

Portfolio Profile

Antares Dividend Builder 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 Dividend Builder Model Portfolio is an actively managed Australian share portfolio which aims to deliver regular income and to achieve moderate capital growth by investing in a diversified portfolio of Australian companies.

The primary investment objective is to regularly deliver higher levels of dividend income on a tax effective basis relative than the Benchmark. The other objective is to achieve moderate capital growth in a tax effective manner over a rolling 5 year period.

Portfolio commentary

The annual income yield to 31 May was 5.57% compared to the Benchmark's 4.45%.¹ Australian shares provided a positive counterpoint to global markets with a 1.7% gain in May. The prospect of a rate cut by the RBA proved particularly favourable as did the re-election of the Coalition Government.

Overweight holdings in Stockland (SGP) and Medibank Private (MPL) together with the decision not to own Macquarie Group (MQG) contributed to fund performance. Both the SGP and MPL share prices benefitted from the Federal election result. No change to negative gearing, plans for APRA to loosen bank mortgage serviceability testing requirements and the prospect of an RBA rate cut boosted SGP. The ALP had indicated it would cap health insurance premium rises were it to win government and this had weighed on the MPL price for some months. MQG disappointed the market when it provided guidance that FY20 profit is expected to be slightly down on FY19.

Detracting from performance were overweight holdings in Tabcorp Holdings (TAH) and Sydney Airport (SYD) as well as the decision not to own Telstra (TLS). Continued concerns about intense competition in the wagering business were fuelled by comments from management that TAH's wagering yield for the March quarter was slightly down and the company planned to compete aggressively. This weighed on TAH's share price. SYD's April passenger traffic statistics revealed a 2.5% increase in international passengers but a 1.3% domestic decline. The company foreshadowed subdued domestic traffic for the rest of 2019. TLS' share price has risen steadily since TPG abandoned plans to roll out its own mobile network in Australia. The ban on Huawei for 5G in Australia also has potentially hurt TPG and Vodafone, who were expected to use Huawei, and at least temporarily put TLS in the lead for 5G. As a high yield stock delivering franking credits, the Federal Election result has also been viewed as a positive for TLS.

The unexpected Federal Election result 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.

Income yield as at 31 May 2019

Period	1 month	3 months	1 year	3 years pa	5 years pa	7 years pa	Since inception pa
Portfolio ² %	-	-	5.57	5.09	4.88	4.72	4.73
Index ³ %	-	-	4.45	4.33	4.20	4.14	-

² Calculated as the sum of the monthly yields over the period where the monthly yield is income (before fees) paid during the month divided by the portfolio value as at the start of month. ³ Calculated as the sum of the monthly returns of the S&P/ASX 200 Industrials Accumulation Index minus the monthly returns of the S&P/ASX 200 Industrials Index (price index).

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 ⁴ %	3.6	6.0	10.2	5.8	6.1	11.5	10.2
Benchmark return %	1.8	5.9	10.7	8.0	8.0	13.2	11.2
Net excess return %	1.8	0.1	-0.5	-2.2	-1.9	-1.7	-1.0

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.

⁴ 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:	\$117.9m
Benchmark:	S&P/ASX 200 Industrials Accumulation Index
Investment timeframe:	At least 5 years
No. of shares:	15 to 25
Indicative portfolio turnover:	20% to 30% pa

Top 10 share holdings

as at 31 May 2019 (alphabetical order)

- Amcor
- ANZ Banking Group
- Commonwealth Bank
- Medibank Private
- National Australia Bank
- Scentre Group
- Stockland
- Sydney Airport
- Tabcorp Holdings
- Westpac Banking Corporation

Investor profile

Dividend Builder is designed for investors seeking a stable, tax effective income stream through participating in the Australian sharemarket and investing in companies providing dividend growth. It may also act as an income stabiliser in investment portfolios, especially during shifting or uncertain markets.

Investment details

Minimum investment:	Closed to new investments
Minimum additional investment:	closed to additional investments
Income treatment:	Monthly distribution or re-investment
Administration fee:	Nil
Entry fee:	Nil
Exit fee:	Nil
Management fee:	0.4613%p.a. (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%	93%
Cash and cash equivalents	1%	0%	10%	7%

Stock Activity

Buys / Additions

Boral (BLD) - We added Boral to the portfolio after a large share price sell off created an attractive entry point, with a high partially franked yield, low price earnings multiple, substantial valuation upside, and strong medium term growth prospects.

Boral also provides some international diversification to the portfolio as around 60% of Boral earnings come from the US and Asia.

Sales / Reductions

Nil

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 focused 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.