Quarterly Investment Update

Antares Dividend Builder – March 2025

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Highlights for the quarter

Performance: The Fund's twin objectives are to provide a yield above that of the benchmark as well as moderate capital growth over the medium term. During the March quarter the Fund returned -1.2% (net of fees) compared to its Benchmark's return of -2.8%.

Distribution and Dividends: The annual distribution return to 31 March 2025 was x.x%. During the March quarter, dividends were received from ANZ, APA Group, BHP, CBA, CSL, DigiCo Infrastructure REIT, HomeCo Daily Needs REIT, IAG, Medibank Private, Metcash, NAB, Origin, Qantas, Super Retail Group, Suncorp, Telstra, Treasury Wine Estate, The Lottery Corporation, Viva Energy, Westpac and Woodside.

Contributors to returns: Positive contributors Medibank Private, Ventia Services and Telstra; Negative contributors – Viva Energy, Orora and DigiCo Infrastructure REIT.

Stock Activity: Buys / Additions – Qantas, Origin, Treasury Wine Estates; Sells / Reductions – Woodside Energy

Fund snapshot

Inception date	6 September 2005
Benchmark	S&P/ASX 200 Total Return Index (prior to 1 October 2021, the Benchmark was the S&P/ASX 200 Industrials Total Return Index)
Investment objective	Deliver higher levels of tax effective dividend income than the Benchmark and moderate capital growth

Investment returns as at 31 March 2025[1]

Period	3 mths %	1 yr %	3 yrs % pa	5 yrs % pa	10 yrs % pa	Since Inception % pa
Distribution return	1.1	4.5	5.0	4.9	5.6	5.8
Growth return	-2.3	-3.5	0.0	9.5	-0.5	1.4
Net return	**-1.2**	**1.0**	**5.0**	**14.4**	**5.1**	**7.2**
Bmk return	-2.8	2.8	5.6	13.3	6.8	7.8
Net excess	**1.6**	**-1.8**	**-0.6**	**1.1**	**-1.7**	**-0.6**

[1]Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market.
[2] Distributions generated by the fund's assets (eg dividends, realised capital gains and any return of capital).
[3] Changes in the unit price reflecting movements in the value of the fund's net assets.
[4]. Investment returns are based on exit prices, and are net of management fees and assume reinvestment of all distributions.[3] # Inception is 6/ 09/ 2005.

Contributors to income and returns

The Fund posted a return of -1.2% for the March quarter (after fees) compared to the benchmark's return of -2.8%.

Income

The annual distribution return (which includes dividends, realised capital gains and any return of capital) was 4.5% to 31 March 2025. It does not take franking into account.

During the March quarter, dividends were received from ANZ, APA Group, BHP, CBA, CSL, DigiCo Infrastructure REIT, HomeCo Daily Needs REIT, IAG, Medibank Private, Metcash, NAB, Origin, Qantas, Super Retail Group, Suncorp, Telstra,Treasury Wine Estate, The Lottery Corporation, Viva Energy, Westpac and Woodside.

Returns

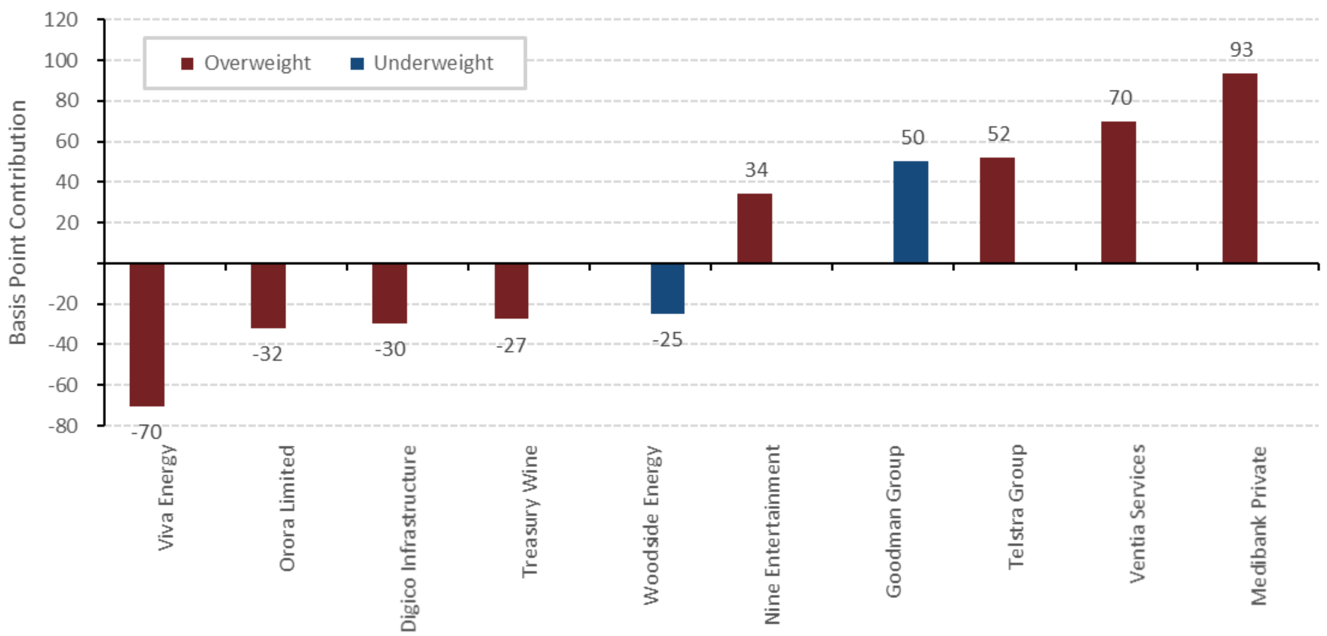
Major contributors over the March quarter included:

- **Medibank Private Group** (MPL, overweight): MPL's share price rallied in response to its high quality 1H25 earnings result where it reported lower than expected claims growth and an expansion of its underlying gross margin. It also announced an extension of its productivity program into FY26 with another $10m of cost savings to be targeted. The stock continued to perform well in March, likely being a beneficiary of growing investor preference for defensive stocks.

- **Ventia Services Group** (VNT, overweight): VNT reported a strong FY24 result whereby its net profit growth exceeded its own guidance and also sell-side forecasts. It also provided net profit growth guidance of 7-10% for FY26, which is particularly reassuring in light of the ACCC's legal action against it for alleged price fixing. It also surprised with an announcement of an on-market buyback of up to $100 million. Later in February VNT announced it had been awarded a sizable contract from NBN Co worth $2.1bn of revenue over five years.

- **Telstra Group** (TLS, overweight): TLS reported a solid 1H25 earnings result where it showed good cost management and a continued strong performance from its key Mobile division, thereby alleviating concerns about the impact of cost of living pressures on consumers and potential customer loss due to its 3G network shutdown. The interim dividend was also higher than expected. The biggest positive was its announcement of an on-market buyback program of up to $750 million.

Figure 1: Portfolio Attribution – March Quarter



Source: Antares; March 2025

The key detractors from returns were:

- **Viva Energy** (VEA, overweight): VEA's share price slumped after reporting weak earnings for FY24. More disappointing was its earnings guidance for 1H25, which implied a much lower than expected earnings outlook for its Convenience and Mobility business. The earnings contribution of its recently acquired retail fuel business On The Run was materially below expectations as the business is challenged by cost of living pressures, competition from illegal tobacco sellers and also integration costs. VEA also raised its guidance on the capex required to upgrade its network of convenience retail stores and fuel station forecourts (albeit it also expects returns on investments to be higher than the original business case).

- **Orora Group** (ORA, overweight): ORA continues to battle a soft trading environment and it reported 1H25 earnings that disappointed. The earnings recovery of its recently acquired Saverglass business continues to be delayed by the weak demand backdrop, with volumes tracking below the management's guidance given back at the FY24 earnings results. It also shocked by announcing the closure of one of its glass furnaces in South Australia due to deteriorating conditions in the Australian wine market, which will lead to a permanent step-down in earnings. Share price was also buffeted by the US Government's imposition of a 25% tariff on Mexican imports and threats of a 200% import tariff on EU alcohol beverages.

