Portfolio Profile

Antares Dividend Builder Model Portfolio
April 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 30 April 2020[123]

Period	1 month	3 months	1 year	3 years pa	5 years pa	Since inception pa
Income yield %	**-**	**1.2**	**4.8**	**4.9**	**4.8**	**4.6**
Benchmark yield %	-	0.8	3.9	**4.1**	**4.1**	**-**
Gross return* %	**7.4**	**-21.8**	**-16.5**	**-5.3**	**-1.0**	**7.2**

Model Portfolio performance and attribution
The Antares Dividend Builder Model Portfolio's annual income yield to 30 April 2020 of 4.85% exceeded the Benchmark yield of 3.90%. Companies in the Model that paid dividends during the month were Boral, Nine Entertainment, Treasury Wine and Viva Energy. Contributing to performance were overweight positions in Scentre Group (SCG), Boral (BLD) and Star Entertainment (SGR). After plummeting more than 60% in March, SCG's share price rose strongly in April after SCG announced it had added unsecured bank facilities that increased its available liquidity to $3.1b. BLD shares regained some ground in April as the company confirmed its credit rating and proceeded with payment of its interim dividend. SGR executed an additional $200m debt funding facility with its bankers and also secured agreement for a full waiver of its gearing and interest cover covenants at its next testing date of 30 June 2020. Detracting from performance were overweight holdings in Metcash (MTS) and Westpac (WBC) and the decision not own shares in Macquarie Group (MQG). MTS surprised the market with a $330m capital raising to strengthen its balance sheet and fund new acquisitions. It also announced a 4.3% increase in food sales for the five months to 31 March, which saw the stock marked down as the market had expected an increase of around 7%. Pre-empting its results release in May, WBC announced it expects to take total credit impairment charges of $2.2b to cover specific provisions and coronavirus related overlays.. Having more than halved in the period between 21 Feb and 23 March 2020, the MQG share price rallied in the first half of April to regain some ground on no particular news.

Buys / Additions

Mirvac Group (MRV): MGR has high quality assets and despite exposure to the residential sector, management has demonstrated a clear plan to offset that cyclical risk and has diversification with a very young commercial property portfolio. MGR's NTA and conservative gearing are attractive.
IRESS (IRE): IRE was sold off with the broader market but with 90% recurring revenues it is less impacted by the coronavirus disruption, hence we expect its yield should be relatively safe. At IRE's market update on 9 April, its operations were in line with budget but guidance was withdrawn, in line with ASX advice to listed companies. We believe the market is underestimating the resilience of its core businesses. XPLAN.
GPT Group (GPT): Please refer to the comments in Sells for Sydney Airport.

Sales / Reductions

Transurban Group (TCL): We have sold out of Transurban, having reduced our position as TCL's price had rallied, thus reducing its valuation appeal. TCL's reinstatement of distribution payments from capital rather than cashflow, is a practice we regard as of questionable value. As the economic impact of the coronavirus unfolds, it has become more compelling to us that this practice would need to change. TCL is one of the most highly geared stocks on the market, and with its earnings stream now showing unexpected volatility, we don't think its current gearing is appropriate.
Sydney Airport (SYD): We sold SYD and switched the proceeds into GPT which has underperformed SYD, yet has a diverse portfolio. SYD has a very large retail exposure, yet this does not appear to be reflected in its share price. We expect domestic Australian travel will resume before international travel. The latter is significant for SYD. In contrast to GPT, which has a strong balance sheet, we view SYD as significantly overgeared and expect the company will cancel its dividend.
Spark Infrastructure (SKI): Spark has performed well in the market sell-off. We have sold it with the objective of reinvesting the proceeds into stocks with more upside and more long-term growth. We also expect SKI's dividend to decline over the next three years, as regulatory revisions could weigh on returns.

Top 10 share holdings
as at 30 April 2020 (alphabetical)

- Amcor
- ANZ Banking Group
- Aurizon Holdings
- Medibank Private
- National Australia Bank
- Scentre Group
- Star Entertainment
- Tabcorp Holdings
- Telstra
- Westpac Banking Corporation

Sector allocation

GICS	%
Financials Ex Reits	33.50
Consumer Discretionary	13.27
Materials Ex Metals & Mining	11.56
Consumer Staples	11.06
Real Estate	9.96
Communication Services	9.16
Industrials	5.48
Energy	3.21
Utilities	1.96
Information Technology	0.84
Health Care	0.00

Source: Antares Equities; 30 Apr 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 30 Apr 20
Australian shares	90%	100%	100%	94%
Cash and cash equivalents	0%	0%	10%	6%

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 22
Years of Industry Experience 33

Vikrant Gupta
Investment Manager
Key Responsibilities
Vikrant is the Deputy Portfolio Manager of Dividend Builder.
Years with the group 7
Years of Industry Experience 10

Platform availability

ANZ Grow, Macquarie, Navigator, Netwealth and Praemium.

Ratings

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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..

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

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$4.2 billion (at 31 March 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).

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