

# Portfolio Profile



## Antares Ex-20 Australian Equities Model Portfolio September 2020

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### Model Portfolio description and investment return objective

The Antares Ex-20 Australian Equities Model Portfolio is an actively managed highly concentrated portfolio of Australian equities. It invests in shares from outside the largest 20 companies by market capitalisation that Antares identifies as having the potential to offer significant long term capital growth. The Model's objective is to outperform the Benchmark (S&P/ASX 200 Total Return Index excluding the companies listed in the S&P/ASX 20 Total Return Index) over rolling five-year periods.

### Investment returns\* as at 30 September 2020<sup>1,2,3</sup>

Period	1 month	3 months	1 year	3 years pa	5 years pa	Since inception <sup>3</sup> pa
Gross return %	-2.8	4.7	1.2	10.9	13.8	11.4
Benchmark return %	-3.8	1.6	-7.7	5.7	10.1	7.5
Gross excess return %	1.0	3.1	8.9	5.2	3.7	3.9

### Model Portfolio performance and attribution

The portfolio outperformed our benchmark in September although in absolute terms, both the portfolio and our benchmark declined – the latter by 3.8%. Strength in the portfolio's cyclical exposure was partially offset by weakness in some of the growth stocks that had delivered strong share price growth in the year-to-date.

The biggest contributor for the month was Aristocrat Leisure (ALL). The US land-based business appears to be recovering faster than the market expected, with the US casino results suggesting a healthier environment. In addition, reduced mobility is seeing continued acceleration in digital gaming. Nine Entertainment also contributed strongly to performance. The business' transition towards a predominantly digital and subscription-based model continues to accelerate against the backdrop of the COVID-19 pandemic and its FY20 result showed that its subscription base continues to expand meaningfully despite increased competition. We are encouraged to see the market finally starting to re-price these higher quality earnings streams in acknowledgement of the transition. James Hardie (JHX) was another strong contributor as continued strength in the US housing recovery is providing solid macro tailwinds for housing starts. New sales orders from US homebuilders are suggesting a buoyant outlook for the remainder of the calendar year, whilst alterations and additions have also held up very well. In this context, JHX should benefit from strong earnings growth presenting upside risk to guidance. Mineral Resources detracted from performance after posting very strong gains this calendar year. We attribute share price weakness to the iron ore price which has started to roll over as we move into a seasonally weak period for steel production compounded by high Chinese inventories. Afterpay also detracted from performance. Early in the month, US payments provider Paypal announced plans to launch a buy-now-pay-later platform which represents new competition for Afterpay. We had expected new competition to come into Afterpay's market but note that Afterpay's model is somewhat distinct in that they focus on lead generation for retailers while PayPal remains predominantly a payments platform. A2 Milk Company (A2M) was also weaker in September after the company downgraded FY21 earnings guidance, noting that weakness in the Daigou market has put downward pressure on pricing in some of its cross border e-commerce channels. That said, trading in the Mother and Baby Store channel on the ground in China remains strong and A2M expect pricing to improve as inventory is cleared.

### Buys / Additions

**Wisetech Global (WTC)** - We added Wisetech (WTC) to the portfolio in September. The company's results in August were well ahead of market expectations, and we see very significant headroom for the company to grow in its existing and potential verticals. This should support strong growth rates over the medium term. Demand for Wisetech's solutions are underpinned by a backdrop of increasing supply chain complexities and cyber risks. In addition, we see WTC as a beneficiary of a recovery in global trade volumes and commerce.

### Sales / Reductions

**Ampol (ALD)** - The portfolio exited the position in Ampol (ALD) during the month. Whilst we believe there is long term strategic value in the assets, we have lost conviction in the position due to management's lack of proactivity in ensuring the value of those assets is realised or understood by the market. Hence we see limited near term catalysts and sold, preferring to deploy the capital elsewhere.

### Top 10 share holdings

as at 30 September 2020 (alphabetical)

- AfterPay
- Ansell
- Aristocrat Leisure
- Aurizon Holdings
- James Hardie
- Metcash
- Nine Entertainment
- Northern Star Resources
- Qantas
- Qube

### Sector allocation

GICS	%
Metals & Mining	17.25
Consumer Discretionary	16.57
Industrials	14.03
Health Care	10.59
Communication Services	8.52
Consumer Staples	7.97
Information Technology	7.64
Materials Ex Metals & Mining	5.66
Energy	5.48
Real Estate	3.29
Financials Ex Reits	3.01
Utilities	0.00

Source: Antares Equities; 30 Sep 2020

Note: GICS - Global Industry Classification Standard  
% are absolute ie sector proportion of portfolio

<sup>1</sup> 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. The value of an investment may rise or fall with the changes in the market. <sup>2</sup> Investment returns for the Model Portfolio are based on a notional model portfolio constructed by Antares and are gross of administration (platform) and investment management fees, net of estimated transaction costs, and assume all dividends remain in the Model Portfolio.\* Performance is based on the income and market value of the notional model portfolio.<sup>3</sup> Inception date for the Model Portfolio is 27 May 2015.

## Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 30 Sep 20
Australian shares	90%	100%	100%	97.7%
Cash and cash equivalents	0%	0%	10%	2.3%

## Investor profile

The Ex-20 Australian Equities Model Portfolio is designed for investors seeking an actively managed, highly concentrated portfolio of Australian securities that excludes the top 20 stocks by market capitalisation. The Model aims to provide investors with long term capital growth

## Portfolio managers

**John Guadagnuolo**  
Investment Manager

**Key Responsibilities**  
John is the Portfolio Manager of the Ex-20 Australian Equities Model Portfolio and Ex-20 Australian Equities Managed Fund.

**Years with the group** 13  
**Years of Industry Experience** 20



**Andrew Hamilton**  
Head of Research  
**Key Responsibilities**

Andrew is the Deputy Portfolio Manager of the Ex-20 Australian Equities Model Portfolio and Ex-20 Australian Equities Managed Fund .

**Years with the group** 20  
**Years of Industry Experience** 23



## Model portfolio facts

<b>Inception date:</b>	27 May 2015
<b>Benchmark:</b>	S&P/ASX 200 Total Return Index excluding the companies listed in the S&P/ASX 20 Total Return Index
<b>Investment timeframe:</b>	At least 5 years
<b>No of shares:</b>	15 to 30
<b>Indicative portfolio turnover:</b>	50% to 60% pa
<b>Relative risk:</b>	Very High
<b>Relative return<sup>1</sup>:</b>	Very High

## Platform availability

BT Panorama, Macquarie, Navigator, Netwealth and Praemium.

## Ratings



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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 30 June 2020) under advice across a range of strategies including large capitalisation, concentrated, property, 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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