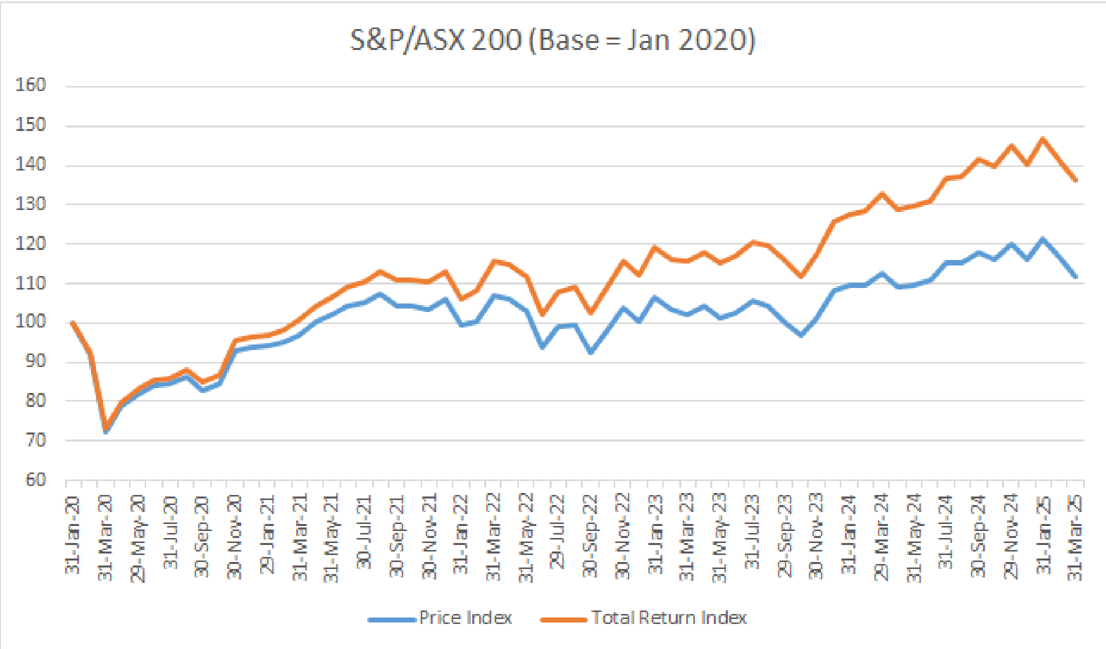
Finally the quarter ended with an announcement that the French Competition Authority was investigating the glass packaging industry for alleged anti-competitive behavior in years prior to ORA's acquisition of Saverglass.

- **DigiCo Infrastructure REIT** (DGT, overweight): Despite reaffirming guidance during its 1H25 result and receiving positive coverage from a number of sell-side brokers during the quarter, DGT continued to lose favour with investors along with other companies exposed to the data centre (and artificial intelligence) theme. Data centre exposed stocks were first impacted by the rise of AI model DeepSeek whose relative efficiency versus mainstream competing AI models (e.g. OpenAI) raised concerns about the demand growth prospects for new data centre space for the AI roll-out. Elevated volatility and uncertainty across the investment markets also raised concerns about DGT's ability to raise funding for its growth pipeline, and has shifted investor preferences away from high duration stocks with technology exposure.

Market overview and outlook

So much for the post US election "Trump Bump" euphoria for investment markets. After a promising start in January (during which the S&P/ASX200 Total Return Index rose 4.6%), it has been downhill for the Australian equities market since then as most investment markets around the world are whiplashed by US-driven economic and geo-political uncertainty. The S&P/ASX200 Total Return Index ended the March 2025 quarter down 2.8%, with the Technology sector being the stand-out loser during the quarter (down 18.2%, albeit some of that decline was driven by company specific news).

Figure 2: S&P/ASX200 Price & Total Return Indices (Base of 100 in Jan 2020)

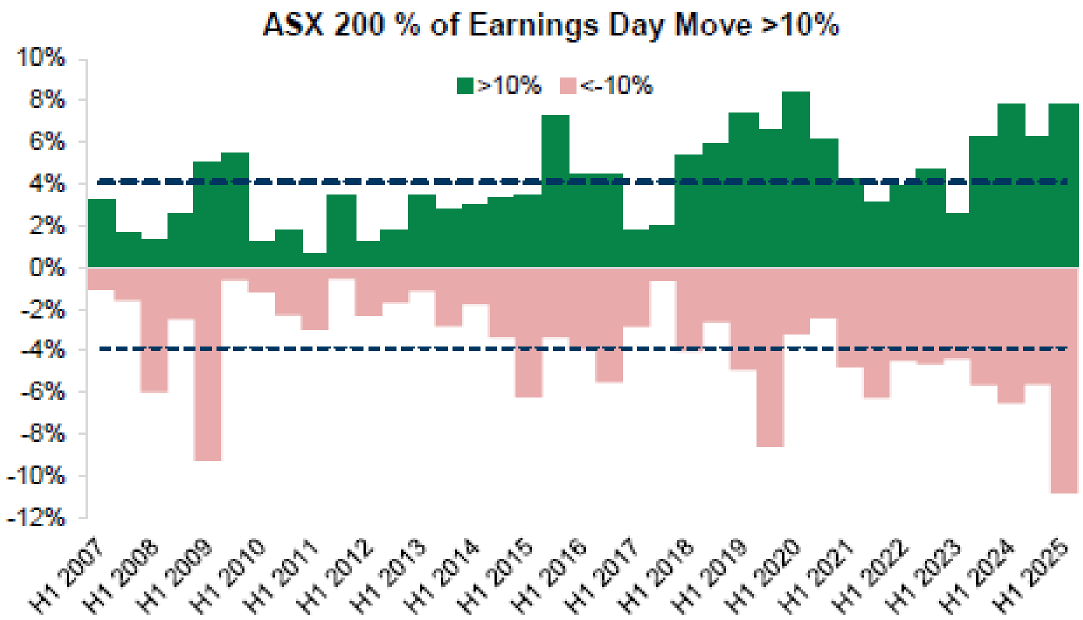


Source: Antares and Bloomberg; April 2025

Starting with the "Mundane"…the February Reporting Season

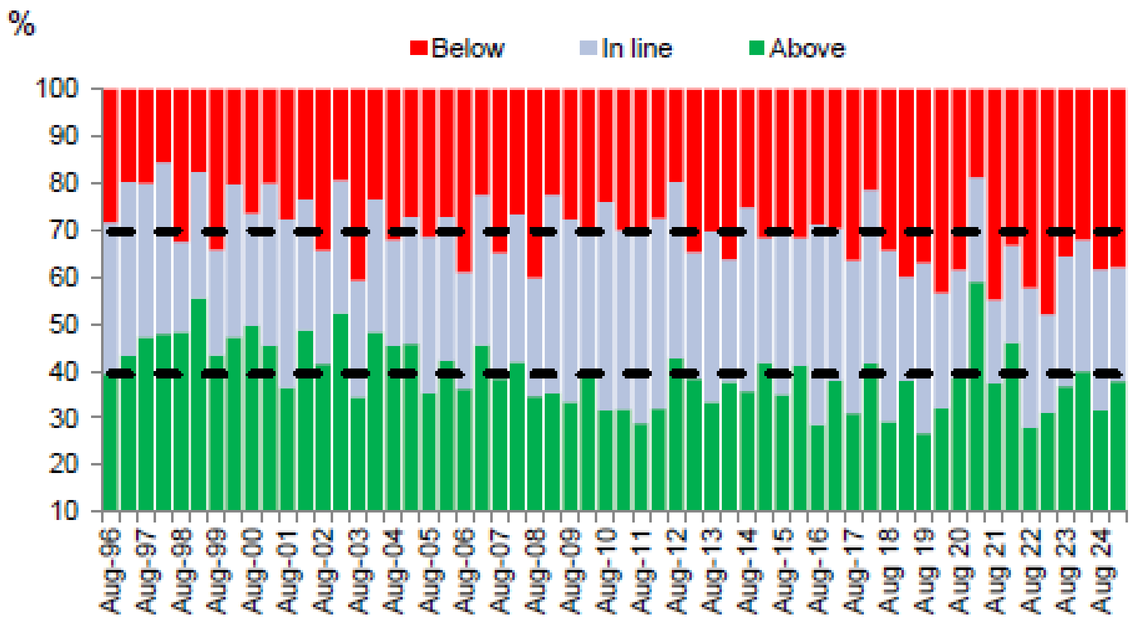
While it feels like a distant memory and somewhat mundane given all that has happened since, back in February reporting season felt anything but that. In terms of share price movements, it was the most volatile reporting season in many years and this was particularly the case for those companies that disappointed with reported earnings or earnings guidance/outlook statements. The percentage of reporting companies that missed consensus estimates was on par with the August 2024 reporting season, while the percentage that outperformed expectations was higher. Nevertheless, the negative shocks (along with broader investment market concerns) were enough to drive the Australian equities market down in February.

