markets are so distorted by a few central banks that no one can be sure what the true rate of interest is at present. The resultant uncertainty is manifesting in a global lack of investment and confidence. Some central banks have branched out to purchase lower quality corporate bonds and equities, with one newspaper highlighting that the Swiss Central Bank now owns more Facebook shares than Mark Zuckerberg! To experienced market participants, this seems strange, leaving a feeling of general unease about the sustainability of what central banks are doing, and where the experiment in unorthodox monetary policy ends. We are in a monetary experiment that hasn't been tried before, therefore we cannot be sure how it ends.

Current monetary policy also represents a massive redistribution of wealth away from those who have saved, towards, in particular, highly leveraged asset owners. Antares is surprised at how little understood or discussed this policy experiment and its implications have been. For example, it would seem clearly to have been a huge factor driving income inequality in various regions of the world. So why have these policies been operating and endorsed globally for several years by unelected bodies such as central banks, the IMF and large sections of "economic academia" ? Why have voters not thought this a serious enough issue to vote on? Some central bankers have admitted they are unsure how this experiment plays out, yet they continue to manipulate interest rate markets, when it would be illegal for any other market participant to do so.

Non-traditional stocks offering high yields

Antares also attempts to find high yield in areas that may not have traditionally been considered yield equities. We do this for several reasons:

- Traditional yield stocks in many instances are fully priced and are now trading on much lower yields than they were three years ago.
- It is possible that non-traditional yield stocks may not be as negatively impacted if interest rates do rise.
- Portfolio diversification.
- Excellent investment opportunities can often be uncovered in less popular parts of the market.

Non-traditional yield stocks that we have bought or added to existing positions in the Dividend Builder portfolios over the past couple of years include JB Hi-Fi (bought and subsequently sold), Toll Holdings (taken over), Wesfarmers, Aurizon and Tabcorp Holdings. We are cognisant that some of these stocks have more earnings volatility than traditional bond proxies.

We would expect these types of stocks to be less affected by a shift in the interest rate cycle as they are not particularly interest rate sensitive. Instead they are more likely to be impacted by stock specific issues.

Cyclical versus structural support for yield stocks

There are also structural forces that are driving higher demand for yield stocks, with the most significant being the aging population. Australian Bureau of Statistics (ABS) data shows that the percentage of the population that is potentially in retirement – i.e. aged 65 years and above - has risen from 8.5% in 1960 to over 14% in 2012. ABS projections suggest this cohort will grow to around 22% of the Australian population by 2061.[2]

As investors, retirees generally have a higher demand for yield based strategies, given their desire to preserve capital and use it to generate a stable income. People are also living longer, as generally better health and medical breakthroughs are extending life expectancy. So retirees today often need to generate a stable income for a longer period of time. Finally, the "baby boomer" generation (born 1946-64) are now entering retirement, with the first group turning 65 in 2011. These well-off retirees tend to have a relatively high demand for yield focused strategies as they wish to generate sufficient income to maintain the lifestyle to which they are accustomed.

The aging population and the growing number of baby boomers seeking high yield investments as they enter retirement is not a short term phenomenon. It's a longer term, structural issue for markets and it suggest dividend yields are set to remain a significant component of expected equity market returns in coming years even if the cyclical demand for yield eventually becomes less significant as interest rates normalise.

A final observation on equity yield

Market sentiment will vary wildly as will market prices, however investors, whether they be retirees, super funds or wealth accumulators will likely have one constant issue to address - how to earn reasonable returns and generate decent cash income from their capital to fund an appropriate lifestyle or obligations, preferably without having to resort to using some of their capital. In this context, shares should be thought of in a fundamental manner, ie as partial ownership of a business which confers ownership rights to the cash flow generated by the business, rather than just a volatile ticker code on a screen.

Antares Dividend Builder

In summary, the Antares Dividend Builder Portfolio is underweight traditional bond proxy sectors, such as REITs, utilities and infrastructure, given the vulnerability of these sectors to a turn in the interest rate cycle. We do, however, own stocks in these sectors where we believe we can earn appropriate returns. The Portfolio does not own any healthcare stocks, or international growth glamour stocks. Overweight sectors include banks and insurers, Telstra Corporation, Wesfarmers and Tabcorp.

At the time of writing, the underlying forward yield of Antares Dividend Builder is approximately 5.53%, versus the benchmark yield of 4.72% (both Bloomberg estimates).

