

Quarterly Review

Clean energy: the growing role for nuclear energy and uranium

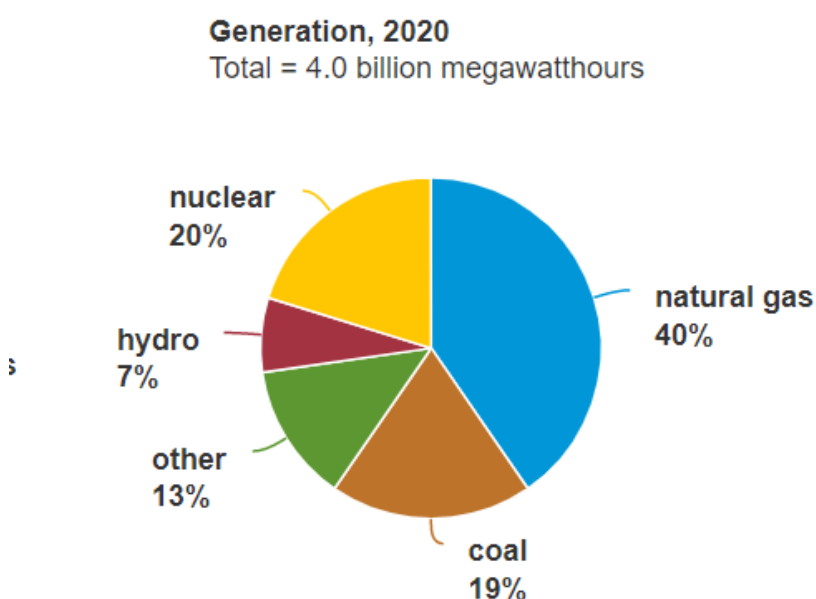
March 2021

antares

In a world increasingly focused on decarbonising we feel there is a strong role for uranium in order to reliably and realistically meet the objectives being set. This likely increase in demand for uranium comes after a decade of chronic industry underinvestment and low inventory levels.

The USA imports 95% of the uranium it needs to operate 95 reactors (~ 25% of the world's civilian nuclear reactors) that provide 20% of American baseload electricity demand (available at any time). Uranium produced electricity accounts for more than half of all carbon free power generation in the USA and, unlike solar and wind, is the cornerstone of baseload supply, available at any time and across different geographies.

Figure 1: US Electricity generation



Source: U.S. Energy Information Administration, *Electric Power Monthly*, February 2021, preliminary data

China has also increased its dependence on nuclear energy over recent years. Nuclear's share of Chinese electricity supply has increased from 2% to almost 6% over the last ten years and if the targets set out in China's latest five-year plan are delivered this will further increase. Currently there are 49 reactors in China with another 43 being planned.

Combined, the world's reactor fleet requires approximately 180m pounds (lb) of uranium each year. This compares with global mine supply of only 122m lb (or 68% of demand). The difference to date has been met by inventory drawdowns and US and Russian government stocks, which we think are coming to an end. Furthermore, recent data from the US Energy Information Administration shows that utility inventories are starting to decline and are approaching levels that could put security of supply at risk.

When prices are declining and low, as we have seen over the past number of years, there is no perceived urgency to contract, hence contracting activity and investment in new supply drops off. After years of low investment in supply, as has been the case since 2011, security of supply tends to overtake price concerns at some point, and utilities re-enter the long-term market to ensure they have the reliable supply of uranium they need to run their reactors.

UxC, an industry expert, reports that over the last five years only 390m pounds (approx) of uranium have been locked-up in the long-term market, while approximately 815m pounds have been consumed in reactors. We are confident that utilities have a growing gap to fill, that will ultimately lead to higher uranium prices.

The US uranium producer Cameco, summarised some of the impetus for clean energy and the role for nuclear.

