Quarterly Report

Antares Ex-20 Australian Equities Shares Fund – June 2026

For adviser use only

Highlights for the quarter

Performance: The Fund returned 4.1% (net of fees) for the June quarter, compared to its benchmark return of 4.2%.

Contributors to performance: Positive contributors – Pro Medicus (PME), Qantas (QAN), Ventia Services (VNT), Breville Group (BRG), Cobram Estate Olives (CBO); Negative contributors – Ramelius Resources (RMS), Judo Capital (JDO), Cochlear (COH), a2 Milk (A2M), Bellevue Gold (BGL).

Stock activity: Buys/additions – Lottery Corp (TLC), Worley (WOR), James Hardie Industries (JHX); Sales / reductions – Cochlear (COH), NEXTDC (NXT), Origin Energy (ORG), Pilbara Minerals (PLS).

Fund snapshot

Inception date	1 October 2019
Benchmark	S&P/ASX 200 Total Return Index excluding the S&P/ASX 20 Total Return Index
Investment objective	The Fund's objective is to outperform the Benchmark over rolling 5 year periods.

Investment returns as at 30 June 2026[1]

Period	3 months	1 year	3 years pa	5 years pa	Since inception pa
Net return[2] %	4.1	-16.9	-0.7	0.6	4.0
Benchmark return %	4.2	-0.6	7.7	5.8	5.8
Net excess return %	**-0.1**	**-16.3**	**-8.4**	**-5.2**	**-1.8**

[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 are based on exit prices, and are net of management fees and assume reinvestment of all distributions.

Performance, Positioning and Outlook

The strategy generally performed in line with the market over the three months to June, absorbing a couple of late shocks from the likes of Judo Capital which took the gloss off a better period for the strategy. We delivered a return of 4.1% (net of fees) while our benchmark delivered 4.2%.

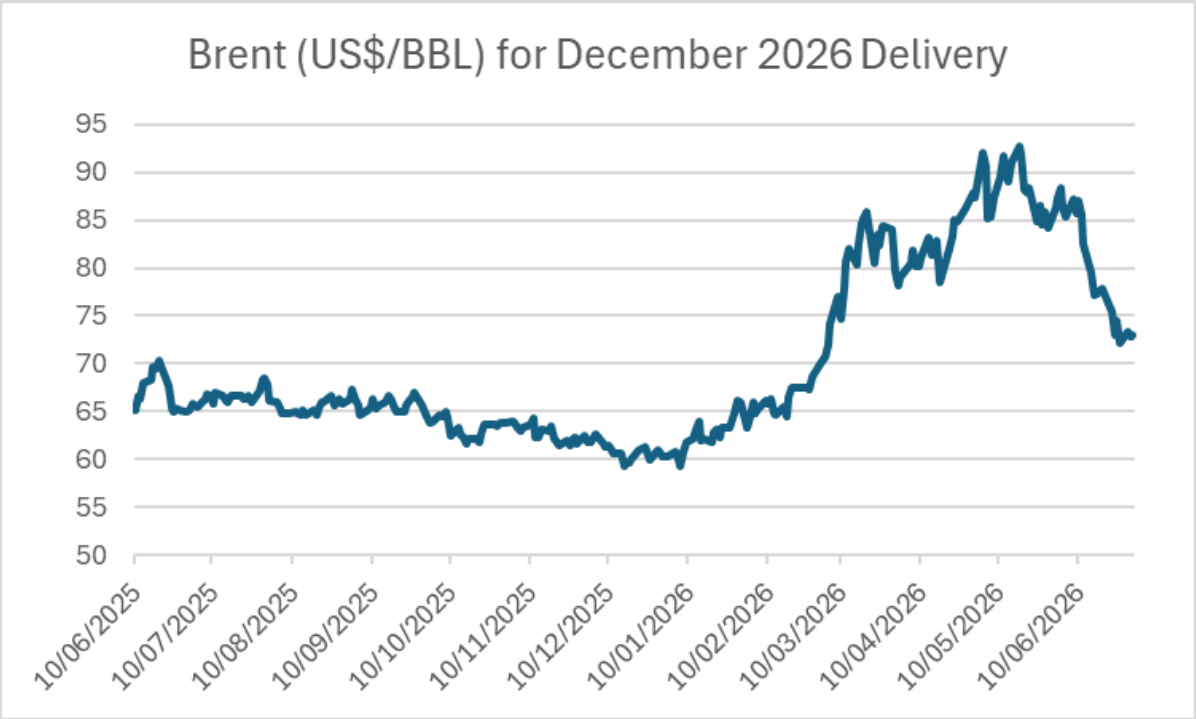
The quarter saw more of the increasingly standard volatility as the war in the Gulf moved through various phases to a final apparent ceasefire. Interestingly, despite all sorts of predictions to the contrary, oil prices remained reasonably anchored and have fallen back to pre-war levels at the time of writing. We shall discuss more of this in our outlook.

