

# Portfolio Profile



## Antares Ex-20 Australian Equities Model Portfolio May 2020

### For Adviser use only

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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 200 Total Return Index) over rolling five-year periods.

### Investment returns\* as at 31 May 2020<sup>1,2,3</sup>

Period	1 month	3 months	1 year	3 years pa	5 years pa	Since inception <sup>3</sup> pa
<b>Gross return %</b>	<b>8.8</b>	<b>-1.4</b>	<b>3.2</b>	<b>9.1</b>	<b>10.5</b>	<b>10.8</b>
Benchmark return %	6.7	-6.5	-3.8	5.2	7.2	7.3
<b>Gross excess return %</b>	<b>2.1</b>	<b>5.1</b>	<b>7.0</b>	<b>3.9</b>	<b>3.3</b>	<b>3.5</b>

### Model Portfolio performance and attribution

The Antares Ex-20 Australian Equities Model Portfolio provided a gross return of 8.8% for the month of May 2020. Contributing strongly was Afterpay Ltd (APT), which continued to find favour as investors better understood its pivotal position in the online retail sales and payment channel and Chinese social media giant Tencent revealed it had built a 5% share in the company. Qube Holdings (QUB) also enjoyed a strong month with the domestic economy performing better than feared, meaning QUB's container ports business should begin to grow earnings again. IDP Education (IEL) continued its strong run as investors anticipate an earlier than expected return of foreign students to Australia and Canada. Detracting from performance was Freedom Foods (FNP), which issued a disappointing downgrade on the last day of the month, citing a write down of excess Milk Lab inventory as a result of the closure of the café channel under the various lockdowns imposed around Australia. The market was disappointed with Aristocrat Leisure's (ALL) 1H2020 results as US sales slumped on casino closures. We saw this as a buying opportunity as our focus is on the advantages ALL will have over rivals given its strong balance sheet to drive a greater competitive advantage in content. Star Entertainment (SGR) shares also lagged given the slower than hoped for re-opening of its Sydney and Gold Coast properties.

#### Buys / Additions

**Ansell (ANN):** We added ANN back into the portfolio in May. Its medical business is a long-term beneficiary of the COVID pandemic as it supplies personal protective equipment (PPE) to the medical profession. Going forward, more PPE will be used in procedures to reduce the risk of spreading the virus. ANN is also benefitting from lower input costs given the collapse in industrial demand for certain commodities.

**Bluescope (BSL) was added in place of Fortescue Metals (FMG):** We see iron ore as a consensus investment. Chinese demand and Brazil's supply problems are well-understood and support the price of iron ore and miners (like FMG), while hurting the margins of steel producers (like BSL). We think that once the market begins to anticipate a normalisation of supply from Brazil, the price of iron ore and the share price of iron ore miners will fall, while those of its users, like BSL will rise. We also added materially to positions in Aristocrat Leisure, A2 Milk, Metcash and Mineral Resources

#### Sales / Reductions

**QBE Insurance (QBE):** We sold out of QBE having lost confidence in the current business. We had been attracted to the emerging culture of accountability at QBE under its recently installed CEO, but saw the recent losses to emerge in its investment book as another misstep by a company with a long record of surprising operating problems.

**Treasury Wine Estates (TWE):** We exited TWE as we are concerned about deteriorating Sino-Australian relations that potentially threatens exports of non-essential goods (like wine). We are also concerned that as a result of the coronavirus travel and hospitality restrictions, TWE has lost a significant number of outlets for its higher margin products, including duty free shops in Asia and restaurants in Europe and Australia which remain either closed, or trading on very restricted terms. We see significant near-term earnings risk, while still believing TWE is attractive on a long-term basis. We also reduced holdings in Afterpay and Xero on a tactical basis.

### Top 10 share holdings

as at 31 May 2020 (alphabetical)

- A2 Milk
- AfterPay
- Aristocrat Leisure
- Aurizon Holdings
- IDP Education
- James Hardie
- LendLease Group
- Metcash
- Qube
- Seek

### Sector allocation

GICS	%
Consumer Discretionary	16.17
Communication Services	2.10
Industrials	11.96
Consumer Staples	11.29
Metals & Mining	11.07
Health Care	9.14
Information Technology	8.42
Energy	7.20
Real Estate	4.52
Materials Ex Metals & Mining	4.50
Financials Ex Reits	3.63
Utilities	0.00

Source: Antares Equities; 31 May 2020

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.

## Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 May 20
Australian shares	90%	100%	100%	96%
Cash and cash equivalents	0%	0%	10%	4%

## 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** 12  
**Years of Industry Experience** 19



**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** 19  
**Years of Industry Experience** 22



## 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

Macquarie, Navigator, Netwealth and Praemium.

## Ratings



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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.