Figure 3: Percentage of ASX200 Reporting Companies with Share Price Movement Over 10% During Reporting Day



Source: Goldman Sachs; March 2025

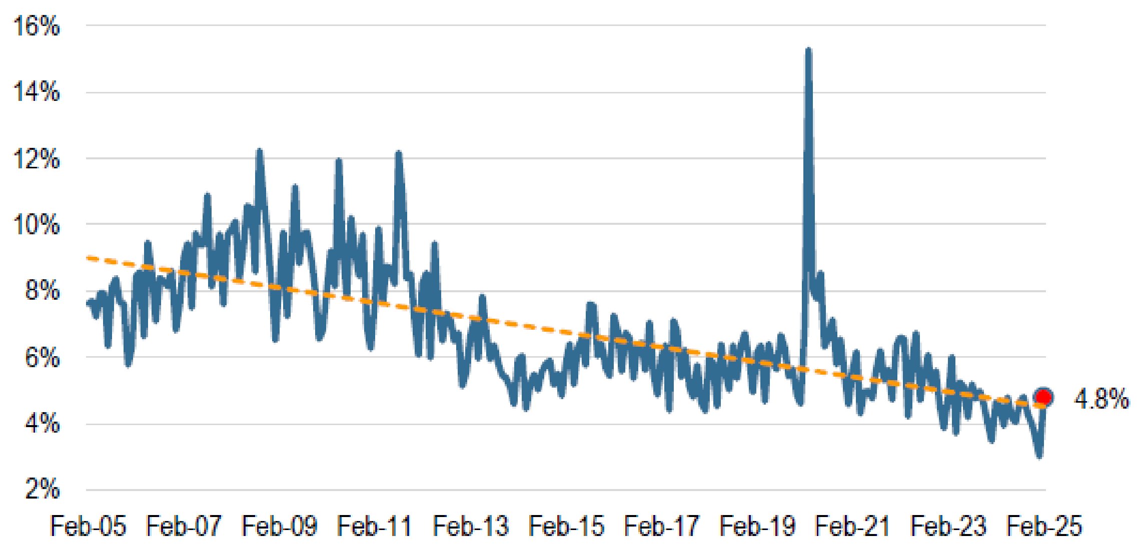
Figure 4: Percentage of ASX200 Companies Reporting Earnings Per Share Above, In-Line or Below Sell-Side Consensus



Source: Goldman Sachs; March 2025

Why the elevated share price volatility? Perhaps investors were already feeling nervous about geo-political and policy developments brewing overseas. Another possible driver is the decline in share market turnover which the ASX has been experiencing over time, which can create significant liquidity mismatches and price dislocations.

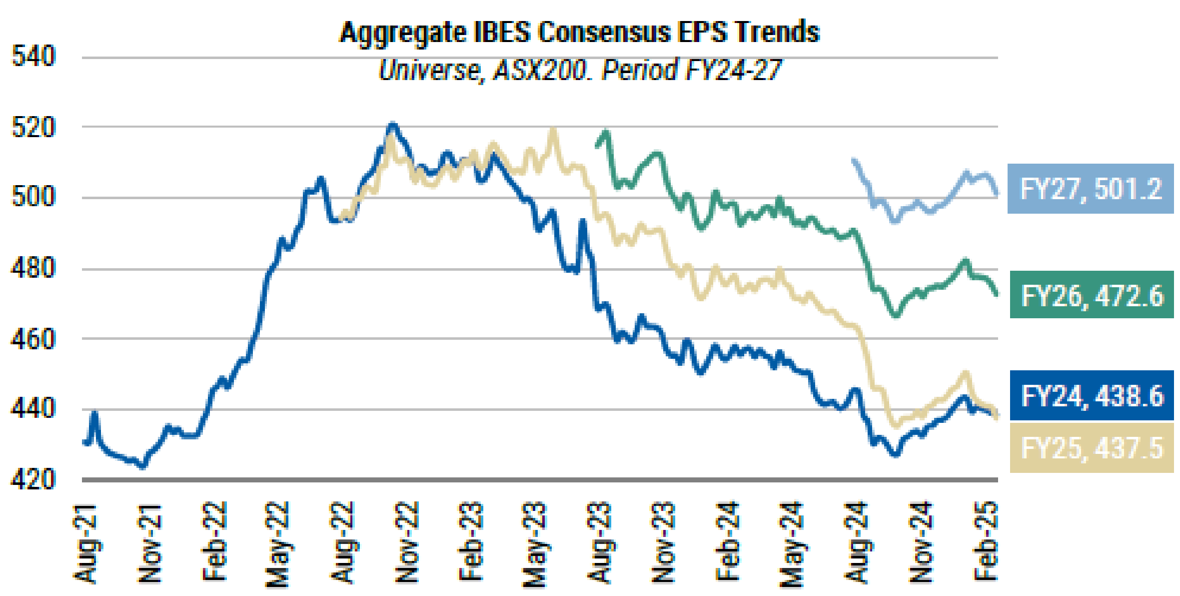
Figure 5: ASX200 Monthly Turnover / Market Capitalisation Ratio



Source: JP Morgan; March 2025

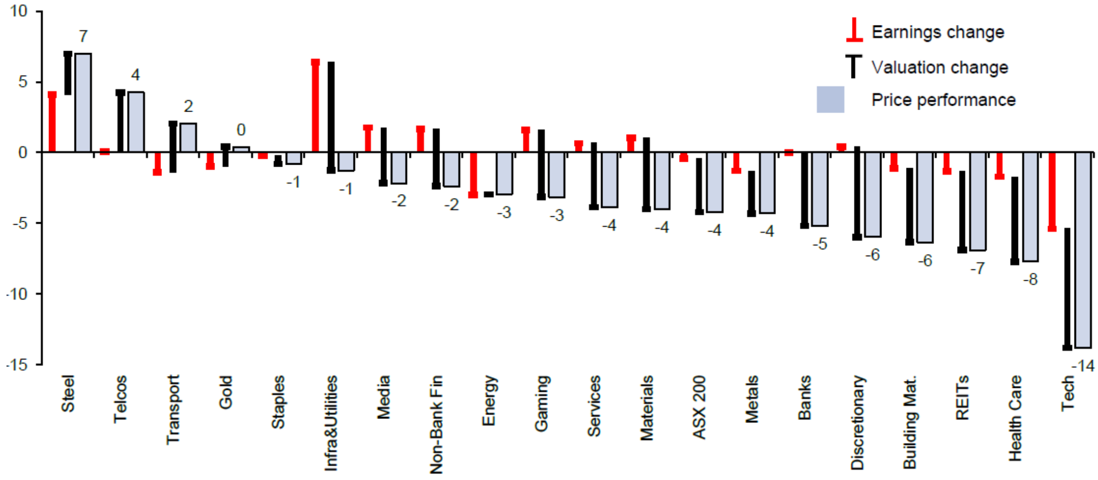
Overall, reporting season led to further declines in the ASX200 aggregate earnings per share forecast, with the estimate for FY25 now lower than that achieved in FY24. The Technology sector saw the biggest earnings forecast reduction, as well as the largest valuation multiple de-rating.

Figure 6: ASX200 Aggregate Consensus Earnings Per Share Trends



Source: Morgan Stanley; March 2025

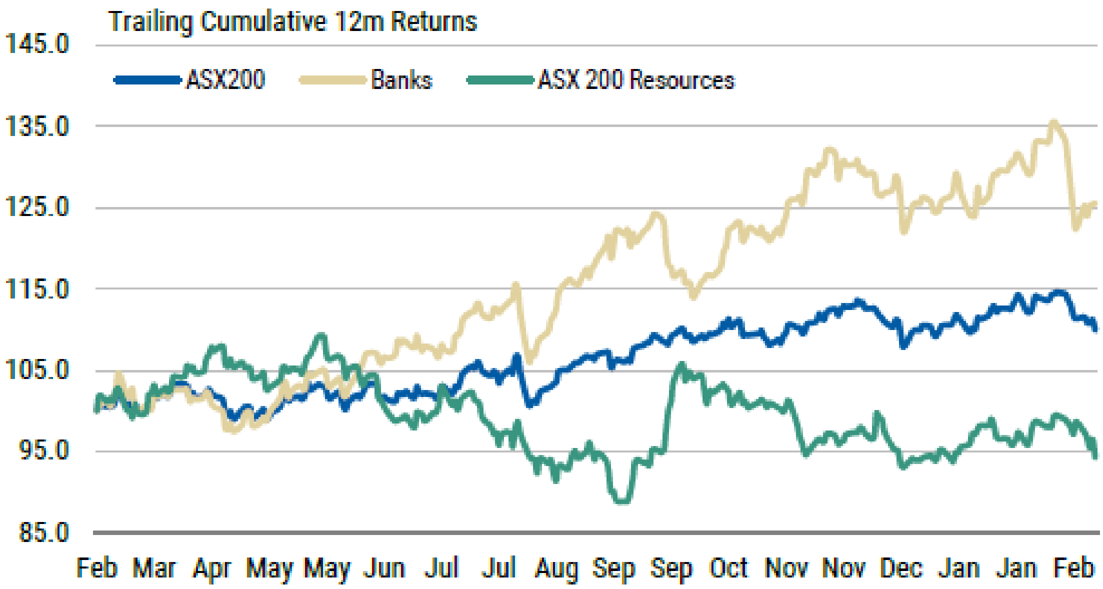
Figure 7: Price, Valuation and Earnings Forecast Changes During February 2025



Source: Goldman Sachs; March 2025

One sector that was surprisingly weak in terms of share price movement was Banks. After strongly beating the broader equities market over 2024, the banking sector gave back some of those gains in February when three of the Big Four banks (ANZ, NAB and Westpac) provided quarterly updates which disappointed on a number of fronts (e.g. weaker than expected net interest margins, credit quality metrics and/or capital adequacy trends). However, Commonwealth Bank bucked that trend with its 1H25 result which received a positive reception and saw it outperform the broader market in February. The resource sector outperformed the banks for the first time since September 2024, but that was soon reversed in March.