Also apparent was the tendency for dramatic drawdowns of stocks on bad news – a2 Milk (A2M), Cochlear (COH), Judo Capital (JDO) and Tabcorp (TAH) all saw their shares close to halve on the basis of disappointing announcements. The portfolio dealt with these outcomes as stocks that had been earlier punished in such a fashion, like Pro Medicus (PME), reversed some of the more extreme moves. More of this later too.

Outlook

We have alluded in our introduction to the fact that the oil price never really escalated to the doomsday levels suggested by numerous commentators. A look at the time series of the December contract for delivery of Brent Crude shows that while market speculation talked to extremes, the reality was that the market saw it as a short term blip. Indeed, the Brent price for immediately delivery is now below where it was when the war started.

Figure 1: Brent Forward Price



Source: Bloomberg July 2026

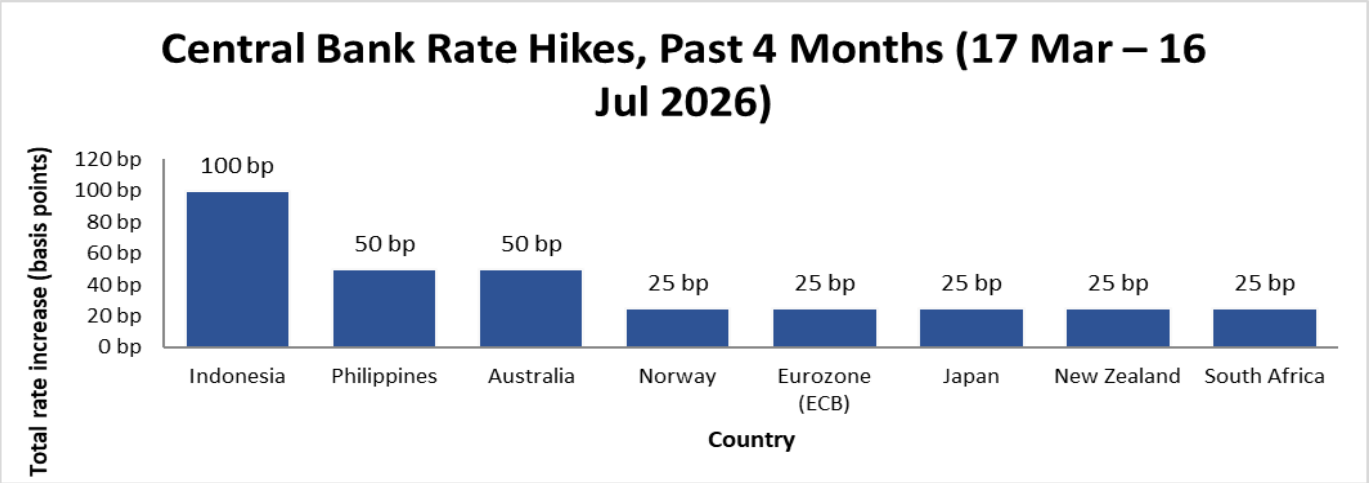
Oil remains the key commodity for any inflationary expectation. Oil feeds into nearly any consumed good, at the very least via transportation, as well as informing the price of nearly any other manufactured good via the cost of the energy required to produce it. On top of this is the role of petrochemicals in any number of areas. It remains the key influencing factor.

