

# Portfolio Profile



## Antares Ex-20 Australian Equities Model Portfolio March 2021

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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 31 March 2021<sup>1,2,3</sup>

	1 month (%)	3 months (%)	1 year (%)	3 years (% pa)	5 years (% pa)	Since Inception (% pa)
Gross Return	1.2	2.7	62.7	14.7	14.7	14.0
Benchmark Return	3.0	1.4	41.1	8.1	10.4	9.1
<b>Gross Excess Return</b>	<b>-1.8</b>	<b>1.3</b>	<b>21.6</b>	<b>6.6</b>	<b>4.3</b>	<b>4.9</b>

### Model Portfolio performance and attribution

The strategy delivered a gross return of 1.2% for the month of March, while our benchmark delivered 3.0%. Although it was good to generate a positive return for our investors, it was disappointing to have underperformed our benchmark in the period. Nevertheless, March finished the first full year since the impact of COVID 19 on markets, and we have been pleased with the outcomes over that time for our clients. Our best contributor was Aristocrat Leisure (ALL). While there was no new company specific news in March, the stock built on positive trading commentary from its February AGM. Further, sentiment improved as the US COVID vaccination program accelerated and US casinos sped up their reopening accordingly. Pleasingly, this does not seem to have hurt momentum in its digital businesses, judging by real time data available from monitoring sites, digital being a beneficiary of COVID lockdowns. Bluescope (BSL) was another solid contributor for the month. BSL has issued a number of upgrades in recent months but the market has been skeptical of the duration of this operating strength. March saw the spreads it receives on its steel products strengthen yet further and we saw some catch up in the share price. Finally, Metcash (MTS) also had a strong month on the back of its 1H21 results which were released in the month. These showed strong sales momentum in all three divisions, with notable market share gains in food and liquor. This led to strong operating leverage displayed, which the market liked. Our worst contributor for the month was Afterpay (APT). There were no new news on APT but the stock has been consolidating while the market absorbs the risk of higher interest rates on the stock and new competition on the business. Interest rates are more about valuation than any operating impact as high growth companies like APT suffer disproportionately with the impact of higher rates on valuation. Further, with several major new competitors launching, including Affirm and PayPal, many in the market are waiting to see how the APT model responds to these challenges. Freedom Foods (FNP) also detracted from performance. FNP finally relisted after a long suspension while it recapitalized its balance sheet. This was caused by the ongoing overstatement of results in prior years. The recapitalization was heavily dilutive, and we have written previously about this issue and exited FNP.

Finally IDP Education (IEL) was weaker in the month. There was some marginally negative news about restarting international student visitation to Australia in the month, with states including Victoria, firmly rejecting it as a possibility. Of bigger impact, however, was a change in the ownership structure of the non-listed 40%+ of the business, currently held by Universities Australia (UA). The group has indicated this holding will be distributed in specie to each individual university member of UA and some will also be sold on market. This has created an overhang in the stock.

### Top 10 share holdings

as at 31 March 2021 (alphabetical)

- Ansell
- Aristocrat Leisure
- Bluescope Steel
- Cochlear
- James Hardie
- Metcash
- Nine Entertainment
- Qantas
- Qube
- Star Entertainment

### Sector allocation

GICS	%
Metals & Mining	20.49
Health Care	12.28
Consumer Discretionary	12.08
Industrials	10.09
Communication Services	8.99
Information Technology	8.11
Materials Ex Metals & Mining	7.58
Consumer Staples	6.82
Financials Ex Reits	5.62
Energy	4.44
Real Estate	3.50
Utilities	0.00

Source: Antares Equities; 31 Mar 2021

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. <sup>3</sup> 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.

### Buys / Additions

**Paladin (PDN)** We added a small position in PDN taking advantage of the discounted price as a result of the company's capital raising. Uranium stockpiles globally have fallen materially as a lack of mine development over recent decades has run these down to near zero. Hence power utilities will need to re-enter the market to find new supply. PDN raised capital in order to have a strong negotiating position with these utilities. With a world focusing on zero carbon emissions, we think nuclear energy will have a role to play. Renewables and batteries cannot supply the baseload power required. Coal or gas are now unlikely solutions given their emissions. While nuclear is controversial, development in nuclear reactor technology has taken quantum leaps forward.

### Sales / Reductions – Freedom Foods (see comment above)

## Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 Mar 21
Australian shares	90%	100%	100%	91.9%
Cash and cash equivalents	0%	0%	10%	8.1%

## 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



**Winston Chong**

Investment Analyst  
**Key Responsibilities**  
Winston is the Deputy Portfolio Manager of the Ex-20 Australian Equities Model Portfolio and Ex-20 Australian Equities Managed Fund.

**Years with the group** 3  
**Years of Industry Experience** 10



## 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

<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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