

Portfolio Profile

Antares Core Opportunities Model Portfolio (closed to new investments) May 2019



Termination of the Antares Direct Separately Managed Accounts

After careful consideration, Antares Capital Partners Ltd, as responsible entity (RE) of the DSMA, has decided to terminate the DSMA effective 17 June 2019 (Termination Date). We will no longer accept new and additional investments, switches or in specie transfers into the DSMA from 2 April 2019.

Model description and investment return objective

The Antares Core Opportunities Model Portfolio is an actively managed, highly concentrated portfolio of Australian shares that Antares has identified as having the potential to offer significant long term capital growth.

The investment objective is to outperform the Benchmark (after fees) over rolling 5 year periods.

Portfolio commentary

The Antares Core Opportunities Model Portfolio delivered a return of 1.6% (net of fees) for the month of May 2019, underperforming its benchmark by 0.1%.¹

Australian shares provided a positive counterpoint to global markets with a 1.7% gain in May. Comments from the Reserve Bank Governor highlighting the case for lower interest rates proved particularly favourable for Australian shares. The re-election of the Coalition Government was also seen as a positive for the financial and property sectors given that proposed capital gains, franking credit and negative gearing changes advocated by the Labor Party would not be implemented. Lower rate expectations saw strong gains for health care and REITS also made good gains. However this was partly countered by falls for consumer staples and information technology.

Overweight positions in Vocus (VOC), Nine Entertainment (NEC) and Aristocrat (ALL) all contributed to portfolio performance. Vocus' share price rose in the wake of a \$2.3b non-binding takeover proposal by EQT Infrastructure during the month. At the end of April NEC announced the sale of its Community Media and printing business for approximately \$115m, before presenting at an investor conference the following day where management reiterated the increased growth profile of the business and expected cost savings. ALL delivered a 17% increase in normalised interim profit which was well received by the market.

Detracting from the portfolio performance were overweight positions in Link Administration (LNK) and Santos (STO) as well as the decision not to own NAB. A trading update on the last day of the month saw LNK shares plummet. The company guided to lower 2019 profit than in 2018 due to the negative impact Brexit uncertainty is having on its European operations and the effect of regulatory changes and consolidation in the Australian superannuation sector. Energy stocks mostly declined in May as oil prices experienced double digit declines. During the month STO signed a binding letter of intent to acquire a 14.3% interest in a PNG gas field. This coincided with some political instability in PNG which saw a change in leadership. Banks had been out of favour prior to the Federal Election with a likely ALP victory and the prospect of changes to the treatment of franking credits as well as expectations of further scrutiny and regulatory pressure. They rallied post the Coalition's election victory.

The unexpected win by the LNP Coalition in the Federal Election has seen optimism return to the Australian equities and housing markets, with the latter also buoyed by the prospect of APRA and RBA easing. Anecdotally business confidence has also improved. However, global trade tensions are expected to continue to weigh on corporate confidence and markets.

Investment returns as at 31 May 2019¹

Period	1 month	3 months	1 year	3 years pa	5 years pa	7 years pa	Since inception pa
Net return ² %	1.6	4.4	10.0	9.7	7.6	11.0	8.1
Gross return %	1.6	4.5	10.6	10.3	8.2	11.6	8.7
Benchmark return %	1.7	4.9	11.1	10.6	7.7	11.5	8.6
Net excess return %	-0.1	-0.5	-1.1	-0.9	-0.1	-0.5	-0.5
Gross excess return %	-0.1	-0.4	-0.5	-0.3	0.5	0.1	0.1

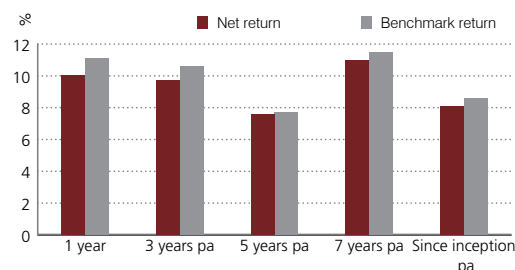
¹ Past performance is not a reliable indicator of future performance. Returns are not guaranteed and actual returns may vary from any target returns described in this document.

² Performance is based on the income and market value of the Model Portfolio and is net of fees. The performance of individual portfolios may differ to the performance of the Model Portfolio due to cash flows, portfolio reweighting and timing issues.