So its failure to reach such elevated levels as the Straits of Hormuz were closed is important. As is its very rapid decline towards pre-war levels. It means that oil linked price pressure is at worst transitory and most likely swallowed up in other cost savings and efficiencies.

We met with the world's largest consumer goods companies at a conference in Paris in June and rather than speak to forthcoming price rises to cover rising energy costs, all spoke of the ability to deflect and absorb such pressures – from Proctor and Gamble to Clorox and Unilever. All had the same message. And a key reason for this resilience is the lessons learned from the pandemic induced chokepoints. Inventory levels now are higher and alternative sources more broad.

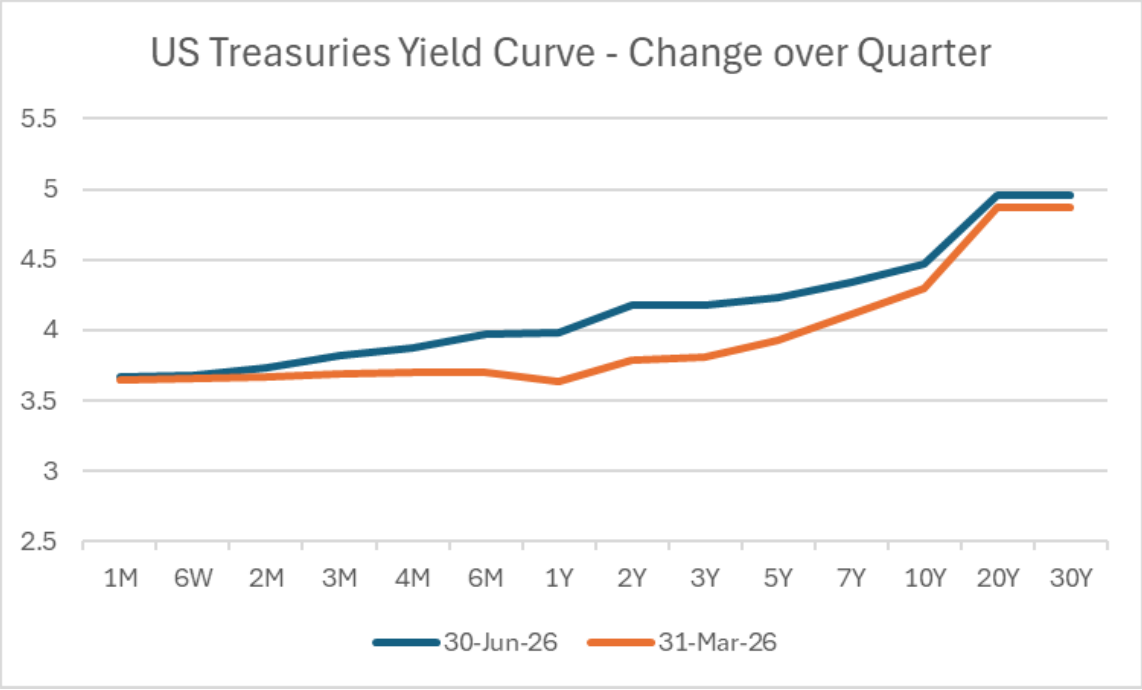
This inflationary pressure has been a key tenant in the view that rates will march higher because of the inflationary effects of the war in the Gulf. Indeed, Central Banks globally decided to move in advance of such pressures and began to raise rates. As the figure below shows, 8 central banks lifted rates.

Figure 2 Global central Bank Rate Moves



This is also true in the world's biggest economy, the United States, where rates have not yet gone up, but are expected to do so as shown by the shift upwards in the US Treasury Yield curve in Figure 3 below.