Figure 8: ASX200 Returns vs the Banking & Resource Sectors



Source: Morgan Stanley; March 2025

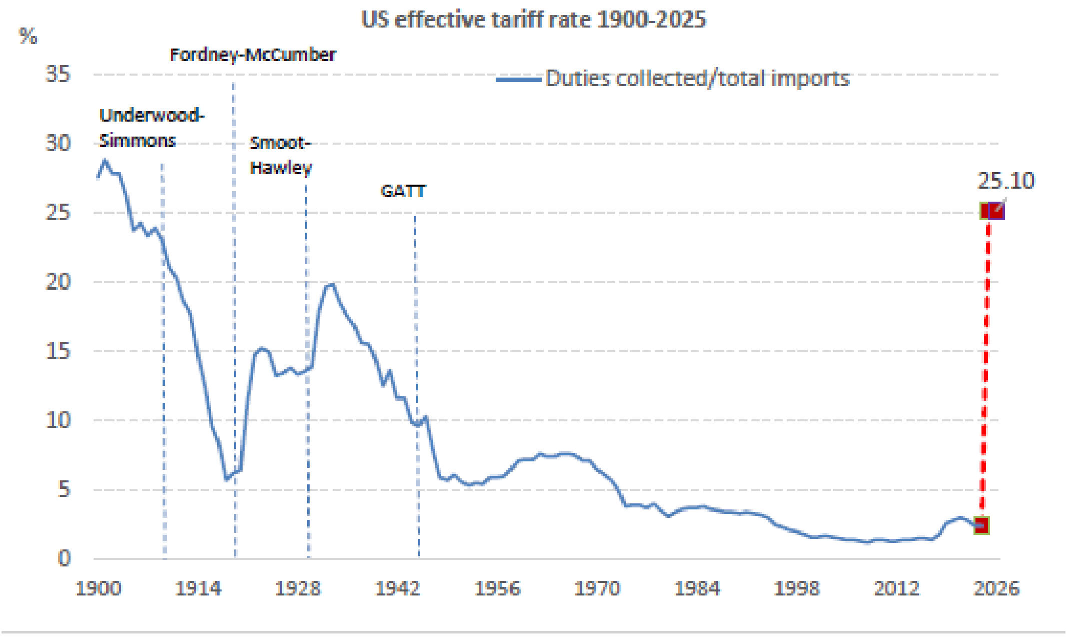
Where is the "Trump Put"?

Arguably the topic that has been dominating the global geo-political and investment environment is tariffs - "the most beautiful word in the dictionary". Everyone knew US import tariffs were coming, it was just a question of how much and when. The market had drawn some assurance from the appointment of Scott Bessent as the US Secretary of Treasury (thinking he would be a source of reason and rationality within the Trump Administration), and also from the possibility that the threat of tariffs is just another bargaining tool for President Trump. There were also hopes of a “Trump put” whereby negative share market movements in the US would lead to trade war de-escalations (as seen back in 2018 and 2019).

To date all those hopes of avoiding a major trade war drama has been dashed. Alarm bells started ringing when the US Government announced an earlier than expected start date for the 25% tariffs on Canadian and Mexican imports (which were then delayed but subsequently started). Then there was the threat of a 200% import tariff on EU alcoholic beverages if the EU did not rescind its 50% import tariff on US whiskey. Finally came “Liberation Day” on April 2nd (US time) during which the US Government imposed a 10% universal tariff as well as specific (higher) reciprocal tariff rates for countries deemed to have high barriers to US imports (49% for Cambodia – those Nike T-shirts will cost a lot more in the US soon). Australia was “lucky” in only receiving the minimum 10%.

The following chart shows the estimated US weighted average import tariff after the Liberation Day announcements – this will be quite a tax on US consumers and businesses that depend on imports for their production or operations.

Figure 9: US Weighted Average Tariff

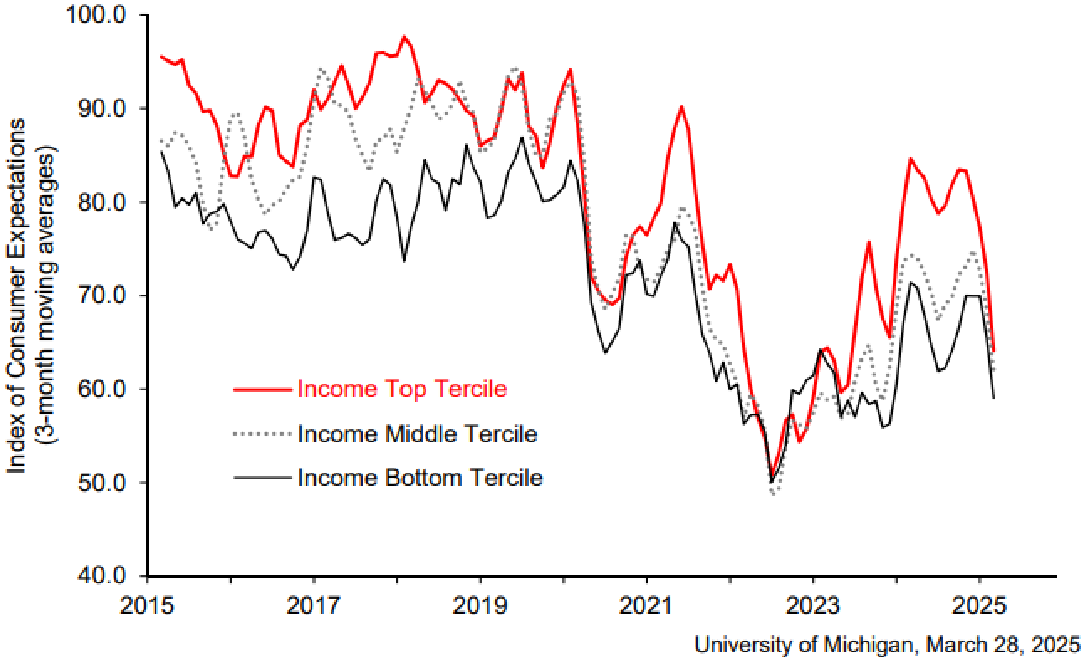


Source: UBS, Haver. Chart assumes the reciprocal tariff for China (34%) is added to the border related tariff (20%), and that Mexico and Canada have an effective rate of 12.5% (essentially 25% on non-USMCA compliant goods).

Source: UBS; April 2025

US consumer and business confidence levels were already on the wane before this proverbial shoe fell on April 2nd, as growing talks of tariffs and trade war started dragging down sentiment. Surprisingly even higher income consumers were feeling a lot more pessimistic, with the extent of their drop in sentiment larger than other income groups.

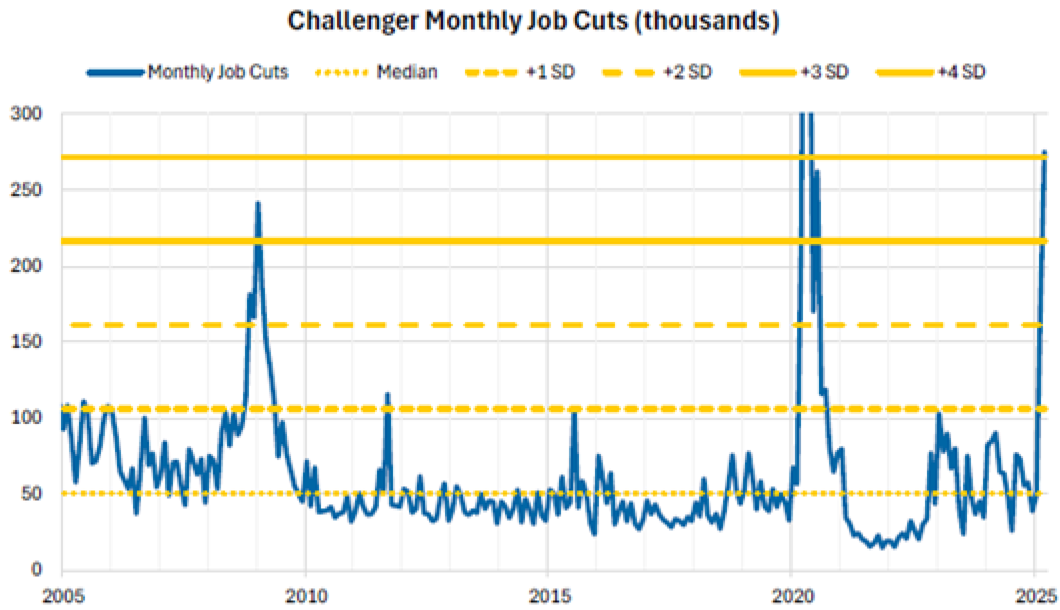
Figure 10: University of Michigan Index of Consumer Sentiment



Source: University of Michigan; March 2025

The US has also seen a spike in intended job cuts, as seen in Figure 11. Only half of the recent spike relates to US Federal Government employees being laid off as part of the big cost cut programme being delivered by the Department of Government Efficiency, meaning there are also some large job cuts coming from the private sector.

