

Antares Income Fund

Monthly Investment Report

September 2019



Fund Performance

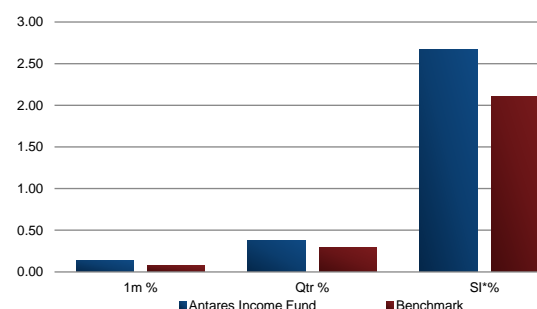
Period Ended 30 September 2019	1 mth %	3 mths %	1 Yr %	2 Yr %	3 Yr %	Since Inception %pa ³
Antares Income Fund ^{1,2}	0.14	0.38	2.26	2.27	2.48	2.67
Bloomberg Bank Bill Index	0.08	0.29	1.74	1.81	1.79	2.11
Difference	0.06	0.09	0.52	0.46	0.68	0.56

Valuation at month end was \$144,920,198

Returns are expressed after deducting tax and investment management fees

³Since Inception 31/01/2013

Net return vs Benchmark return (%)



Investment return objective

The Antares Income Fund aims to provide investors with a regular income and a return (after fees) that exceeds the Bloomberg AusBond Bank Bill Index over rolling three year periods.

Portfolio Review

Performance

The Fund outperformed the benchmark by 5bp after fees for the month of September.

Contributors to performance (relative to the benchmark)

- A widening of bank credit spreads (1-3bp) was the key drag on performance.
- In contrast, bank CDS tightened 3-4bp adding to the underperformance of financials.
- The steepening yield curve strategy added to returns as the yield curve steepened by 5-10bp.
- The consistent contributor to the Fund's excess return was the additional yield earned from the high quality investment grade securities held by the Fund.

Key Activities:

- We bought John Deer 5yr and Mitsubishi FG (Green bond) 5yr.
- We reduced the yield curve steepening position at 30bp basis the 3-10yr futures.
- We continue to maintain good liquidity in portfolios by demanding a high illiquidity premium from less liquid holdings.

Market Outlook

Global: Ongoing trade and geopolitical risks remain at the forefront of market thinking, adding to what is already an unfolding negative supply shock to the global economy. The impact on business sentiment was clear to see with global PMIs turning down sharply.

Recent ISM data confirms that the trade and currency war is now spilling over into services and the broader economy as well.

Notwithstanding this backdrop, risk markets continue to hold up well, largely due to the accommodative stance of the Fed and the strength of the US consumer with strong retail spending and housing activity highlighting ongoing resilience in the face of rising economic and political uncertainty.

Australia: For the RBA, recent rate cuts have proved only modestly effective, given the high indebtedness of the household sector and the downturn in residential construction. As the Bank tries to establish where the true effective lower bound for rates lies, forward guidance is likely to play a greater role going forward which implies that short to intermediate bond yields should remain anchored in the near term.

Strategy

Portfolios are defensively positioned on duration. Credit exposure is fairly neutral, focusing on maximising carry and rolldown with some downside protection via CDS. All portfolios carry above average liquidity. While duration risks appear asymmetric, the QE induced strength in other markets and strong offshore demand for our bonds keeps us strategically neutral on duration, for now. However, we are alert to signs that Governments may be forced to embark on concerted fiscal stimulus, which could change our duration strategy.

Key characteristics at 30 September 2019

	Fund	Benchmark
Interest Rate Duration (yrs)	0.16	0.12
Running yield + Rolldown (%)	1.99	0.98
Credit spread duration (yrs)	2.09	-
Average credit rating	A+	AA-
Liquidity*	64%	100%
Fund Size (millions)	\$144.9	-

* Liquidity deemed available within 24 hours. Consisting of; (1) cash and short-term securities that are expected to be able to be liquidated at mid-market yields and thus no transaction costs, and, (2) unit holdings of other Antares managed sub funds for with no there is buy/sell spread and next day redemption facility if notified by 2pm.