Figure 3: US Treasury Yield Curve



Source: Bloomberg, Antares Equities July 2026

Is this going to be correct? Will rates need to also increase in the US? While the arrival of a new Governor of the Federal Reserve makes prediction difficult, especially given his somewhat hawkish reputation in the past, we think that on the evidence discussed above, the chances of an inflationary problem are much less than the market is assuming.

That leaves services, the largest part of the US, and indeed all other developed market economies. What we see here is that US wage growth is trending down, and as Figure 4 highlights, wages lead the CPI.

Figure 4 US Wage and Productivity Growth

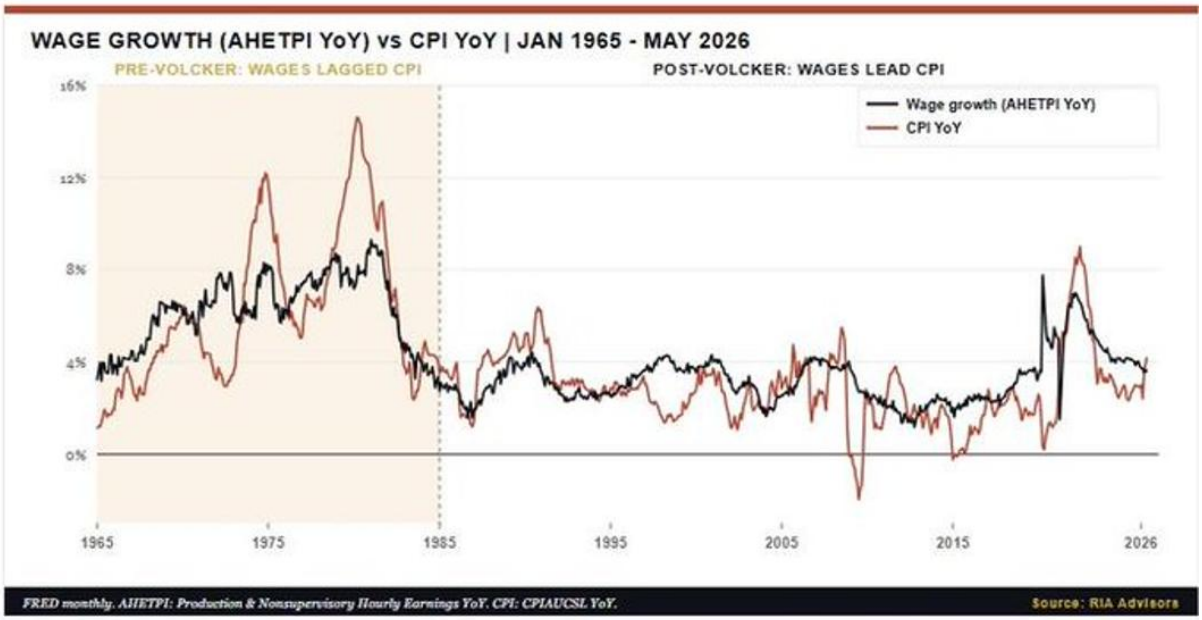


Chart 1. Wage growth and CPI year-over-year, 1965 to May 2026. Pre-1985 regime shaded gold.

So where does that leave us? Looking at the US CPI, we see the number is elevated but as this is partially driven by the temporary spike in energy prices, now in full retreat.

This is important in our outlook, as we see inflationary pressures receding globally as energy prices sink. As such we see limited scope for inflation to surpass expectations. This has influenced our decision to add some US cyclical exposure via James Hardie Industries (JHX), which we discuss below.

Hence our addition of JHX to the portfolio, and we see The Lottery Corp (TLC) as a defensive growth company in Australia which will likewise benefit from the downward pressure on global yields as inflation moderates in the US. Lower US yields will also see a weaker US dollar, which has seen us add to our gold position late in the previous quarter.