Nuclear's role in the move to clean energy

There is growing recognition of the role nuclear power must play in providing safe, reliable, affordable carbon-free baseload electricity and achieving a low-carbon future. Examples of this growing recognition include:

- *Many countries, US states, and utilities announced net-zero carbon targets in 2020. While most of these targets are long-dated, many of the plans include an important role for nuclear. For example, a study suggests that for China to achieve its net-zero target by 2060, will require a 382% increase in nuclear power from 2025 levels.*
- *In the US, President Biden's campaign included positive statements about the need to maintain the existing nuclear power fleet and to build advanced reactors as part of an overall shift to non-emitting carbon power sources.*
- *Japan's Prime Minister, Yoshihide Suga, announced that the country aims to become carbon neutral by 2050. Regarding nuclear, he indicated Japan will continue to develop its nuclear energy supply with "maximum priority on safety". Japan's current energy plan calls for 20% to 22% nuclear by 2030.*
- *In France, President Macron stated in December that nuclear will remain a pillar of the French energy mix for decades to come and pressed for preparatory studies on new next-generation EPR reactors to be wrapped up in the coming months.*
- *The Netherlands announced they will begin a process that considers building up to 10 nuclear power plants.*

Source: Cameco; April 2021

Antares market & fund updates

Below is a brief review of how the Australian share market performed during the quarter as well as short commentaries on the Antares Funds and model portfolios, outlining their performance and the main contributors to performance.[#]

Australia share market review

Australian shares provided an encouraging 4.3% return for the March quarter, but lagged global peers which were up by 5.9%.

Positive global vaccine news and further support from the Reserve Bank of Australia (RBA) provided a tailwind. The RBA provided guidance that the cash interest rate is expected to remain steady at 0.1% until 2024. Financial sector shares were the standout, delivering a robust gain of 12.2% on growing confidence that the economic recovery would reduce loan deferrals and bad debts and revive credit growth. The consumer discretionary and communication sectors were also buoyant benefitting from the more positive outlook for spending and growth as the economy opened up and vaccine rollouts began. Information Technology was the weakest sector as tech stocks were sold off when long-term bond yields spiked in mid-February.

Australian Equities Fund

The Antares Australian Equities Fund returned 8.4% (net of fees) for the March 2021 quarter, outperforming its benchmark S&P/ASX200 Total Return Index return¹ by 4.1%. The main contributors to quarterly performance were overweight holdings in Incitec Pivot, Nine Entertainment and Telstra. Detracting from performance were overweight positions in Northern Star, Ampol and Medibank Private.

Dividend Builder

The annual income yield to 30 June 2020 for Antares Dividend Builder Fund was 4.38% compared to its benchmark yield of 3.21%. Dividends were received from Alumina, Amcor, APA Group, Aurizon, CBA, Coles, GPT, IAG, Iress, Medibank, Metcash, Scentre Group, Tabcorp, Telstra, Transurban and Wesfarmers during the quarter. The Fund's net return for the March quarter was 7.6%¹.

Elite Opportunities Fund

The Antares Elite Opportunities Fund returned 7.9% (net of fees) for the March 2021 quarter, outperforming its benchmark S&P/ASX200 Total Return Index return of 4.3% by 3.6%¹. Contributing to performance were overweight positions in Westpac, ANZ and Vocus Group. Detracting from performance were overweight positions in Northern Star and a2 Milk and an underweight position in NAB.

High Growth Shares Fund

The Antares High Growth Shares Fund returned 7.2% (net of fees) for the March 2021 quarter, outperforming its benchmark S&P/ASX200 Total Return Index return of 4.3% by 2.9%¹. Overweight holdings in Westpac, Virgin Money and ANZ contributed to performance. Detracting from performance were overweight positions in Northern Star and Polynovo and an underweight position in NAB.

Ex-20 Equities Fund

The Antares Australian Equities Ex-20 Fund returned 2.4% (net of fees) for the March 2021 quarter, outperforming its benchmark S&P/ASX200 Total Return Index ex S&P/ASX 20 Total Return Index return of 1.4% by 1.0%¹. Overweight holdings in Lynas Rare Earths, Nine Entertainment and Oz Minerals contributed to performance. Detracting from performance were overweight holdings in Freedom Foods, Afterpay and Northern Star Resources.

Listed Property Fund

The Antares Listed Property Fund returned -0.9% (net of fees) for the March 2021 quarter, underperforming its benchmark, the S&P/ASX200 A-REIT Total Return Index return of -0.5% by 0.4%¹. Underweight holdings in Charter Hall and BWP Trust and an overweight position in GPT contributed to performance. An underweight position in Stockland and overweight positions in Waypoint REIT and Hotel Property Investments detracted.

. #All returns are net of fees. Please refer to the following page for a summary of returns which are gross of fees. 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.