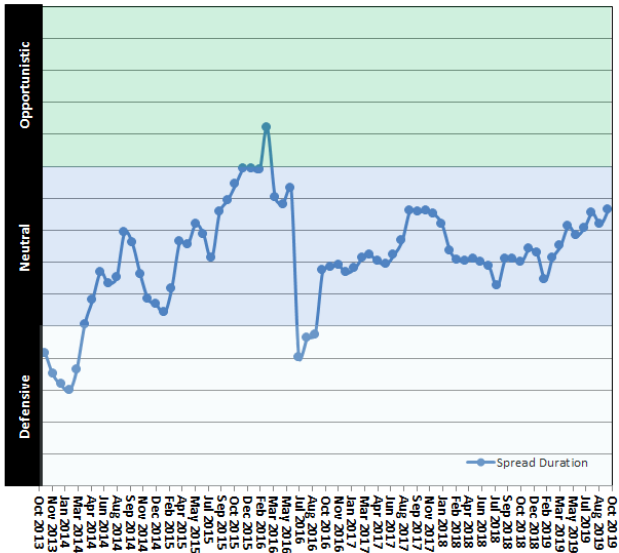
Distribution History

Distribution date	30 Sept 2019
Distribution amount	0.0 Cents Per Unit
Next distribution date	31 Dec 2019

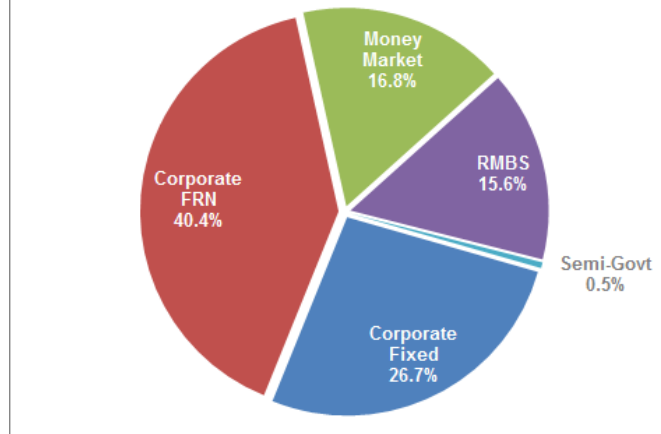
Rating Exposure (by market value %)

AAA	7.68%
AA+	0.00%
AA	0.01%
AA-	75.77%
A+	6.27%
A	1.36%
A-	3.96%
BBB+	0.38%
BBB	4.58%

Defensive to Opportunistic



Sector Breakdown (Market Value %)



Market Movements

- A positive although somewhat volatile month in equities with the ASX200 up 1.3% and the S&P500 up 1.7% for the month.
- Australian bonds sold off in September with the 10 year Government bond yields up 12bps to 1.01% and 3 year Government bond yields up 3bps to 0.705%. The 3-10 year Government bond yield curve steepened 8.5bps to end at 30.5bps.
- The RBA kept rates on hold in Sept but the market continued to price in further cuts. The 3 month BBSW fell 3bps to 0.945%, while the 6 month BBSW rose 6bps to 1.05%. The FOMC cut the Fund target rate by 25bp to 1.75% - 2.00% as expected.
- Credit spreads widened slightly in September with cash bonds underperforming synthetic credit. Bank cash bonds widened 1-3bps while Major Bank CDS tightened 3bp. The Australian iTraxx tightened 4bp to 67bp (basis the new March 2025 contract).

Australian Rates	September 2019	Month Change	Quarterly Change	1 Yr Change
RBA Cash Rate	1.000	0.00	-0.25	-0.50
90 Day Bank Bill	0.945	-0.03	-0.26	-1.00
3 Yr Futures	99.295	-0.03	+0.22	+1.40
10 Yr Futures	98.990	-0.12	+0.31	+1.68
3/10 Spread (bps)	30.5	+8.5	-10.0	-28.0
iTraxx Australia 5Y	66.9	+3.4	+3.5	-7.6
10Yr BEI	1.26	+0.13	-0.12	-0.60