Stock Story – Cobram Estate Olives (CBO)

We have been investors in CBO for some time now. We believe the market underappreciates the sustainable competitive advantage in terms of quality and health properties from its olive oil. This comes from the production techniques and the systems employed in harvesting. We believe this is unique, sustainable and transferable, and so underwrites their recent acquisition in the United States of California Olive Ranch.

As an indication of the opportunity, CBO has grown from around 10% share of the Australian market to over 40%, while olive oil consumption has grown from around 1.2kg per capita in Australia to over 2.0kg / capita in the same time[1]. In the US, consumption is less than 1.0kg per capita currently, and CBO has around 8% market share. The competitor set of Spanish and Italian producers is exactly the same as it is here.

So why are we so confident?

Competitive Advantage in Quality and Health Properties

CBO picks its olives directly from its own (or leased) orchards via proprietary technology (see photo). Picking from the tree allows the olives to be picked green, which assists the retention of important compounds in the oil. All olives are then pressed within 4 hours. This is the key to CBO's success. So why is this so important?

Boort Orchard

The philosophy of production is key to understanding the sustainability of CBO's advantages relative to peers. The highest quality oil is produced from olives that are harvested still green from the tree directly and cold pressed immediately before the fruit begins to decompose. At scale, this requires mechanical harvesting.

Fresh-picked olives make better extra virgin olive oil (EVOO) mainly because of what happens the moment fruit leaves the tree: oxidation and fermentation start immediately, and both work against oil quality. Olives contain enzymes that begin breaking down oils and generating off-flavours as soon as the fruit is bruised, damaged, or simply left sitting around. The longer the delay between harvest and milling, the more time these enzymatic reactions and microbial activity have to degrade the fruit.

[1] https://www.oliveoiltimes.com/business/campaign-encourages-australians-to-get-drizzling/139385

Freshness also preserves the phenolic compounds and antioxidants that give good EVOO its characteristic bitterness, pungency, and grassy or fruity aromas. The peppery taste that can make you cough is actually indicative of high phenolic content which mimics the impact of ibuprofen on the body. It is these compounds and antioxidants that make EVOO such a health giving product. These compounds are sensitive to oxidation, so oil pressed from olives within hours of picking retains far more of them than oil from olives that sat for days. CBO's processes capture these far more effectively than its scale competitors.

Production Model

The example cited by CBO management in terms of how the model was developed was to study the small scale production to be found in central Italy, particularly the regions of Tuscany and Umbria, which is considered the world's best for its consistency across multiple producers.

We were fortunate enough to visit producers in this region during harvest of CY2025 and saw how this system works first hand. Olives are picked directly from trees and loaded into containers where they are taken to nearby mills, called a *Frantoio*. Here olives are pressed in the absence of heat to produce very high quality extra virgin olive oil. The product is consistently good across multiple producers with the network of small *frantoio* across the regional towns being key to maintaining freshness that drives the quality.

Montalcino *Frantoio*

It also guarantees provenance, as small lots are date and location stamped at the *frantoio*. Ironically it is the halo effect of this technique that drives the appeal in using the term "Italian" olive oil to become a marker of quality. This has become something of a problem in large scale olive oil production, with reports of mislabelled oil common place amongst the largest producers and ongoing allegations that oil from Greece, Spain and North Africa is shipped to Italy to blend into large scale production.

