

Portfolio Profile



Antares Ex-20 Australian Equities Model Portfolio October 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 October 2021^{1,2,3}

Period	1 month	3 months	1 year	3 years pa	5 years pa	Since inception pa
Gross return ³ %	0.1	7.0	33.7	20.6	17.1	15.4
Benchmark return %	-0.3	3.7	24.3	11.6	11.2	10.1
Gross excess return %	0.4	3.3	9.4	9.0	5.9	5.3

Model Portfolio performance and attribution

The strategy delivered a gross return of 0.1% for the month, a slightly positive return ahead of our benchmark's fall of 0.3%. The market is consolidating around current levels as it weighs the prospect of higher than anticipated inflation, persistent supply chain bottlenecks and possible earlier than expected tightening in monetary policy against the gains made in global COVID-19 vaccination rates and clinical treatments. Our best contributor for the month was Paladin Energy (PDN). With COP26 imminent, investors looked to uranium as a possible solution to baseload energy needs to replace coal. Energy crises in parts of Europe and China have highlighted the shortfall in renewable energy's abilities to meet demand requirements. Nuclear technology has advanced markedly and has the benefit of producing carbon free energy. OZ Minerals (OZL) quarterly production statement saw it lower its cost guidance (based mainly on increasing gold credits). The price for its major commodity, copper, remained strong. Of all the investment opportunities provided by the energy transition away from hydrocarbons, it is copper that we feel is the lowest risk given its role in any electric technology. Finally, Lynas Rare Earths (LYC) rallied in October. China is the major player in the refining of rare earths and the market has been concerned about supply given the energy disruptions there. LYC enjoys the strategic benefit of being the largest player in the market outside of China and rallied accordingly. Star Entertainment (SGR) detracted from performance during the month (see below). Medibank Private (MPL) also fell in October on no specific news. We feel the business' prospects are underrated as COVID-19 has seen a greater focus on healthcare – hence on health insurance, where MPL is the Australian market leader. Finally, Ansell (ANN) continued its post results weakness as the market extrapolated poor results from Malaysian peers such as Top Glove to ANN's single use exam glove business. While some of these comparisons are valid, and demand has fallen faster than the market had anticipated, ANN has several other businesses where feedback has been strong - we added to the position during October.

Top 10 share holdings

as at 31 Oct 2021 (alphabetical)

- Lynas Rare Earths
- Medibank
- Metcash
- Nine Entertainment
- Oz Minerals
- Qantas
- Qube
- Santos
- Seek
- Treasury Wine Estates

Sector allocation

GICS	%
Metals & Mining	18.10
Consumer Staples	14.31
Industrials	12.03
Information Technology	10.70
Communication Services	9.56
Health Care	8.10
Consumer Discretionary	8.00
Financials Ex Reits	7.46
Energy	6.78
Real Estate	3.54
Materials Ex Metals & Mining	1.42
Utilities	0.00

Source: Antares Equities; 31 Oct 2021

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.

Buys / Additions

Sims Metals (SGM): SGM is a global leader in metal and electronic recycling, with operations in the US, UK and Australia. What attracts us to the company is the unique combination of strategic assets in what we believe to be an industry that is undergoing significant transformation as a result of the global decarbonisation effort. Recycled metals are much lower in their carbon intensity due to the embedded carbon in their original manufacturing process. At present SGM's main business is ferrous scrap, especially in the United States, where it has around 10% share of the 60mtpa market. Given the focus on "green steel" scrap demand is only likely to increase and enhance SGM's position. Adding to the appeal of SGM is its emerging "Sims Lifecycle Services" division. The business model is based on taking old electronic components and repurposing them to re-enter the market by being re-sold or redeployed. It is also a global leader in recycling copper and other non-ferrous metals. The recent share price weakness following a disappointing cashflow outcome in its FY21 results provided an attractive entry point for our investment.

Sales / Reductions

Star Entertainment (SGR): We exited our position in SGR as further details emerged of potential breaches of anti-money laundering (AML) rules. While these are allegations, rather than proven, we believe the allegations will create further headwinds for SGR's recovery. It will take some time to clarify the allegations, which therefore puts at risk certain positive aspects we saw developing for SGR. These included a possible additional 1,000 electronic gaming machines in Sydney as well as any merger activity with Crown, given doubts of SGR's long term profitability created by such investigation. Finally, we note a likely outcome will be more onerous AML requirements on all operators in the industry, thus lowering industry profitability.

Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 Oct 21
Australian shares	90%	100%	100%	93.2%
Cash and cash equivalents	0%	0%	10%	6.8%

Portfolio managers

John Guadagnuolo

Head of Fundamentals

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 14

Years of Industry Experience 21



Winston Chong

Investment Manager

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 4

Years of Industry Experience 11



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, MLC/Navigator, Netwealth and Praemium.

Ratings



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For further information please contact our Client Services Team - Toll Free: 1800 671 849

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