Portfolio Profile

Antares Dividend Builder Model Portfolio
October 2018

antares

Model description and investment return objective

The Antares Dividend Builder Model Portfolio is an actively managed Australian share portfolio which aims to deliver regular income and to achieve moderate capital growth by investing in a diversified portfolio of Australian companies.

The primary investment objective is to regularly deliver higher levels of dividend income on a tax effective basis relative than the Benchmark. The other objective is to achieve moderate capital growth in a tax effective manner over a rolling 5 year period.

Portfolio commentary

The Antares Dividend Builder Model Portfolio delivered a return of -4.9% (net of fees) for the month of October 2018, outperforming its benchmark index by 1.0%.[1]

Australian shares posted a large 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.

High PE growth type stocks were most heavily marked down in the October sell-off while the real estate and utilities sectors fared best. Contributing to fund performance were overweight positions in Spark Infrastructure one of Australia's largest owners of electricity distribution assets, Scentre Group (SCG) and Aurizon (AZJ). Retail REITs were among the more favoured REITS during October as investors shied away from the residential sector. As Australia's largest shopping centre owner, SCG was favourably viewed. AZJ executed an agreement with Linfox to sell its loss-making Queensland intermodal business during the month and signed a 10 year contract for rail linehaul services. This seemed to be viewed positively by the market.

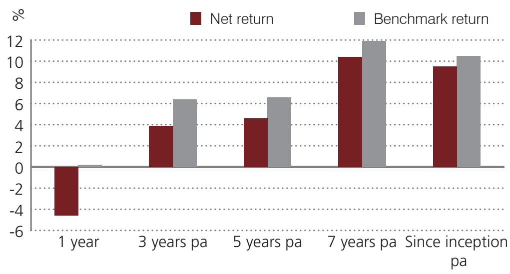
AMP shares plunged after the company announced it was selling its ANZ Wealth Protection and Mature business to Resolution Life plus a planned IPO of its NZ Wealth business. It expects to raise A$3.45b which will reduce debt, simplify the business and enable it to focus on its growth businesses but also reduces earnings. An overweight holding in AMP detracted from model portfolio performance. Stockland's (SGP) quarterly update indicated a noticeable slowing in residential sales. There was a modest increase in retail sales and the company maintained its earnings and dividend guidance but this did not offset the generally negative sentiment around the softening housing market. An overweight holding in SGP detracted from fund 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. Not owning WOW detracted from model portfolio 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:	$152.1m
Benchmark:	S&P/ASX 200 Industrials Accumulation Index
Investment timeframe:	At least 5 years
No. of shares:	15 to 25
Indicative portfolio turnover:	20% to 30% pa

Net return[2] vs benchmark return



Top 10 share holdings

as at 31 October 2018 (alphabetical order)

- ANZ Banking Group
- Commonwealth Bank
- National Australia Bank
- Scentre Group
- Spark Infrastructure
- Stockland
- Sydney Airport
- Tabcorp Holdings
- 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] %	-4.9	-6.5	-4.6	3.9	4.6	10.4	9.5
Gross return[3] %	-4.9	-6.4	-4.2	4.4	5.2	10.9	10.0
Benchmark return %	-5.9	-5.9	0.2	6.4	6.6	11.9	10.5
Net excess return %	**1.0**	**-0.6**	**-4.8**	**-2.5**	**-2.0**	**-1.5**	**-1.0**
Gross excess return %	**1.0**	**-0.5**	**-4.4**	**-2.0**	**-1.4**	**-1.0**	**-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

Dividend Builder is designed for investors seeking a stable, tax effective income stream through participating in the Australian sharemarket and investing in companies providing dividend growth. It may also act as an income stabiliser in investment portfolios, especially during shifting or uncertain markets.

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:	0.4613%p.a. (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%	96%
Cash and cash equivalents	1%	0%	10%	4%

Income yield as at 31 October 2018

	Portfolio [4]	Index [5]
1 year	5.26%	4.38%
3 years pa	5.17%	4.41%
5 years pa	4.90%	3.42%

[4] Calculated as the sum of the monthly yields over the period where the monthly yield is income (before fees) paid during the month divided by the portfolio value as at the start of month.
[5] Calculated as the sum of the montly returns of the S&P/ASX 200 Industrials Accumulation Index minus the monthly returns of the S&P/ASX 200 Industrials Index (price index).

Stock Activity

Buys / Additions

Harvey Norman (HVN) - Harvey Norman reported a good result in August 2018:

- Sales were better than peers, winning market share (based on ABS stats)
- Offshore business maintained momentum
- Business back to expansion mode

- Our base valuation of $4.94 is way above the share price, and the company also has NTA of $2.80 per share which provides a good back stop to share price, along with a very high yield and low price earnings ratio.
- In the short term, HVN can surprise positively on the margins as discounting appears to have reduced in the improved retail environment.
- The overseas business is a potential key catalyst as it has been gaining momentum, but seems to be largely ignored by the sharemarket.

We expect progressive recovery in the off-shore business particularly through a decline in losses from Ireland and then normalising for margins in Asia. Where we have progressive recovery offshore, the key driver/contributor is NZ where HVN has recently shown good results. Sales growth is anticipated to be potentially closer to 4.5% over the long term as a result of store openings and is expected to ramp up in same store sales growth. HVN has delivered a strong result overseas with all geographies improving broadly since 2009. This has been a positive turnaround and increases our confidence in HVN's ability to execute well on retailing business.

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 focused 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