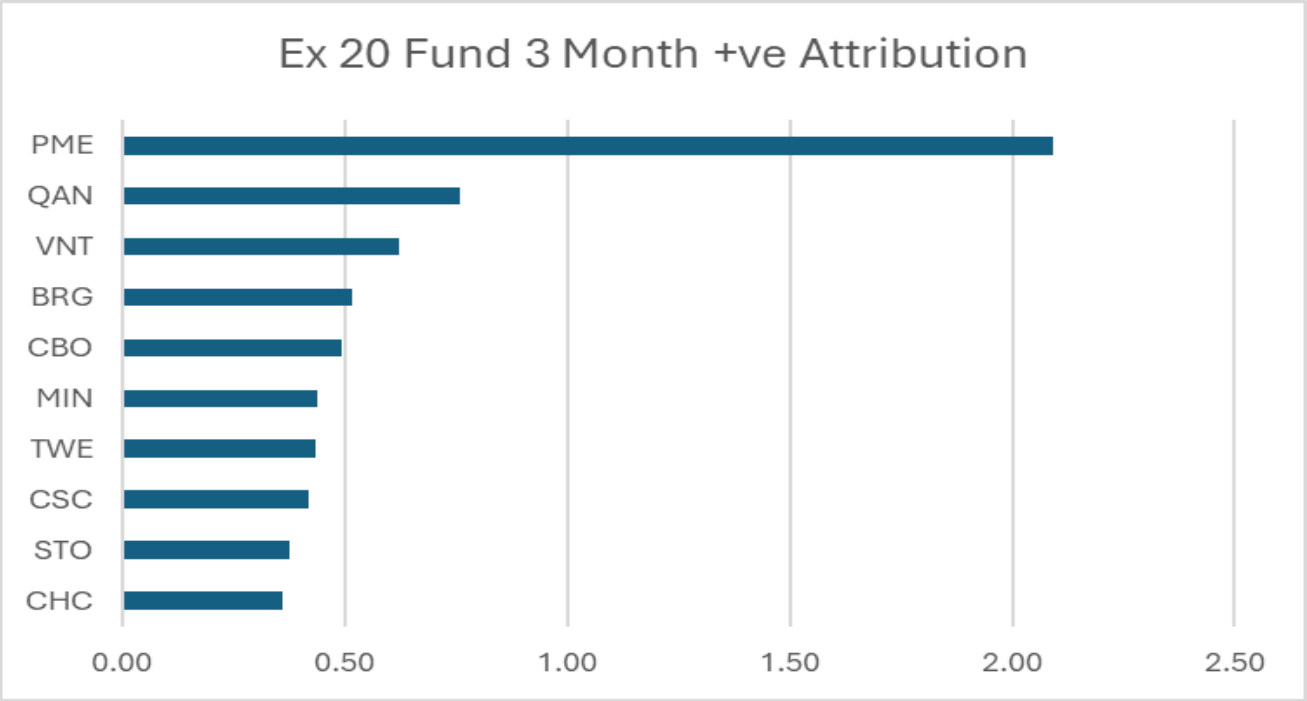
This contrasts with other major production centres where olives are generally left to fall into nets or raked as the scale is too large for the type of quality obtained from the Central Italian model. Olives only fall in this way are fully ripe – hence they lose the phenolics of the green olives.

This is the source of most of the world's olives for oil that supplies CBO's competitors. It is just too expensive to replant the groves in a fashion suitable for mechanical harvesting given the 6 to 7 year wait to a commercial yield per tree. They are locked into an inferior method of production that produces an inferior product and cannot deliver fully on the health benefits of the CBO model. Over time consumers here have come to prefer the higher quality for the same price that CBO provides and we expect similar in the US over time.

Stock attribution

Positive Contributors

Figure 5: Major contributors to performance



Source: Antares Equities; June 2026

- **Pro Medicus (PME, overweight)** - PME rallied strongly as the market began to shrug off fears of AI disruption to its business model as the company announced a series of contract wins and renewals. Interestingly the renewals tended to be for longer duration than the initial contracts and for a significant lift in unit revenues to PME.

- **Qantas Airways (QAN, overweight)** - QAN shares rallied with other global airlines through the quarter. While Iran war drove oil prices temporarily higher, airlines have been able to minimise the earnings impact by driving fares higher and rationalising capacity. These actions are proving resilient as demand hasn't softened despite higher ticket prices, and now that oil prices have retreated to levels lower than seen before the war, airlines are looking at upgraded expectations to earnings in the post war period.