Antares Investments Returns

Performance to 31 March 2021¹

Professional Selection		3 mths	1 yr	3 yrs	5 yrs	7 yrs	10 yrs	Since Inception
		%	%	% pa	% pa	% pa	% pa	% pa
Antares Australian Equities Fund S&P/ASX 200 Acc Index	Net Return	8.4	47.5	6.9	8.6	6.8	6.8	9.1
	Gross Return	8.5	48.4	7.5	9.4	7.6	7.7	10.0
	Benchmark Return	4.3	37.5	9.7	10.2	7.7	8.0	9.2
	Net Excess Return	4.1	10.0	-2.8	-1.6	-0.9	-1.2	-0.1
	Gross Excess Return	4.2	10.9	-2.2	-0.8	-0.1	-0.3	0.8
Antares Dividend Builder S&P/ASX 200 Industrials Acc Index	Net Return	7.6	41.4	5.4	5.4	5.7	8.6	6.9
	Portfolio Income Yield	1.5	4.4	7.8	6.5	5.5	5.0	4.4
	Benchmark Income Yield	0.8	2.4	3.5	3.7	3.7	3.8	3.6
	Net Excess Yield	0.7	2.0	4.4	2.8	1.8	1.3	0.8
Antares Elite Opportunities Fund S&P/ASX 200 Acc Index	Net Return	7.9	45.1	7.3	9.0	7.7	7.2	10.2
	Gross Return	8.7	47.0	8.2	9.9	8.5	8.0	11.1
	Benchmark Return	4.3	37.5	9.7	10.2	7.7	8.0	9.1
	Net Excess Return	3.6	7.6	-2.4	-1.2	0	-0.8	1.1
	Gross Excess Return	4.4	9.5	-1.5	-0.3	0.8	0	2.0
Antares High Growth Shares Fund S&P/ASX 200 Acc Index	Net Return	7.2	50.3	9.1	11.0	9.2	8.5	10.7
	Gross Return	8.0	52.6	10.4	12.2	10.4	9.7	12.2
	Benchmark Return	4.3	37.5	9.7	10.2	7.7	8.0	8.2
	Net Excess Return	2.9	12.8	-0.6	0.8	1.5	0.5	2.5
	Gross Excess Return	3.7	15.1	0.7	2.0	2.7	1.7	4.0
Antares Listed Property Fund S&P/ASX 200 A-REIT Acc Index	Net Return	-0.9	43.1	4.3	3.5	8.3	9.2	7.5
	Gross Return	-0.7	44.1	5.0	4.2	9.0	10.0	8.3
	Benchmark Return	-0.5	44.7	7.6	5.6	10.1	10.6	7.4
	Net Excess Return	-0.4	-1.6	-3.3	-2.1	-1.8	-1.4	0.1
	Gross Excess Return	-0.2	-0.6	-2.6	-1.4	-1.1	-0.6	0.9
Antares Ex-20 Australian Equities Fund S&P/ASX 200 ex S&P/ASX 20	Net Return	2.4	57.8	-	-	-	-	10.8
	Gross Return	2.8	62.7	-	-	-	-	13.7
	Benchmark Return	1.4	41.1	-	-	-	-	2.3
	Net Excess Return	1.0	16.7	-	-	-	-	8.5
	Gross Excess Return	1.4	21.6	-	-	-	-	11.4

Note: Performance reporting for the Antares Ex-20 Equities Fund commenced on 2 October 2019. Monthly reports can be accessed on the Antares Equities website.

Inception dates:

Australian Equities Fund: 03/07/1995

Dividend Builder: 06/09/2005

Elite Opportunities Fund: 18/11 2002

High Growth Shares Fund: 07/12/1999

Listed Property Fund: 28/02/1994

Disclaimer: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. Investment returns are based on exit prices, and are net of management fees and assume reinvestment of all distributions. Gross returns are provided to show performance against the investment objective.²Income yield is calculated as the sum of the income yields over the period to 30 June where the yield is income distributed during the period divided by the unit price (before fees) at the start of the distribution period. Benchmark yield is calculated as the sum of the monthly returns of the S&P/ASX 200 Industrials Total Return Index minus the monthly returns of the S&P/ASX 200 Industrials Index (price index)

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Antares Capital Partners Ltd, Level 20 8 Exhibition Street Melbourne 3000 GPO Box 2007, Melbourne VIC 3001 Telephone: (03) 9220 0300 Facsimile: (03) 9220 0333. Email: investorservices@antaresequities.com.au Website: www.antarescapital.com.au.

Get in contact

antarescapital.com.au

Toll free: 1800 671 849

Email: investorservices@antaresequities.com.au

Mail: GPO Box 2007 Melbourne VIC 3001