Portfolio facts

Inception date:	22 November 2010
Portfolio size at 31 May 2019:	\$46.4m
Benchmark:	S&P/ASX 200 Accumulation Index
Investment timeframe:	At least 5 years
No. of shares:	Up to 30
Indicative portfolio turnover:	60% to 80% pa

Net return² vs benchmark return



Top 10 share holdings

as at 31 May 2019 (alphabetical order)

Aristocrat Leisure, ANZ Banking Group, BHP Group, Commonwealth Bank, Healius, James Hardie Industries, Santos, Telstra Corporation, Wesfarmers and Westpac Banking Corporation

Investor profile

The concentrated nature of the Model Portfolio means that there may be a greater level of risk. The Model Portfolio's returns may be quite volatile. As such, the Model Portfolio may suit investors who are willing to accept a higher level of risk in exchange for the opportunity to earn greater returns.

Investment details

Status:	Closed to new investments
Income treatment:	Monthly distribution or re-investment
Administration fee:	Nil
Entry fee:	Nil
Exit fee:	Nil
Management fee:	0.5125% (incl. net effect of GST) per annum

Investment guidelines and ranges

	Minimum	Benchmark Allocation	Maximum	As at 31 May 19
Australian shares	90%	100%	99%	95%
Cash and cash equivalents	1%	0%	10%	5%

Stock Activity

Buys / Additions

Nil

Sales / Reductions

Ansell (ANN) - During the period we exited our ANN position. We are concerned about a number of developments that may adversely impact ANN in the coming period:

- Slowing global growth/PMI's. Over recent months manufacturing indices such as the regional PMI's have all fallen materially. Historically there has been a strong positive correlation between industrial production growth and organic revenue growth for ANN.
- Escalating trade war. On 10 May the US increased tariffs on Chinese goods worth US \$200bn from 10% to 25%. ANN imports industrial products from China into the US which will now be subject to the higher tariffs. ANN may find it difficult passing on these higher costs to its customers and may therefore face a margin squeeze.
- Finally we are concerned that one of ANN's key end markets is slowing, namely Auto manufacturing. Sales and production of autos in key markets have slowed in recent months.

About Antares

Antares is a dedicated asset management business managing more than \$34.4bn on behalf of Australian investors, with \$6.3bn in Australian equities and more than \$28.1bn in fixed income (as at 31 March 2019).

At Antares we are wholly focussed on delivering performance for investors through an investment approach underpinned by dedication, experience and discipline. We recognise and are ready for market uncertainty, and believe great performance is achieved through a focus on both risk and return. Antares consists of two divisions – Antares Equities (formerly Portfolio Partners and Aviva Investors) and Antares Fixed Income (formerly National Specialist Investment Management).

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

Important information: Antares Capital Partners Ltd ABN 85 066 081 114, AFSL 234483 ('ACP'), is the Responsible Entity of the Antares Direct Separately Managed Accounts ARSN 147 194 983 ('DSMA'). The DSMA will terminate effective 17 June 2019. This report has been prepared in good faith, where applicable, using information from sources believed to be reliable and accurate as at the time of preparation. However, no representation or warranty (express or implied) is given as to its accuracy, reliability or completeness (which may change without notice). This communication contains general information and may constitute general advice. This report does not take account of an investor's particular objectives, financial situation or needs. Investors should therefore, before acting on information in this report, consider its appropriateness, having regard to the investor's particular own objectives, financial situation or needs. We recommend investors obtain financial advice specific to their situation. 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. Any projection or other forward looking statement ('Projection') in this report is provided for information purposes only. No representation is made as to the accuracy or reasonableness of any such Projection or that it will be met. Actual events may vary materially. Any opinions expressed by ACP constitute ACP's judgement at the time of writing and may change without notice. ACP is a subsidiary of the National Australia Bank Limited group of companies ('NAB Group'). An investment in the DSMA is not a deposit with or liability of National Australia Bank Limited ('NAB') or any other member of the NAB group of companies ('NAB Group') and is subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither ACP nor any other member of the NAB Group guarantees the repayment of your capital, payment of income or the performance of your investment. NAB does not provide a guarantee or assurance in respect of the obligations of ACP.