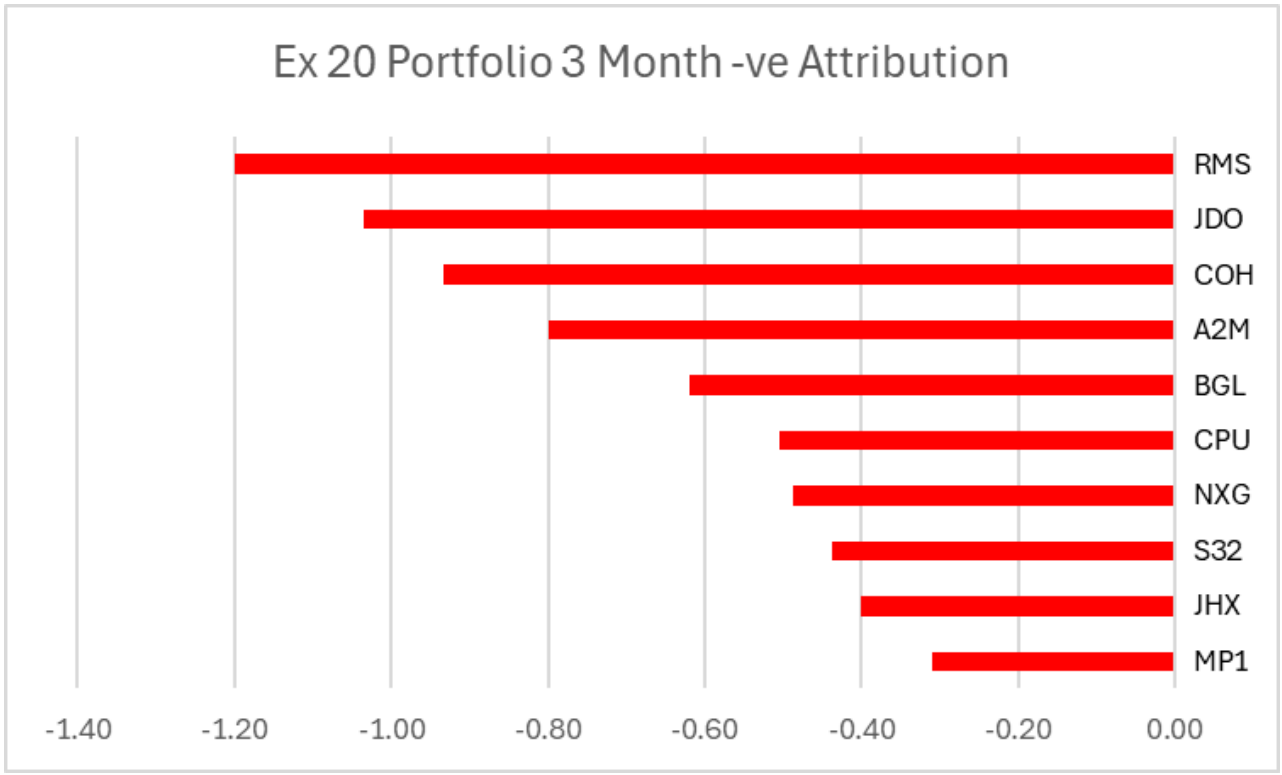
- **Ventia Services** (**VNT**, **overweight**) - VNT produced a total return of 18.4% in the June quarter. It conducted a well-received investor day in May during which it reaffirmed its earnings growth guidance for FY2026, as well as highlighting the strong medium-term growth outlook for its end markets. Late in the quarter it announced the appointment of Mark Ralston as its new CEO to replace the incumbent Dean Banks, with the appointment effective on 1st September 2026. Ralston is a long-time executive of VNT and is the current Head of its Defence and Social Infrastructure division.

- **Breville Group (BRG, overweight)** - BRG shares traded higher as anecdotal evidence from peers / suppliers such as Nestle, Shark Ninja and De Longhi highlighted ongoing strength in the premium coffee machine market. Further, key customer Williams Sonoma highlighted some BRG initiatives in the food preparation business in the US.