Antares market & fund updates

Below is a brief review of how the Australian sharemarket performed during the quarter as well as short commentaries on each Antares Fund, outlining their net performance and the main contributors to performance.#

Australian sharemarket review

The Australian share market performed well in the September quarter, with the S&P/ASX 200 Accumulation Index rising 5.1%. The market was supported by the rebound in global markets and further monetary policy easing from the Reserve Bank of Australia in response to low Q2 inflation data. Underperformance from defensive and interest rate sensitive sectors was a feature (telecoms, utilities, REITs, healthcare) as the prospect of higher US interest rates looms. The resource and materials sectors performed relatively well, supported by stronger growth data in China and OPEC's decision to cut oil production.

Although the August reporting delivered negative aggregate profit growth, it was generally in line with the market's very modest expectations. Notable themes included a distinct lack of positive earnings surprises and renewed interest in "value" type stocks, with many performing relatively well in response to in-line or slightly better than expected results. The ongoing preference for paying out dividends rather than investing for expansion was also evident. Company guidance remained patchy and cautious given global uncertainty and the difficult domestic trading environment.

Significant company news included Woolworths announcing a $959m restructuring cost associated with its operating model review and Metcash receiving ACCC approval for it to potentially acquire Home Timber and Hardware from Woolworths. Treasury Wine Estates also announced the divestment of a non-core portfolio of commercial assets in the US. Corporate activity also remained a feature, with several deals announced:

- Iluka Resources acquired Sierra Rutile for around $375m;
- Woodside Petroleum acquired a 35% stake in Senegalese acreage from Conoco Phillips for US$350m and half of BHP Billiton's Scarborough Area assets;
- JB Hi-Fi acquired The Good Guys;
- Amcor acquired a plastics moulding operation from Sonoco.

Australian Equities Fund

The Antares Australian Equities Fund returned 7.6% (net of fees) for the September quarter, outperforming its benchmark S&P/ASX 200 Accumulation Index return of 5.1% by 2.5%. The main contributors to quarterly performance relative to the benchmark were overweight positions in South32 and ANZ Banking Group. An underweight position in BHP Billiton and an overweight position in Santos detracted from relative performance.

Dividend Builder

Antares Dividend Builder delivered a return of 5.2% (net of fees) for the quarter, outperforming the benchmark S&P/ASX 200 Industrials Accumulation Index return of 3.8% by 1.4%. The main contributors to quarterly performance relative to the benchmark were an overweight position in ANZ Banking Group and the decision not to hold a position in CSL. The main detractors from relative performance were an overweight position in Asaleo Care and the decision not to hold a position in Macquarie Group given the stock performed well.

Elite Opportunities Fund

The Antares Elite Opportunities Fund returned 6.5% (net of fees) for the quarter, outperforming the benchmark S&P/ASX 200 Accumulation Index return of 5.1% by 1.4%. The main contributors to quarterly performance relative to the benchmark were overweight positions in Fortescue Metals Group and Ansell. The main detractors from relative performance were an overweight position in Vocus Communications and the decision not to hold a position in BHP Billiton that performed well.

High Growth Shares Fund

The Antares High Growth Shares Fund returned 8.2% (net of fees) for the quarter, outperforming its benchmark S&P/ASX 200 Accumulation Index return of 5.1% by 3.1%. Contributing positively to quarterly performance relative to the benchmark were overweight positions in South32 and Fortescue Metals Group. The main detractors from relative performance were overweight positions in Vocus Communications and Medibank Private.

Small Companies Fund

The Antares Small Companies Fund delivered a return of 9.8% (net of fees) for the quarter, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index return of 8.5% by 1.3%. The main contributors to quarterly performance relative to the benchmark were overweight positions in Western Areas and Fletcher Building. Detracting from relative performance were an overweight position in APN Outdoor Group and the decision not to hold a position in Whitehaven Coal given the stock performed well.

Australian Shares Fund*

The Antares Australian Shares Fund delivered a return of 7.7% (net of fees) for the quarter, outperforming the benchmark S&P/ASX 200 Accumulation Index return of 5.1% by 2.6%. The main contributors to quarterly performance relative to the benchmark were overweight positions in South32 and ANZ Banking Group. An underweight position in BHP Billiton and an overweight position in Santos detracted from relative performance.

