Portfolio Profile

Antares Core Opportunities Model Portfolio
October 2018

antares

Model description and investment return objective

The Antares Core Opportunities Model Portfolio is an actively managed, highly concentrated portfolio of Australian shares that Antares has identified as having the potential to offer significant long term capital growth.

The investment objective is to outperform the Benchmark by 3.5% (before fees) per annum over a rolling 5 year period.

Portfolio commentary

The Antares Core Opportunities Model Portfolio delivered a return of -5.5% (net of fees) for the month of October 2018, outperforming its benchmark by 0.6%.[1]

Australian shares posted a negative return in October with the S&P/ASX 200 Accumulation Index falling by 6.1% for the month. All sectors were in the red, with the largest falls seen in information technology (-11.2%), energy (-10.5%) and consumer discretionary (-8%). Driving Australian markets lower were global share weakness as well as local concerns about the potential for tighter credit conditions in the wake of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and its intense scrutiny of financial institutions. The Australian dollar (AUD) depreciated against the US Dollar in October as higher US interest rates, weaker global risk appetites and softer commodity prices (particularly energy and metals) weighed on the currency.

Contributing to the Model Portfolio performance again this month was our overweight holding in Vocus (VOC) which continues its re-rating post the new management team and constructive results comments. Widespread rains in Queensland and NSW and the prospect of larger harvests were generally viewed by the market as beneficial to Graincorp in which the fund has an overweight holding. Computershare is a prime beneficiary of higher interest rates as well as an increase in corporate actions. Our overweight holding contributed to performance.

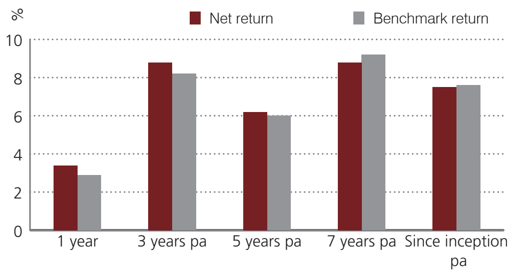
Boral provided a trading update that lowered its earnings guidance expectations. Reasons cited included project delays, an outage at Berrima and wet weather in NSW and Qld. An overweight holding detracted from the Portfolio's performance. During the month some of the more expensive sectors relative to historic PEs were negatively re-rated in a "risk-off" environment. Technology stocks featured, including Seek whose share price fell by 14%. The Portfolio's overweight holding detracted from performance. Despite its major competitor, Coles, releasing 5.1% Q1 comparable sales growth, Woolworths'(WOW) share price appeared to benefit from the market's risk-off sentiment as some investors moved from high growth stocks to the more defensive sectors such as consumer staples. An underweight holding in WOW detracted from the Portfolio's performance.

Australia's economic data releases remain mixed. The labour market is performing solidly with both jobs growth and an unemployment rate edging down to 5.0 %. The NAB business survey shows favourable results in terms of conditions and confidence. However as credit tightens and house prices continue to drift lower (particularly Sydney & Melbourne) housing turnover is also slowing. This is dampening consumer demand for household goods and other discretionary categories.

Portfolio facts

Inception date:	22 November 2010
Portfolio size at 31 October 2018:	$60.7m
Benchmark:	S&P/ASX 200 Accumulation Index
Investment timeframe:	At least 5 years
No. of shares:	15 to 25
Indicative portfolio turnover:	60% to 80% pa

Net return[2] vs benchmark return



Top 10 share holdings

as at 31 October 2018 (alphabetical order)

- ANZ Banking Group
- BHP Billiton
- Commonwealth Bank
- Computershare
- Rio Tinto
- Santos
- Suncorp Group
- Telstra Corporation
- Wesfarmers
- Westpac Banking Corporation

Investment returns as at 31 October 2018[1]

Period	1 month	3 months	1 year	3 years pa	5 years pa	7 years pa	Since inception pa
Net return[2] %	-5.5	-4.4	3.4	8.8	6.2	8.8	7.5
Gross return[3] %	-5.5	-4.2	4.0	9.4	6.8	9.4	8.1
Benchmark return %	-6.1	-5.9	2.9	8.2	6.0	9.2	7.6
Net excess return %	**0.6**	**1.5**	**0.5**	**0.6**	**0.2**	**-0.4**	**-0.1**
Gross excess return %	**0.6**	**1.7**	**1.1**	**1.2**	**0.8**	**0.2**	**0.5**

[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] Performance is based on the income and market value of the Model Portfolio and is net of fees. The performance of individual portfolios may differ to the performance of the Model Portfolio due to cash flows, portfolio reweighting and timing issues.
[3] Gross returns are provided to show performance against the investment objective.

Investor profile

The concentrated nature of the Model Portfolio means that there may be a greater level of risk. The Model Portfolio's returns may be quite volatile. As such, the Model Portfolio may suit investors who are willing to accept a higher level of risk in exchange for the opportunity to earn greater returns.

Investment details

Minimum investment:	$20,000
Minimum additional investment:	$2,000
Income treatment:	Monthly distribution or re-investment
Administration fee:	Nil
Entry fee:	Nil
Exit fee:	Nil
Management fee:	0.5125% (incl. net effect of GST) per annum

Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 Oct 18
Australian shares	90%	100%	99%	95%
Cash and cash equivalents	1%	0%	10%	5%

Stock Activity

Buys / Additions

Telstra Corporation (TLS) - Over the last few years we have had a negative view of Telstra and the impact the NBN would have on its margins and the broader industry. Our fears have proven to be correct as earnings and the share price have both fallen materially in recent years. However, the information released with TLS's FY18 result, coupled with a low share price gave us the confidence to begin building a position in TLS.

The key data points released with TLS's FY18 result relate to its subscriber growth in both mobiles and fixed internet. Both data sets showed a noticeable increase in subscribers and demonstrated an acceleration in TLS subscribers in comparison to their nearest competitor - something that hasn't happened for some time.

There are still a number of negative factors that appear to be currently influencing the operating environment that TLS finds itself in.

Following our initial purchase, Vodafone and TPG Telecom announced their intention to merge. Given our focus on industry as part of our research framework we found this to be another positive for TLS if implemented. We expect a merged company will be more rational in its pricing, particularly in mobile where Vodafone in particular has a large back book of profitable customers.

Sales / Reductions

Woodside Petroleum (WPL)- Following a period of strong share price performance we exited our Woodside holding. Woodside appears to have performed well on the back of a stronger oil price, helped by a weaker Australian dollar that saw the Australian Dollar Oil price rise to multi year highs.

Furthermore many of the stock specific growth projects (Browse/ Scarbourough) we felt were not in the price when we initiated position although, these now seem to be better understood by the market and this appears to be reflected reflected in the share price.

About Antares

Antares is a dedicated asset management business managing more than $36.1bn on behalf of Australian investors, with $6.4bn in Australian equities and more than $29.7bn in fixed income (as at 30 September 2018).

At Antares we are wholly focussed on delivering performance for investors through an investment approach underpinned by dedication, experience and discipline. We recognise and are ready for market uncertainty, and believe great performance is achieved through a focus on both risk and return. Antares consists of two divisions – Antares Equities (formerly Portfolio Partners and Aviva Investors) and Antares Fixed Income (formerly National Specialist Investment Management).

For further information please contact our Client Services Team - Toll Free: 1800 671 849