

Antares Cash Fund

Monthly Investment Report

June 2018



Fund Performance

Period Ended 30 June 2018	1 mth %	3 mths %	1 Year %	Since inception %pa ³
Antares Cash Fund ^{1,2}	0.16	0.47	1.79	2.09
Bloomberg AusBond Bank Bill Index	0.15	0.49	1.78	2.08
Difference	0.01	-0.02	0.00	0.01

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 Returns are expressed before deducting tax and investment management fees.

³ Performance inception 01 June 2014.

Portfolio Review

Key Drivers of Portfolio Performance: running yield of the portfolio was 12bps over the benchmark at monthend.

Market Outlook

In Australia, growth is being supported by solid business capex and strong resource prices, particularly for LNG and coal. New resource projects are competing with large infrastructure projects for a limited pool of specialist construction workers. Wages in the construction industry are rising at up to 3 times the national average which may contribute to a slight uptick in the national average. The RBA could be on hold for a lengthy period, noting that the 25bp rise in money market rates in 2018 is forcing the banks to raise mortgage rates to maintain their funding margins, a de facto tightening of monetary policy.

Market and Economic Data

Market Movements

- Global share markets were mixed in June with the ASX outperforming, assisted by a lower AUD.
- Aussie bonds saw a small rally with AUS10yr bond futures rallying 3.5bps to 2.64%, 3yr bond futures rallied 5bps to 2.18% and the yield curve was relatively unchanged.
- Quarter-end funding pressures drove up money market rates steadily over June with the 3m BBSW 13bps wider at 2.11%, while 6m BBSW was 13bps wider at 2.22%. Credit spreads continued to widen on the back of trade tensions. Aus iTraxx was 11.5bps wider at 80.5.

Key Economic data

US – Strong economic data prints with May payrolls rising a better than expected 233k with 15k worth of upwards revisions. The unemployment rate unexpectedly fell to 3.8% and average hourly earnings lifted by 0.3% pulling annual growth up to 2.7%. The Fed raised rates in June taking the Fed funds target range to 1.75%-2.0%. The FOMC also raised their dot point projections which now foresees 4 rate rises in 2018, an unchanged 3 rises in 2019 and 1 in 2020.

Europe – The ECB announced the QE program wind-down with a taper to EUR15bn per month from Oct, and ending in Dec. Very dovish ECB with Draghi surprising markets by noting that rates will be unchanged “at least thru the summer of 2019” – suggesting Sept 2019 at the earliest. The ECB forecast 1.7% inflation for 2018-2020, despite current inflation running at 1.9%.

Australia – Economic data releases were generally positive in June. Q1 GDP was strong growing 1% in the quarter and 3.1% for the year. Business surveys and employment growth are also encouragingly positive, with the unemployment rate falling to 5.4% on the back of a weaker participation rate. The slowdown in credit continued with Private Sector credit rising a meagre 0.2% for the month and 4.8% yoy. The RBA kept rates on hold for a record 23rd consecutive month in July.

Distribution History

Distribution date	30 June 2018
Distribution amount	0.81 Cents Per Unit
Next distribution date	30 September 2018

Key characteristics

	Fund	Benchmark
Running yield (%)	2.09	1.97
Rate Duration (days)	78	45
Average credit rating	A1+	A1+
Liquidity*	100%	100%

* Liquidity deemed available within 24 hours.

Return Attribution

Description	BP's
Duration / Yield Curve	-0.3
Running Yield	+0.8
Timing of B/M, Mark to Market & cashflows	0
Total Excess Return	0.5

Rating exposure (%)

A / A+	9.7
AA-	90.3

Fund Facts

Fund Size	\$25,677,062.65
Benchmark	Bloomberg AusBond Bank Bill Index TM
Minimum initial investment	\$5,000,000

Sector Exposures

Sector	Interest Rate MDC	MV%
Money Market	0.21	100.00
Corporates Financials Fixed	0.00	0.00
Corporates Financials FRN	0.00	0.00
Total	0.21	100%

Australian Rates	June 2018	Month Change	1 Yr Change
RBA Cash Rate	1.500	0.00	0.00
90 Day Bank Bill	2.111	+0.13	+0.41
3 Yr Futures	97.920	+0.05	-0.10
10 Yr Futures	97.360	+0.03	+0.01
3/10 Spread (bps)	56.0	+1.5	-11.0
iTraxx Australia 5Y	80.7	+10.7	-3.1
10Yr BEI	1.96	+0.04	+0.15

Global Sovereign Rates	June 2018	Month Change	1 Yr Change
Fed Fund Rates	1.91	+0.210	+0.850
ECB Main Refi Rate	0.00	0.000	0.000
US Sovereign 2 Yr	2.53	+0.10	+1.15
US Sovereign 10 Yr	2.86	+0.00	+0.56
Japan Sovereign 10 Yr	0.04	-0.00	-0.05
German Sovereign 10 Yr	0.30	-0.04	-0.16

Currencies	June 2018	Month Change	1 Yr Change
AUD/USD	0.741	-0.016	-0.028
EUR/USD	1.168	-0.001	+0.026
USD/JPY	110.760	+1.94	-1.63

Equities	June 2018	Month Change	1 Yr Change
ASX200	6195	+3.0%	+8.3%
S&P500	2718	+0.5%	+12.2%

Commodities	June 2018	Month Change	1 Yr Change
WTI Crude	74.2	+7.2	+25.8
Gold	1252.6	-45.9	+11.0

Australian Economic Data	Latest Monthly Print	Month Change	1 Yr Change
Employment Change (k)	12.0	-6.3	-16.5
Unemployment Rate (%)	5.4%	-0.2%	-0.2%
Retail Sales (MoM%)	0.4%	-0.1%	+0.2%
Trade Balance Value (m)	827	+355	-157
Building Approvals (MoM%)	-3.2%	+2.4%	-13.3%
Consumer Confidence (Westpac)	102.1	+0.3	+5.9
Business Confidence (NAB)	5.7	-4.9	-3.6
Business Conditions (NAB)	15.0	-5.2	+0.1

Australian Economic Data	Latest Quarterly (Q1)	Quarterly Change	1 Yr Change
Private Capital Expenditure (QoQ%)	0.4%	+0.2%	-0.7%
GDP (YoY%)	3.1%	+0.7%	+1.1%
Inflation (YoY%)	1.90%	+0.0%	+0.0%

Global Economic Data	Latest Monthly Print	Month Change	1 Yr Change
US Non-Farm Payrolls (k)	213	-31	-26
US Unemployment Rate (%)	4.0%	+0.2%	-0.3%
US Manufacturing ISM	60.2	+1.5	+3.5
US Non-manufacturing ISM	59.1	+0.5	+1.9
China Manufacturing PMI	51.5	-0.4	-0.2
China Non-Manufacturing PMI	55.0	+0.1	+0.1
German Factory Orders (MoM%)	2.6%	+4.2%	+1.8%
German Industrial Production (MoM%)	2.6%	+3.9%	+3.1%

Semis *** vs Gov Bonds	June 2018	Month Change	1 Yr Change
3yr (bps)	13.4	+0.80	-11.80
7yr (bps)	23.1	-1.30	-16.40

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Antares has managed fixed interest and cash portfolios for investors since 1990 and currently has over A\$29 billion* in funds under management across a range of cash management, fixed income and liability driven investment strategies.

Antares is focused on delivering performance objectives for our clients within a carefully managed and defined risk framework.

*as at 30 June 2018

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