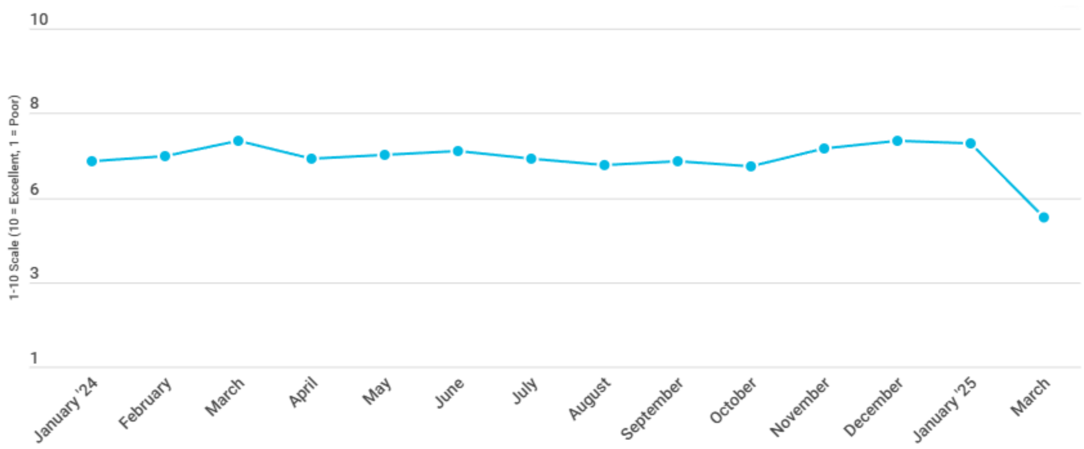
Figure 11: the US Challenger Report on Announced Job Cuts



Source: Macquarie; April 2025

Another confidence measure that has taken a hit is the US CEO forecast about future business conditions. After rising post the US election, this measure has seen a dramatic drop in 2025 due to the tariff threats made against Mexico and Canada. Alarmingly, 48% of the surveyed CEOs anticipate a recession or economic slowdown within the next six months.

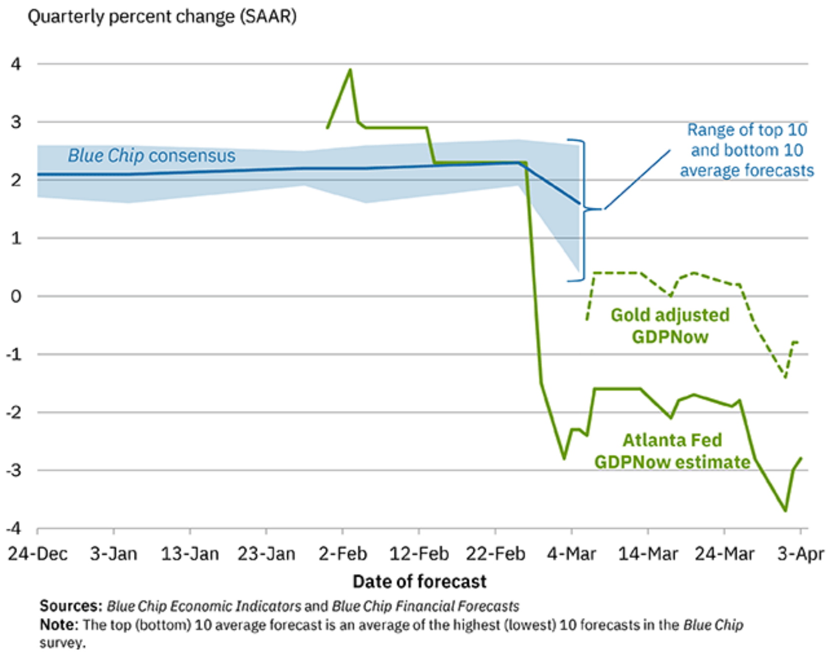
Figure 12: US CEO Forecast of Business Conditions (12 Months Out)



Source: Chief Executive Group; March 2025

The Atlanta branch of the US Federal Reserve produces an economic model which predicts real GDP growth for the US based on a combination of economic components. Estimates have plummeted as trade war concerns have grown, and it will be interesting to see how the estimate evolves over the coming weeks and months. Since April 2nd, economists across the globe have been cutting their GDP growth forecasts for the US and raising their estimates of a probability of a US recession.

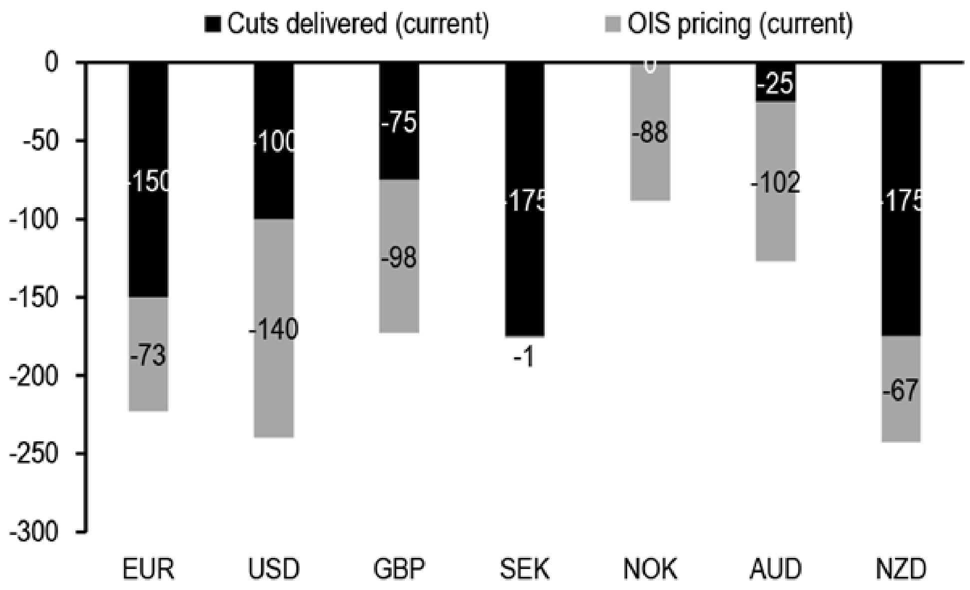
Figure 13: The Atlanta Federal Reserve GDPNow Real GDP Estimate for the United States (for Q1 2025)



Source: The Atlanta Federal Reserve; April 2025

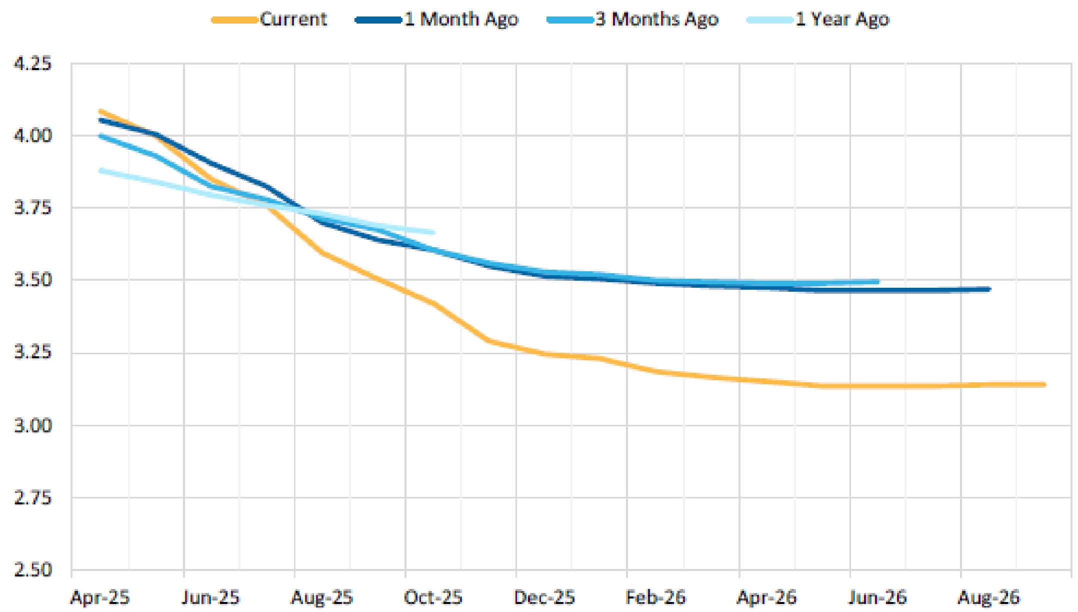
There is a silver lining for those wanting interest rate cuts – interest rate expectations have shifted dramatically yet again, with the futures market now implying four 25bps cuts from the US Federal Reserve by the end of CY25 (and almost six 25bps cuts by the end of 2026), and three 25bps rate cuts from the European Central Bank. Here in Australia, the futures market has now factored in one extra rate cut by 2025 year-end versus expectations a month ago.

