

Portfolio Profile



Antares Ex-20 Australian Equities Model Portfolio August 2020

For Adviser use only

This report is intended only for financial advisers. It must not be distributed or communicated to any third party and must be kept confidential. The Model Portfolio performance information in this report is based on Antares' construction of the notional model portfolio which is not available for direct investment. It is not a guarantee or an indication of the actual performance of a client's portfolio. Advisers need to consider the relevant disclosure documents of providers or platforms that offer the Model Portfolio for investment before recommending the Model Portfolio to their client.

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 31 August 2020^{1,2,3}

Period	1 month	3 months	1 year	3 years pa	5 years pa	Since inception ³ pa
Gross return %	7.5	9.8	7.9	12.3	14.1	12.2
Benchmark return %	4.7	7.2	-2.9	7.0	10.6	8.4
Gross excess return %	2.8	2.6	10.8	5.3	3.5	3.8

Model Portfolio performance and attribution

The Model generated a return of 7.5% as markets rebounded from the Covid induced lows. It was pleasing to perform well given the heightened uncertainty concerning the August reporting season, especially the outlook statements.

Our best contributor was IEL Education (IDP). IEL's result was very well-received as it assuaged market fears that extension of international border lockdowns would impact its business model. Instead, IEL showed resilience in its English language testing and university services as the business was able to pivot to the digital facilities it had been developing in recent years. Cost management was better than expected. Afterpay (APT) also contributed strongly delivering a good result. Having previously flagged its entry to Canada, APT also announced an accelerated entry into southern Europe and has built the pieces of a global BNPL platform. Finally, Nine Entertainment (NEC) also rallied strongly during the month. It seems the market is finally beginning to re-price NEC's future earnings stream on the basis of its improved quality as the company drives into more stable growth of subscription and digital earnings. These accounted for 50% of its FY20 operating earnings, highlighted by a sizeable step-up in Stan subscribers, despite the increase in competition from Disney and other new entrants. Northern Star (NST) detracted from performance as the rally in markets limited demand for gold's safe haven status. Further, NST released disappointing guidance regarding production and costs for the coming 12 months. A2 Milk (A2M) also detracted from performance having been very strong in the lead up to the release of its results with the expectation of a "beat" to the company's guidance. But the result was in line with guidance and there was some selling on the back of that. Finally, our position in Seek (SEK) impacted our performance, albeit in a minor fashion. The market was surprised by SEK's guidance for FY 21 which was materially below expectations. While employment volumes are weak, the real issue was the lack of leverage on evidence from SEK's new pricing system. While this was disappointing, we believe the company is being prudent with its pricing given the current downturn.

Buys / Additions

Lynas Corporation (LYC) - LYC is a producer of so-called "rare-earth" minerals which are essential ingredients in the production of renewable energy generation and battery developments. They are also important in production of night vision goggles and related products. China dominates the ownership of these resources and given their structural importance in the emerging decarbonised economy, LYC is a unique asset in having one of the world's major deposits in Western Australia, and one that is not under Chinese control. We see this as a very long term and strategic asset.

Worley (WOR) - WOR historically provides engineering consulting to the upstream oil and gas industry and while this remains important it has diversified downstream via its acquisition of Jacobs chemical business. More importantly, WOR's engineering capabilities are increasingly important in energy transformation - pivoting towards more integration of renewables away from traditional hydrocarbons. This offers a long term growth option in the business.

Sales / Reductions

Lendlease Group (LLC) - We sold LLC from the portfolio. While we remain attracted to the longer term thematic of urban renewable and community development in the LLC business pipeline, we think the metrics of these may have changed given the move to work-from-home driven by the coronavirus.

Top 10 share holdings

as at 31 August 2020 (alphabetical)

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

Sector allocation

GICS	%
Metals & Mining	17.58
Consumer Discretionary	16.19
Industrials	13.81
Consumer Staples	10.22
Health Care	10.00
Communication Services	7.68
Energy	7.66
Information Technology	6.24
Materials Ex Metals & Mining	5.07
Financials Ex Reits	3.15
Real Estate	2.40
Utilities	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. ³ Performance is based on the income and market value of the notional model portfolio. ³ Inception date for the Model Portfolio is 27 May 2015.

Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 Aug 20
Australian shares	90%	100%	100%	97.1%
Cash and cash equivalents	0%	0%	10%	2.9%

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



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

Model portfolio facts

Inception date:	27 May 2015
Benchmark:	S&P/ASX 200 Total Return Index excluding the companies listed in the S&P/ASX 20 Total Return Index
Investment timeframe:	At least 5 years
No of shares:	15 to 30
Indicative portfolio turnover:	50% to 60% pa
Relative risk:	Very High
Relative return¹:	Very High

Platform availability

BT Panorama, Macquarie, Navigator, Netwealth and Praemium.

Ratings



The rating issued 08/2020 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2020 Lonsec. All rights reserved.

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating assigned 24 February 2020 referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at <http://www.zenithpartners.com.au/RegulatoryGuidelines>

About Antares Equities

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

Important information: This report is prepared by Antares Capital Partners Ltd ABN 85 066 081 114, AFSL 234483 (Antares). Antares is the investment manager for the [*] Model Portfolio. This report is general advice prepared for licensed financial advisers only. Advisers must not distribute this document or any part of it to retail clients or to any other person. The report has been prepared without taking into account any person's individual objectives, financial situation or needs. Advisers should therefore, before acting on information in this report, consider its appropriateness, having regard to their clients particular objectives, financial situation or needs. Advisers also need to consider the relevant disclosure documents of providers or platforms that offer the Model Portfolio for investment before recommending the Model Portfolio to their clients. Antares is a subsidiary of the National Australia Bank Limited group (NAB group) of companies. An investment in any financial product offered by any member company of the NAB group of companies is not a deposit with or liability of, and is not guaranteed by NAB or its subsidiaries and is subject to investment risk, including possible delays in repayment and loss of income and capital invested. Any opinion expressed in this presentation constitutes Antares' judgement at the time of issue and is subject to change. Antares believe that the information presented is correct and that any estimates, opinions, conclusions or recommendations are reasonably held or made as at the time of compilation. However, no warranty is made as to their accuracy or reliability (which may change without notice). 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 communication. Any projection or forward looking statement in this presentation is provided for information purposes only and no representation is made as to its accuracy or that it will be met. Where applicable, information is based on information from sources believed to be reliable and accurate as at the time of preparation. Antares is not responsible for the accuracy of information provided by third parties, and is not liable for any loss arising from it. Bloomberg Finance L.P. and its affiliates (collectively, Bloomberg) do not approve or endorse any information included in this publication and disclaim all liability for any loss or damage of any kind arising out of the use of all or any part of any such information.