

Portfolio Profile

Antares Ex-20 Australian Equities Fund



August 2020

Fund description and investment return objective

The Fund is an actively managed, concentrated portfolio of equities outside the largest 20 Australian listed companies by market capitalisation (as defined by the S&P/ASX 20 Total Return Index) that Antares identifies as having the potential to offer significant long-term capital growth. The Fund may also invest in equities expected to be listed on the Australian share market.

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

Manager's commentary

The portfolio performed strongly in August, generating a return of 7.4% (net of fees)¹ as markets continued to rebound from the Covid induced lows. This compared to our benchmark's return of 4.7%. It was pleasing to perform well given the heightened uncertainty concerning the August reporting season, especially the outlook statements for companies dealing with the economic ramifications of the virus.

Our best contributor for the month was IEL Education (IDP). IEL presented a very well-received result which assuaged market fears that the obvious extension of international border lockdowns would impact its business model. Instead, IEL showed resilience in its IELTS English language testing and university services as the business was able to pivot to the digital facilities it had been developing in recent years. Further it demonstrated better than expected cost management.

Afterpay (APT) also contributed strongly. APT also released its results and announced an accelerated entry into southern Europe as it accelerates its leadership in the Buy Now Pay Later (BNPL) segment. With the entry to Canada previously flagged and the entry to Europe accelerated, APT has built the pieces of a global BNPL platform. We expect this will deliver considerable ancillary revenue streams in addition to the base model and its growth.

Finally, Nine Entertainment also rallied strongly during the month. NEC's result, released late in the month, was broadly in line with expectation but it seems the market is finally beginning to re-price NEC's future earnings stream on the basis of its improved quality as the company drives into more stable growth of subscription and digital earnings. In this result, these accounted for 50% of its operating earnings, highlighted by a sizeable step-up in subscribers of Stan, despite the increase in competition from Disney and other new entrants.

Northern Star (NST) detracted from performance as the rally in markets limited demand for gold's safe haven status. Further, NST released disappointing guidance regarding production and costs for the coming 12 months.

A2 Milk (A2M) also detracted from performance for August. A2M had been very strong in the lead up to the release of its results with the market speculating it may deliver a "beat" to the company's guidance. The result was in line with guidance and there was some selling on the back of that. Further, the limited appetite for "safe-haven" assets also impacted the company's appeal.

Finally, our position in Seek (SEK) impacted our performance, albeit in a minor fashion. The market was surprised by SEK's guidance for FY 21 which was materially below market expectations. While employment volumes are weak, the real issue was the lack of leverage on evidence from the new pricing system being introduced by SEK. While this was disappointing, the company is being prudent with its pricing given the current downturn and desire to preserve its relationships in the ANZ Employment market.

Portfolio facts

Inception date:	1 October 2019
Fund size at 31 August 2020:	\$23.9m
Benchmark:	S&P/ASX 200 Total Return Index excluding the companies listed on the S&P/ASX 20 Total Return Index.
Investment timeframe:	At least 5 years
No. of shares:	15 to 30

Top 10 share holdings

as at 31 August 2020 (alphabetical order)

- Afterpay
- Ansell
- Aristocrat Leisure
- Aurizon Holdings
- James Hardie Industries
- Metcash
- Mineral Resources
- Nine Entertainment Co Holdings
- Northern Star Resources
- Qantas Airways

Investment returns as at 31 August 2020¹

Period	1 month	3 months	1 year	3 years pa	5 years pa	7 years pa	Since inception pa
Net return ² %	7.4	8.8	-	-	-	-	1.1
Gross return ³ %	7.6	9.3	-	-	-	-	3.4
Benchmark return %	4.7	7.2	-	-	-	-	-5.0
Net excess return %	2.7	1.6	-	-	-	-	6.1
Gross excess return %	2.9	2.1	-	-	-	-	8.4

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 Investment returns are based on exit prices, and are net of management fees and assume reinvestment of all distributions. The performance inception date is 2 October 2019.

Investor profile

The Ex-20 Australian Equities Fund is designed for investors seeking an actively managed, highly concentrated portfolio of Australian securities that excludes the top 20 stocks by market capitalisation. The Fund aims to provide investors with long term capital growth.

Investment details

Minimum investment:	\$20,000
Minimum additional investment:	\$5,000
Income treatment:	Half-yearly distribution or re-investment
Entry fee:	Nil
Exit fee:	Nil
Management fee:	0.85% (incl. net effect of GST) per annum
Performance fee:	The performance fee is calculated as 15% of the difference between the Fund's quarterly return (after deducting the management fee and assuming the reinvestment of distributions) and the Benchmark's quarterly return ⁵ .

⁵ The Benchmark of the Fund is S&P/ASX 200 Total Return Index excluding the S&P/ASX 20 Total Return Index..

Investment guidelines and ranges

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

Distribution history⁴

Quarter end	Cents per unit
30 June 2020	0.91
31 December 2019	0.00

⁴ Distribution rates have been rounded to two decimal places. As a result, the actual payment rate may differ slightly to the rates listed above.

Franking levels

Year end	
30 June 2020	97.61%

About Antares

Antares is a dedicated asset management business managing more than \$29.3bn on behalf of Australian investors, with \$4.1bn in Australian equities and more than \$25.2bn in fixed income (as at 30 June 2020).

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, and the issuer of units in, the Antares Ex-20 Australian Equities Fund ARSN 635 799 530 ('the Fund'). An investor should consider the current Product Disclosure Statement and Product Guide for the Fund ('PDS') in deciding whether to acquire, or continue to hold, units in the Fund and consider whether units in the Fund is an appropriate investment for the investor and the risks of any investment. 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 Fund 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.