Figure 14: Cash Rate Cuts Delivered to Date by Central Banks and Future Cuts Implied by the Futures Market (to end of CY26)



Source: JP Morgan; April 2025

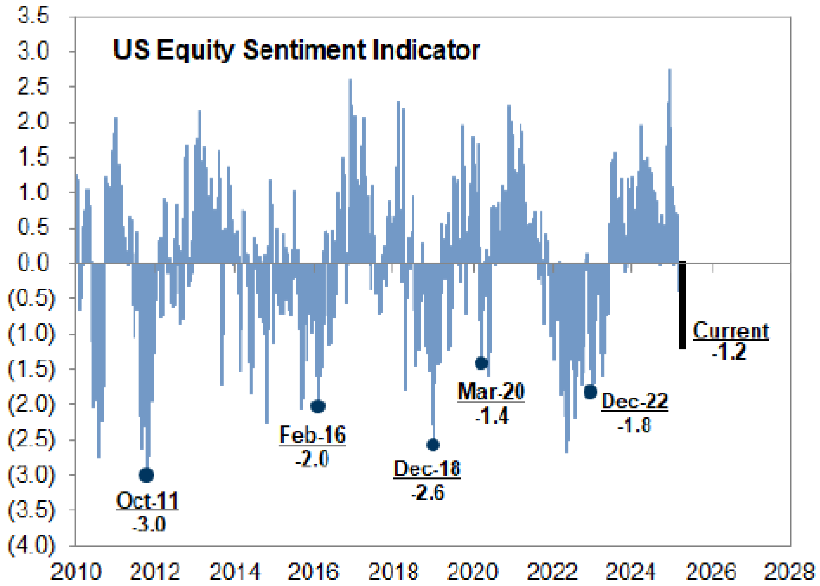
Figure 15: Reserve Bank of Australia Cash Rate Expectations as Implied by Futures Market



Source: Macquarie; April 2025

From its peak on February 19th 2025 to April 4th, the S&P500 Index has slumped 17.4% - officially in a correction mode (that is, more than 10% drop) and also approaching bear market status (down 20% plus). While US equity investor sentiment is unsurprisingly weak, it is still not at levels seen in other recent equity sell-offs (potentially more downside to come?). There are no signs of the “Trump put” coming into play – instead President Trump is telling Americans to “hang tough” during this period of short-term pain for longer term gain (to quote unquote, “you have to take medicine to fix something”).

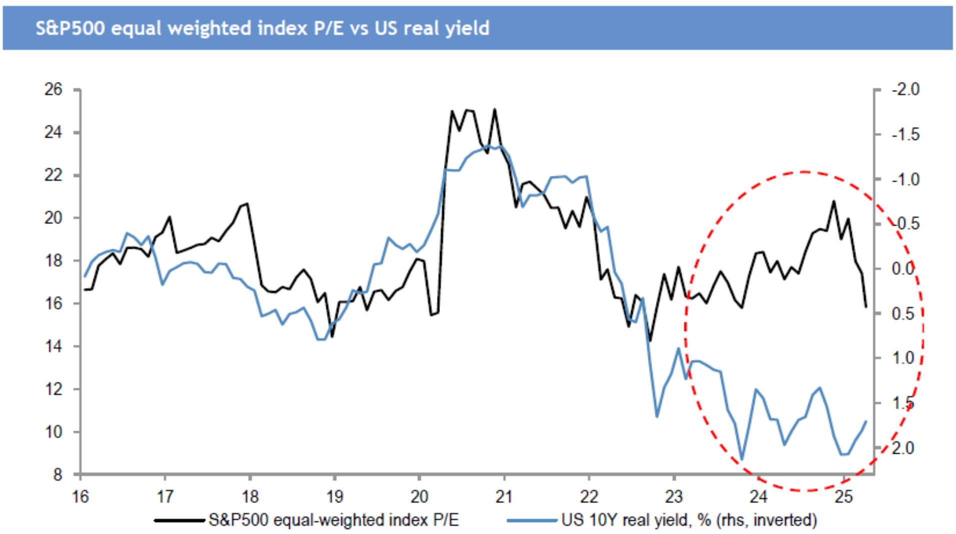
Figure 16: Goldman Sachs US Equity Sentiment Indicator



Source: Goldman Sachs; April 2025

While the US equity market has de-rated rapidly, the chart below suggests there could be more to go.

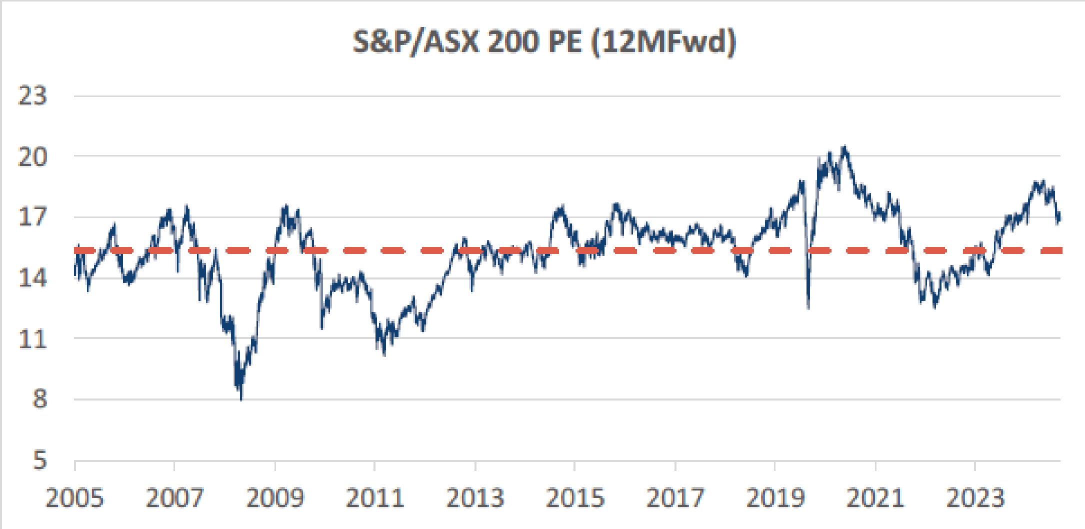
Figure 17: S&P500 Price-to-Earnings Ratio (x) vs the US 10-Year Real Bond Yield



Source: JP Morgan; April 2025

There is no point in trying to predict the next steps as no one really can, and so we will turn our attention to considering the potential impact of the global trade war on Australia's equities market and economy. A starting point is to assess our market valuation. Using the forward price-to-earnings ratio as the valuation metric, market valuations remain above the long-term average at the aggregate level despite the recent de-rating.

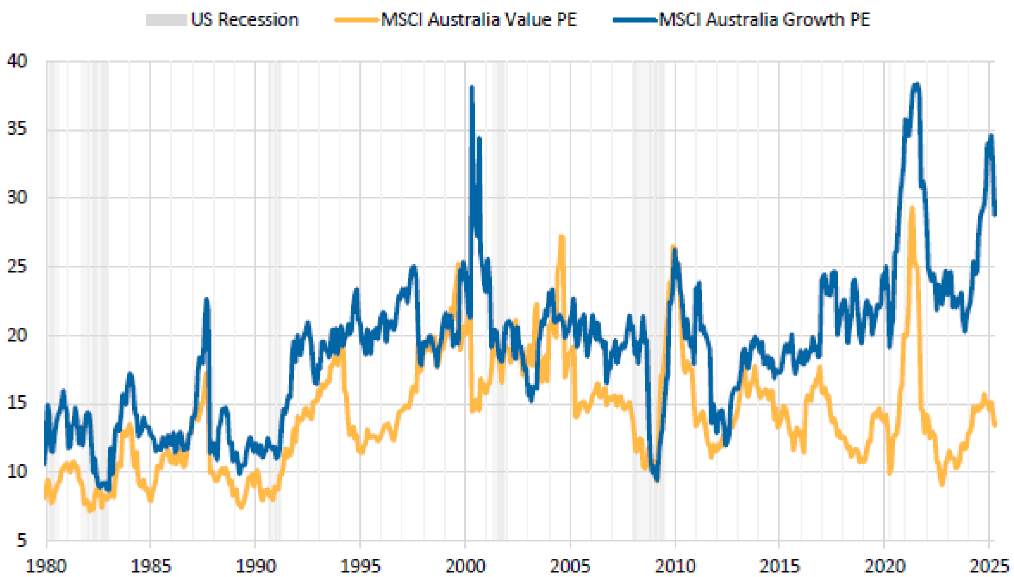
Figure 18: ASX200 Price-to-Earnings Ratio (12 Months Forward)(x)



Source: Jefferies; April 2025

Figure 19 compares the valuation trends of Australian "growth" stocks vs the "value" counterparts (as defined by the MSCI equity indices). The growth bucket has de-rated faster than the value bucket, and this could continue if current uncertainty and pessimism persist.