- **Cobram Estate Olives (CBO, overweight)** - CBO shares rallied through the quarter on little news other than continued positive sentiment towards the business following its well-received strategic acquisition of California Olive Ranch in the United States, which settled in the quarter ending any lingering anti trust concerns.

Detractors

Figure 6: Major detractors to performance



Source: Antares Equities; June 2026

- **Ramelius Resources (RMS, overweight) –** RMS declined approximately 20% over the quarter being the largest single detractor. The gold sector continued to give back ground as the geopolitical risk premium unwound following the ceasefire, compounding the counterintuitive weakness gold experienced during the conflict itself. We view the sell-off as macro-driven rather than a deterioration in the underlying asset base, and RMS remains one of the highest-quality, lowest-cost gold producers on the ASX with a strong balance sheet.

- **Judo Capital** (**JDO, overweight)** - JDO detracted during the quarter following unexpected asset quality concerns in June. The announcement came just weeks after management had provided a reassuring update on the bank's capital position, raising questions around earnings visibility and risk controls despite the issues being limited to only four customers.

- **Cochlear (COH, underweight) –** COH shares declined after the company materially downgraded its FY26 outlook, signalling a notable slowdown in 2H growth and a lower forward run rate for cochlear implants. This outcome is particularly disappointing given the recent launch of its new implant and processor, which had been expected to drive a reacceleration in growth. The weakness appears to stem from affordability constraints, with out-of-pocket costs remaining a key barrier, something we do not expect to improve in the near term. We sold our shares accordingly.
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- **a2 Milk (A2M, overweight)** - A2M shares fell after issuing a surprise downgrade. The cause of the downgrade was the lack of availability of its China Language Stage 1 product, which is disappointing as this is the product that creates the longer term connection with the brand. The outage was the result of problems with supplier Synlait. We note that A2M is setting up a more robust supply chain outside of Synlait and that its current record market share has been achieved despite the problems with supply over recent years.

- **Bellevue Gold (BGL, overweight)** – BGL dropped as the gold price fell during the quarter. See RMS above.

Portfolio activity

Buys & Additions

- **The Lottery Corp (TLC, new)** - We added TLC to the portfolio as we are attracted to its defensive growth characteristics. Further, we feel we are close to peak rate hike expectations, and TLC shares tend to trade better in stable to falling rate environments. Hence the recent hikes in rates provide a discounted opportunity for a high quality business with long duration licenses.

- **Worley (WOR, new)** - We added WOR to the portfolio to provide exposure to the scale of work required to rebuild key Gulf-state energy infrastructure post the war. While we have some questions around WOR's disclosure at times, the recent market reaction to its December profit results provided an adequate discount for this in our opinion.

- **James Hardie Industries (JHX, new)** - We have added JHX back to the portfolio to gain exposure to the US housing construction market. While near term headwinds exist with higher US interest rates, we see the fall in oil prices globally taking the heat out of inflation and reducing pressures on US rates in particular. With a long term "underbuilt" market, we see the opportunity for JHX earning to rise meaningfully.

Sales & Reductions

- **Cochlear (COH, exit)** - As discussed in our Attribution, we see the prospect of a materially lower run rate of Cochlear implants going forward due to the significant out of pocket expenses in the current environment, which limits our conviction that the stock will recover its former rating.

- **NEXTDC (NXT, exit)** - We exited our position in NXT based on a more detailed assessment of the returns on NXT's large capex profile and felt the valuation did not justify it remaining in the portfolio.

- **Origin Energy (ORG, exit)** - We exited our position in ORG as we observe falling wholesale electrify prices, which hurts its generation business. Further, Government intervention in the gas export sector makes ORG's APLNG less attractive. We preferred TLC and WOR.

- **Pilbara Minerals (PLS, exit)** - We exited PLS shares as we noted concerns of increasing supply in the Lithium market. While much focus has been placed on Chinese supplier CATL, and its likely return to supply in the next months, we note also that African supply which was shuttered by lower prices, looks to be preparing to restart, further adding to supply.

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