Global Sovereign Rates	September 2019	Month Change	Quarterly Change	1 Yr Change
Fed Fund Rates	1.90	-0.23	-0.50	-0.28
ECB Main Refi Rate	0.00	0.00	0.00	0.00
US Sovereign 2 Yr	1.62	+0.12	-0.13	-1.20
US Sovereign 10 Yr	1.66	+0.17	-0.34	-1.40
Japan Sovereign 10 Yr	-0.21	+0.06	-0.06	-0.34
German Sovereign 10 Yr	-0.57	+0.13	-0.24	-1.04

Currencies	September 2019	Month Change	Quarterly Change	1 Yr Change
AUD/USD	0.675	+0.002	-0.027	-0.047
EUR/USD	1.090	-0.008	-0.047	-0.071
USD/JPY	108.080	+1.80	+0.23	-5.62

Equities	September 2019	Month Change	Quarterly Change	1 Yr Change
ASX200	6688	+1.3%	+1.1%	+7.7%
S&P500	2977	+1.7%	+1.2%	+2.2%

Commodities	September 2019	Month Change	Quarterly Change	1 Yr Change
WTI Crude	54.1	-0.8	-4.2	-16.0
Gold	1472.5	-47.9	+62.9	+281.6

Australian Economic Data	Latest Print	Month Change	Quarterly Change	1 Yr Change
Employment Change (k)	34.7	-1.7	-5.7	+17.3
Unemployment Rate (%)	5.3%	+0.1%	+0.1%	+0.3%
Retail Sales (MoM%)	0.4%	+0.4%	+0.3%	+0.2%
Trade Balance Value (m)	5,926	-1327	-106	+3,317
Building Approvals (MoM%)	-1.1%	+8.6%	-1.6%	-6.8%
Consumer Confidence (Westpac)	98.2	-1.7	-2.4	-2.3
Business Confidence (NAB)	-0.3	-4.2	-7.4	-7.1
Business Conditions (NAB)	1.6	-1.1	+0.1	-12.4

Australian Economic Data	Latest Quarterly	Quarterly Change	1 Yr Change
Private Capital Expenditure (QoQ%)	-0.5%	+0.8%	-0.1%
GDP (YoY%)	1.4%	-0.3%	-1.2%
Inflation (YoY%)	1.60%	+0.3%	-0.3%

Global Economic Data	Latest Print	Month Change	Quarterly Change	1 Yr Change
US Non-Farm Payrolls (k)	136	-32	+136	+28
US Unemployment Rate (%)	3.5%	-0.2%	+3.5%	-0.2%
US Manufacturing ISM	47.8	-1.3	+47.8	-11.7
US Non-manufacturing ISM	52.6	-3.8	+52.6	-8.2
China Manufacturing PMI	49.8	+0.3	+49.8	-1.0
China Non-Manufacturing PMI	53.7	-0.1	+53.7	-1.2
German Factory Orders (MoM%)	-0.6%	+1.5%	-0.6%	-0.7%
German Industrial Production (MoM%)	0.3%	+0.7%	+0.3%	+0.3%

Semis * vs Gov Bonds	September 2019	Month Change	Quarterly Change	1 Yr Change
3yr (bps)	21.5	+0.43	+0.82	+1.11
7yr (bps)	35.8	-1.47	-1.04	-1.84

* Semi calculation comprises an equal weighting of NSWTC and WATC

About Antares Fixed Income

Antares Fixed Income (Antares) is a specialist fixed interest manager covering a range of domestic and international securities. Antares has managed fixed interest and cash portfolios for investors since 1990 and currently has over A\$28.7 billion* in funds under management across a range of cash management, fixed income and liability driven investment strategies. Antares is focused on delivering performance objectives for our clients within a carefully managed and defined risk framework.

*as at 30 June 2019

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 Income Fund ('the Fund'). MLC Asset Management Pty Ltd (ABN 44 106 427 472, AFSL 308953) is the investment manager of 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 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. 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 or MLC Asset Management Pty Ltd. Bloomberg Finance L.P. and its affiliates (collectively, 'Bloomberg') do not approve or endorse, any information included herein and disclaim all liability for any loss or damage of any kind arising out of the use of all or any part of this material.

Contacts

Client Services

Level 21, NAB House
Sydney NSW 2000
Email: info@nabam.com.au
Phone: 1300 738 355