Figure 19: Price-to-Earnings Ratios of MSCI Australia Growth and Value Indices



Source: Macquarie; April 2025

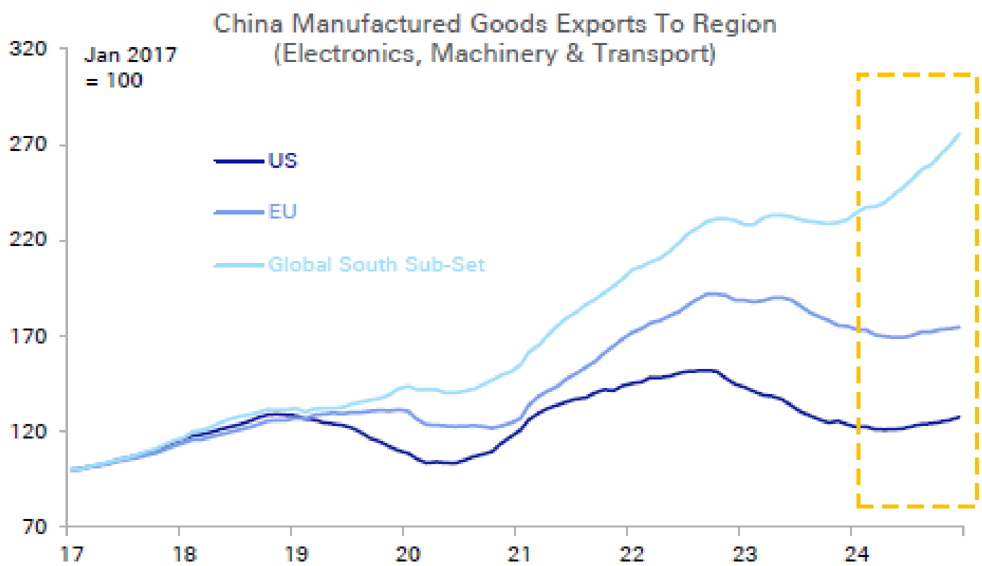
In terms of direct economic impact, the US accounted for 6% of Australia's goods export revenue in FY24 and not surprisingly it is dwarfed by China and Japan as Australia's key trade partners (32% and 12% of FY24 export revenue respectively). Our key goods exports to the US are meat (mainly beef) and gold. The US was Australia's top beef export market by value in FY24 (generating $14.7b in export revenue), but it is worth noting Australia's competitors on the beef export front are also facing 10% import tariffs (Brazil and Argentina). Also the US is still in the midst of rebuilding its cattle numbers after years of drought which had led to a big decline in cattle stock and hence a greater reliance on beef imports. There are no companies on the ASX200 with direct exposure to exporting beef to the US and only a limited number of stocks with indirect exposure via their servicing of the Australian livestock farmers (agricultural companies like Elders and Graincorp).

The bigger question will be the second order effect on Australia's economy via the impact of the trade wars on the economies of our major export trading partners (China, Japan, South Korea and India). Focusing on China, its reliance on US exports has been steadily declining over time. China's goods exports to the US and EU have actually been falling in recent years, whereas its exports to the "Global South" group of countries have surged (Global South comprises countries of Africa, Latin America, Asia - excluding Japan and South Korea, and Oceania - excluding Australia and New Zealand). While no doubt the US import tariffs will hurt, perhaps the extent of direct pain may not be as bad as some expect.

Figure 20: China's Exports to the United States (as % of GDP and Value)

Source: Deutsche Bank; February 2025

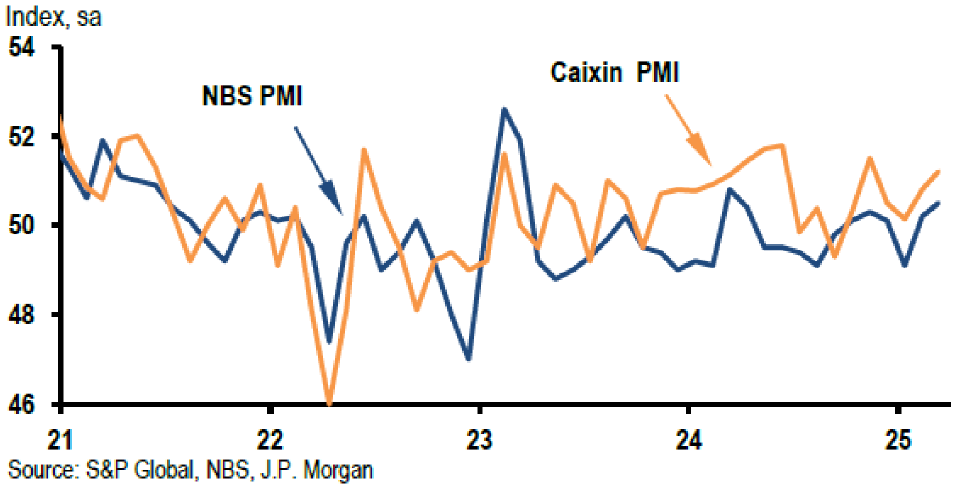
Figure 21: Exports of China's Manufactured Goods by Destination Region



Source: Deutsche Bank; February 2025

While not in blooming health, more recent macro-economic data suggests China's economy is at the very least stabilising. There is a general expectation that the Chinese government will turn to more economic stimulus policies to support its businesses and households through the global rough patch. The impact of these stimulus policies on Australia will depend on whether they seek to stimulate the service sector more or will also involve the traditional growth drivers like construction and manufacturing.

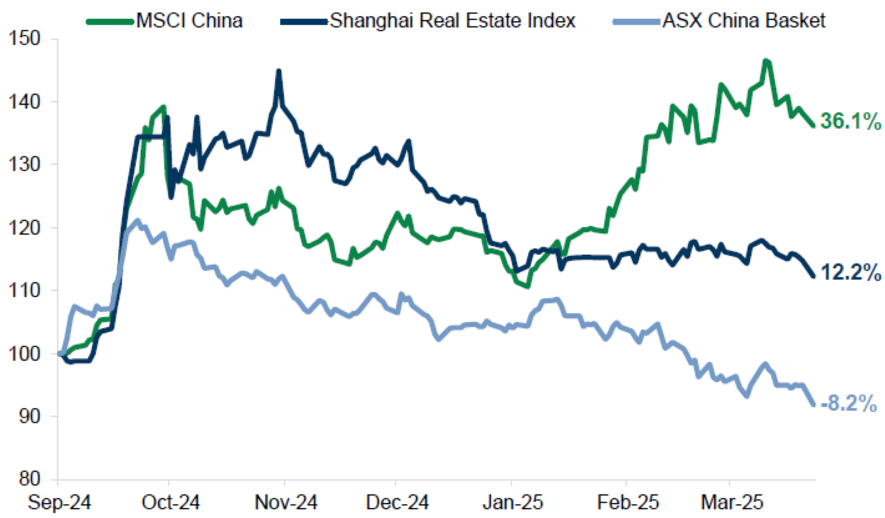
Figure 22: China's Manufacturing Purchasing Manager Index (PMI)



Source: JP Morgan; April 2025

The share prices of Australian stocks with China exposure (e.g. the miners, Treasury Wine Estates) have underperformed the broader market and also that of the Chinese equities market (which is up materially since the start of CY25). So it is arguable their share prices already capture some of the downside potential from a weaker Chinese economy.