Listed Property Fund

The Antares Listed Property Fund delivered a return of -1.3% (net of fees) for the quarter, outperforming the benchmark S&P/ASX 200 A-REIT Accumulation Index return of -1.9% by 0.6%. Positively contributing to quarterly performance relative to the benchmark were overweight positions in Viva Energy REIT and Asia Pacific Data Centre Group. The Fund's relative performance was negatively impacted by an underweight position in Mirvac Group and an overweight position in Westfield Corporation.

All returns are net of fees. Please refer to page 6 of the Quarterly Review for a summary of returns which are gross of fees.
*Closed to new investments

Antares Investment Returns
Performance to 30 September 2016[1]

		3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.	Since Inception % p.a.
Australian Equities							
Australian Equities Fund Inception date: 03/07/1995	Net return[2]	7.6	14.4	5.8	11.0	5.6	9.5
	Gross Return[3]	7.9	15.4	6.7	12.0	6.5	10.4
	Benchmark Return	5.1	13.2	6.0	11.2	5.1	9.2
	Net Excess Return	**2.5**	**1.2**	**-0.2**	**-0.2**	**0.5**	**0.3**
	Gross Excess Return	**2.8**	**2.2**	**0.7**	**0.8**	**1.4**	**1.2**
Dividend Builder Inception date: 06/09/2005	Net return[2]	5.2	11.6	8.3	15.6	7.1	7.9
	Gross Return[3]	5.3	12.2	8.9	16.3	7.8	8.5
	Benchmark Return	3.8	12.1	8.7	15.9	6.4	7.5
	Net Excess Return	**1.4**	**-0.5**	**-0.4**	**-0.3**	**0.7**	**0.4**
	Gross Excess Return	**1.5**	**0.1**	**0.2**	**0.4**	**1.4**	**1.0**
Elite Opportunities Fund Inception date: 18/11/2002	Net return[2]	6.5	16.1	6.8	10.9	6.6	10.9
	Gross Return[3]	6.7	16.9	7.5	11.7	7.4	11.8
	Benchmark Return	5.1	13.2	6.0	11.2	5.1	9.1
	Net Excess Return	**1.4**	**2.9**	**0.8**	**-0.3**	**1.5**	**1.8**
	Gross Excess Return	**1.6**	**3.7**	**1.5**	**0.5**	**2.3**	**2.7**
High Growth Shares Fund Inception date: 07/12/1999	Net return[2]	8.2	14.2	7.8	11.7	6.7	10.9
	Gross Return[3]	8.5	15.5	8.9	12.9	7.9	12.5
	Benchmark Return	5.1	13.2	6.0	11.2	5.1	7.9
	Net Excess Return	**3.1**	**1.0**	**1.8**	**0.5**	**1.6**	**3.0**
	Gross Excess Return	**3.4**	**2.3**	**2.9**	**1.7**	**2.8**	**4.6**
Small Companies Fund Inception date: 19/11/1999	Net return[2]	9.8	25.0	6.3	6.8	7.0	10.0
	Gross Return[3]	10.0	26.2	7.3	7.9	8.1	11.1
	Benchmark Return	8.5	29.2	7.1	5.3	1.4	4.8
	Net Excess Return	**1.3**	**-4.2**	**-0.8**	**1.5**	**5.6**	**5.2**
	Gross Excess Return	**1.5**	**-3.0**	**0.2**	**2.6**	**6.7**	**6.3**
Listed Property							
Listed Property Fund Inception date: 28/02/1994	Net return[2]	-1.3	19.3	16.5	18.8	3.6	8.6
	Gross Return[3]	-1.1	20.2	17.3	19.6	4.4	9.4
	Benchmark Return	-1.9	20.8	17.7	19.6	1.8	8.0
	Net Excess Return	**0.6**	**-1.5**	**-1.2**	**-0.8**	**1.8**	**0.6**
	Gross Excess Return	**0.8**	**-0.6**	**-0.4**	**0.0**	**2.6**	**1.4**

Disclaimer:

[1] Past performance is not a reliable indicator of future performance. Returns are not guaranteed and actual returns may vary from any target returns described in this document.
[2] Investment returns are based on exit prices, and are net of management fees and assume reinvestment of all distributions.
[3] Gross returns are provided to show performance against the investment objective.
*Performance is based on the income and market value of the Antares Ex-20 Australian Equities SMA Model Portfolio.

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