Portfolio Profile

Antares Dividend Builder Model Portfolio
August 2020

antares

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Model Portfolio description and investment return objective

The Antares Dividend Builder Model Portfolio is an actively managed model portfolio of high yielding equities listed on the Australian share market which aims to deliver regular dividend income and moderate capital growth. The primary investment objective is to regularly generate higher levels of dividend income on a tax-effective basis than the S&P/ASX200 Industrials Total Return Index (Benchmark) and moderate capital growth over rolling five year periods.

Investment returns as at 31 August 2020[1][2][3]

Period	1 month	3 months	1 year	3 years pa	5 years pa	Since inception pa
Income yield %	**-**	**-**	**3.67**	**4.62**	**4.66**	**-**
Benchmark yield %	-	-	2.93	**3.78**	**3.92**	**-**
Gross return* %	**2.7**	**3.2**	**-16.7**	**-2.0**	**2.1**	**7.7**

Model Portfolio performance and attribution

The Antares Dividend Builder Model Portfolio's annual income yield to 31 August 2020 of 3.67% exceeded the Benchmark yield of 2.93%. Reporting season revealed most dividends were lower than last year, albeit slightly ahead of expectations. Several companies that had flagged a possible cancellation actually paid dividends, including Coca Cola Amatil, Metcash, and even ANZ, that had postponed its February dividend but announced a 25c dividend in August (vs 80c previous). During August, dividend income was received from GPT and Metcash. Contributing to capital returns were overweight positions in Nine Entertainment (NEC) and Star Entertainment (SGR). The potential and profitability of NEC's stan business was apparent in the FY20 result highlighting the changing profile of NEC as a digital business, from a more traditional media business. SGR results were well received by the market. Management took swift and aggressive actions to manage its cost base to reduce cash outflows during the lock-down period, and its integrated gaming resorts have enjoyed strong demand since re-opening (albeit with capacity constrained by coronavirus related safety measures, particularly in Sydney from late July onwards).

Being underweight CBA also contributed to returns. CBA reported a result slightly below market expectations. The key issue for banks remains the lack of clarity around future bad and doubtful debts when government stimulus is wound back and if provisions will be adequate.

Detracting from returns were overweight positions in Telstra (TLS) and Medibank Private (MPL). TLS' result disappointed relative to consensus as did the company's guidance for a decline in earnings in FY21, with ramifications for future dividends. While MPLs profit result was in line with expectations, there was no growth in policy holders for the Medibank brand. Uncertainty surrounds whether private health participation can be maintained when Job Keeper ends and if potential capital surplus as a result of the low claims environment could limit any 2021 premium increase.

Buys / Additions

Alumina Ltd (AWC) - We added Alumina cum a large dividend for several reasons. It is a resource stock but has industrial type characteristics that diversifies the portfolio as well as helping its yield and growth characteristics based on risk metrics. As a value type stock, AWC has performed worse than some other resource stocks, providing a valuation opportunity. And with low planned capex, cashflow and dividend should benefit. The alumina price is rebounding from cycle lows, and a large competitor, Alunorte has experienced an outage which should help underpin the alumina price.

Insurance Australia Group (IAG) - We added IAG to the portfolio after its share price plummeted in the wake of its FY20 result. While we agree that the result was poor, we believe a number of the issues around the result are likely to be one off in nature, such as some movements in their investment book, large claims (eg the summer bushfires) and some client remediation issues. All insurers are facing uncertainty over their exposure to Business Interruption cover around COVID-19, and this has also weighed on the IAG share price. IAG is well capitalised and we see strong earnings growth and the potential for substantial dividends. We don't believe this is factored into the IAG share price.

Sales / Reductions

Star Entertainment Group (SGR) - SGR announced a new debt covenant which means they will be probably be unable to pay dividends for at least 18 months. They also wrote off a large bad debt below the line, which made the result look better. The market liked the result which provided us with an opportunity to sell our holding.

Top 10 share holdings

as at 31 August 2020 (alphabetical)

- Amcor
- ANZ Banking Group
- Aurizon Holdings
- Coles Group
- Medibank Private
- Metcash
- National Australia Bank
- Tabcorp
- Telstra
- Westpac Banking Corporation

Sector allocation

GICS	%
Financials Ex Reits	34.53
Consumer Staples	12.49
Communication Services	10.31
Materials Ex Metals & Mining	10.05
Consumer Discretionary	9.31
Real Estate	7.83
Industrials	5.23
Energy	3.47
Information Technology	3.01
Metals & Mining	2.02
Utilities	1.74
Health Care	0.00

Source: Antares Equities; 31 Aug 2020

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

[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. The value of an investment may rise or fall with the changes in the market. [2] 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.[3] Inception date for the Model Portfolio is 22 November 2010.

Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 Aug 20
Australian shares	90%	100%	100%	94.7%
Cash and cash equivalents	0%	0%	10%	5.3%

Investor profile

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

Portfolio managers

Glenn Hart
Co-Head of Equities
Key Responsibilities
Glenn is the Co-Head of Equit responsible for leading the Australian Equities team and is the Portfolio Manager of Dividend Builder
Years with the group 23
Years of Industry Experience 33

Vikrant Gupta
Investment Manager
Key Responsibilities
Vikrant is the Deputy Portfolio Manager of Dividend Builder.
Years with the group 8
Years of Industry Experience 11

Model Portfolio facts

Inception date:	22 November 2010
Benchmark:	S&P/ASX 200 Industrials Total Return Index
Investment timeframe:	At least 5 years
No of shares:	13 to 25
Indicative portfolio turnover:	20% to 30% p.a.
Relative risk:	High
Relative return[1]:	High

Platform availability

ANZ Grow, BT Panorama, Macquarie, Navigator, Netwealth and Praemium.

Ratings

Investment Grade Lonsec Research

Zenith Investment Partners — Highly Recommended, **Recommended**, Approved, Not Rated, Redeem

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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