Figure 23: Performance of ASX Stocks With China Revenue Exposure vs China Equities

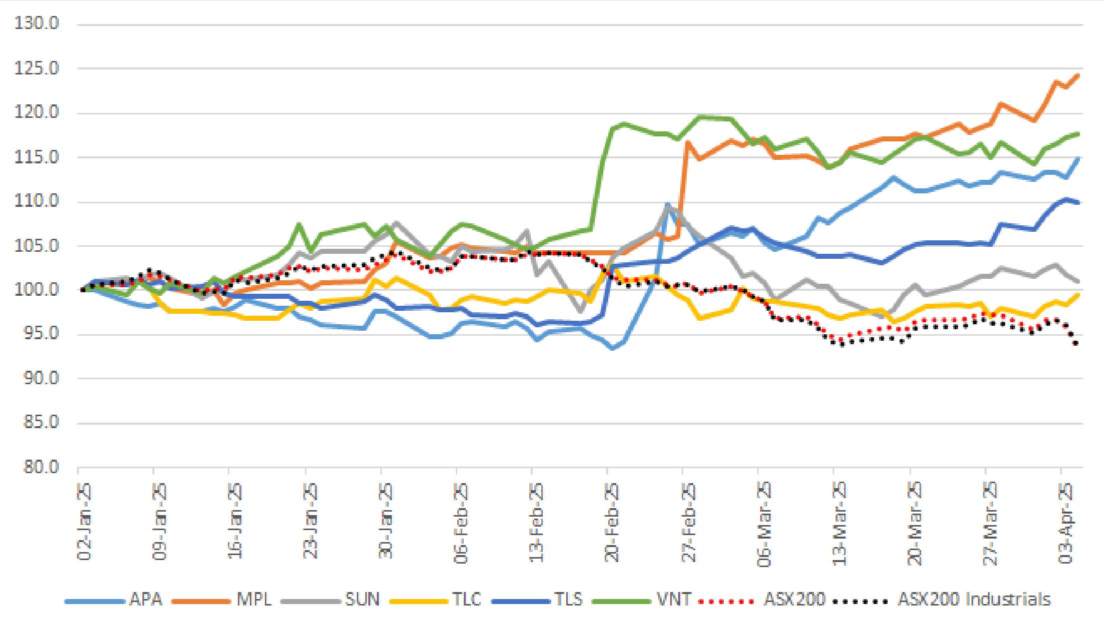


Source: Goldman Sachs; April 2025

With no clear insights as to what surprises could be around the corner and with equity market multiples still at above average levels, it feels too early to say potential negatives have been appropriately priced in or that the markets are bottoming. Investor risk appetite may remain muted during this time of elevated uncertainty, and the more defensive stocks may continue to find favour amongst investors.

We have seen the more defensive stocks within the Portfolio benefit from the current market environment in terms of share price outperformance, and these are stocks that are also more domestically focused and less exposed to economic volatility (i.e. less vulnerable to trade shocks or economic gyrations). The stocks shown in the Figure 24 are meaningful positions within the Portfolio, and we continue to be comfortable with these stocks from a company-specific and macro perspective.

Figure 24: Share Price Performance of Select Defensive ASX Stocks vs the Broader Equity Market since 2 January 2025 (Normalised)



Source: Antares; April 2025 (APA: APA Group, MPL: Medibank Private, SUN: Suncorp, TLC: The Lottery Corporation, TLS: Telstra, VNT: Ventia).

Stock Activity

Buys & Additions:

- **Qantas Group** (QAN, new): We introduced QAN into the Portfolio after it announced its 1H25 result in which it re-instated dividend payments and declared an ordinary and special dividend. We like QAN from a total return perspective – its dividend payout policy is designed to provide a sustainable level of dividend through the cycle and which should grow over time (with special dividends to come during periods of stronger free cash flow generation). It operates in a very favourable domestic aviation market structure and its dual branding allows it to capture demand across the different customer demographics. We also believe the market is underestimating the earnings benefits it will achieve with its fleet renewal program.

- **Origin Energy** (ORG, add): We added to our ORG position after exiting Woodside Energy. The stock continues to offer a very attractive dividend yield and we remain comfortable with its earnings outlook and the sustainability of its dividend. Our investment thesis with ORG remains that it offers a balanced exposure to the energy transition theme - its portfolio of gas-fired generators is well positioned to benefit from the higher volatility expected in Australia's electricity market as we move to greater dependence on renewable energy. Its exposure to the global gas market (via its stake in the APLNG LNG export joint venture) also provides a hedge to the scenario of global energy transition progressing more slowly than expected (which appears to be the case). ORG's ownership interest in UK-based energy retail and technology company Octopus Energy also provides upside as this investment is likely still under-appreciated by the market.

- **Treasury Wine Estates** (TWE, add): We added more TWE to the Portfolio on the day of its 1H25 result after its share price weakened in response to the earnings announcement. The 1H25 result itself was strong, with its key brand Penfolds delivering earnings above market expectations. However, its lower quality "Premium Brand" portfolio significantly underperformed and led to the company downgrading its FY25 earnings guidance (EBIT now to be at the lower end of the guidance range). Pleasingly its integration of the Daou business is proceeding well, with synergy targets increased by US$15m. We believe the share price had over-reacted and we like the earnings growth prospects which the Penfolds portfolio continues to provide (guidance of double digit earnings growth for FY25 and FY26 as current demand exceeds supply),

Sells & Reductions

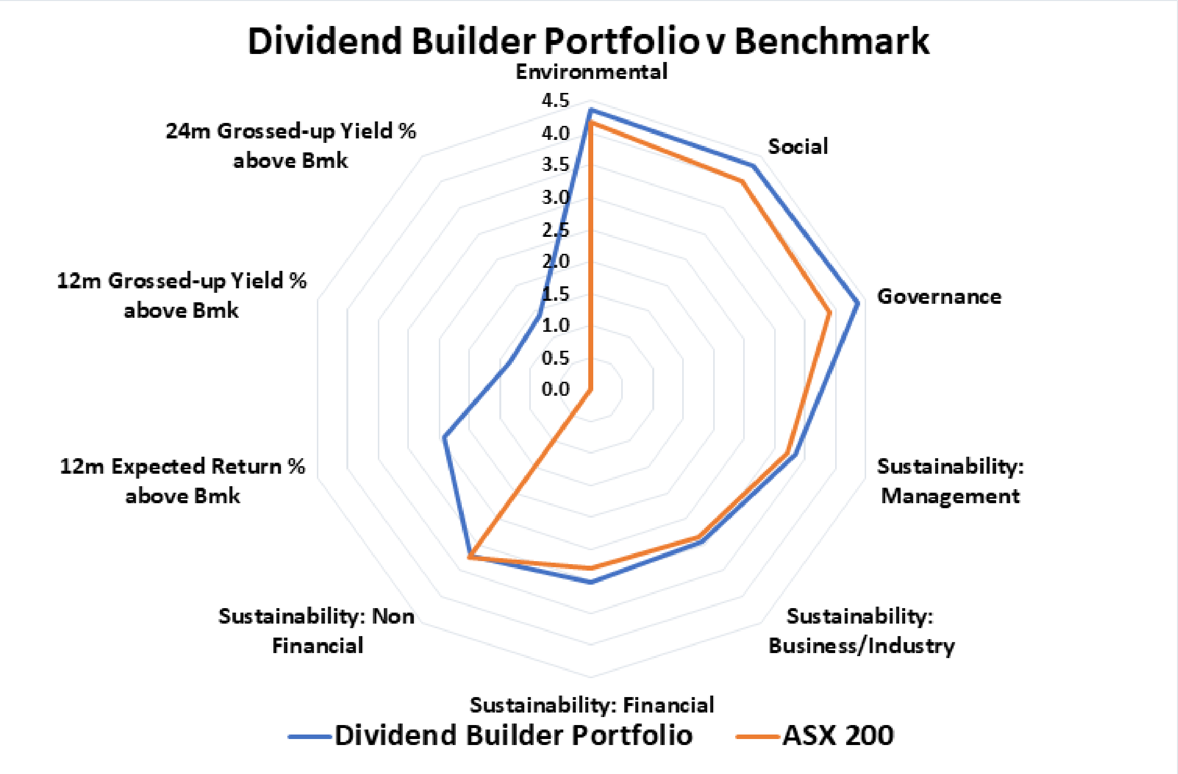
- **Woodside Energy** (WDS, exit): The Portfolio exited its position in WDS due to concerns that upcoming capex spend will be higher than expected and that future dividends will decline on the back of lower accounting earnings and higher capex funding needs. The sales proceeds were re-invested into ORG.

Portfolio Positioning

Figure 26 shows the positioning of the Dividend Builder portfolio (the blue line) at 31 March compared with the benchmark (the orange line) in various metrics that we consider when constructing the portfolio.

The blue line indicates that the portfolio shows superior characteristics to the benchmark in all of Antares' Environment, Social and Governance ratings and comparable characteristics for Antares proprietary sustainability ratings. The chart also shows that on our current forecasts we expect the portfolio's yield to be above benchmark, grossed-up for franking, both one year and two years ahead. Finally, it also shows that Antares' 12-month forward target prices mean that we expect the portfolio's total return to be greater than the benchmark over the next year.

Figure 26: Dividend Builder positioning vs S&P/ASX 200



Source: Antares; March 2025

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