

Antares - Australian Equities

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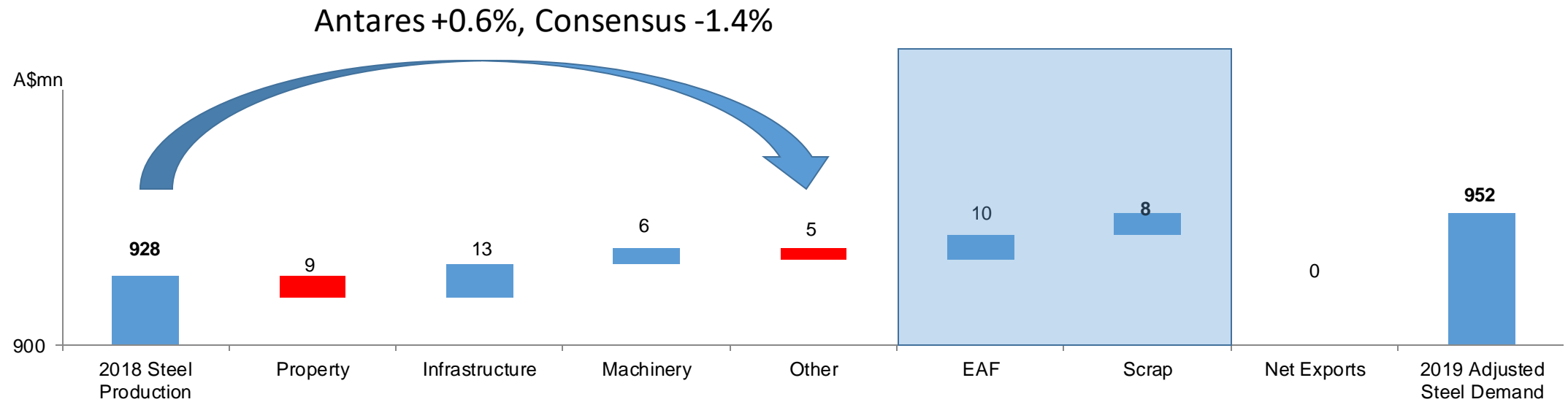
What does 'insight' mean in equity research?



- Insight: Timely and valuable information that can affect the valuation of a stock
 - We don't always have it
- Insight in action: Fortescue Metals and the iron ore supply chain
- Insight is a product of research
- How its used is how it can add value

Iron ore demand – driven by Chinese steel consumption

We saw it stronger, the market saw it weaker



Consensus Contributors: Goldman Sachs, JP Morgan, Macquarie, Morgan Stanley

Source: Antares, Bloomberg, February 2019

Iron ore supply – Vale impact not recognised by the market

Supply disruption *in addition* to demand we estimated above market

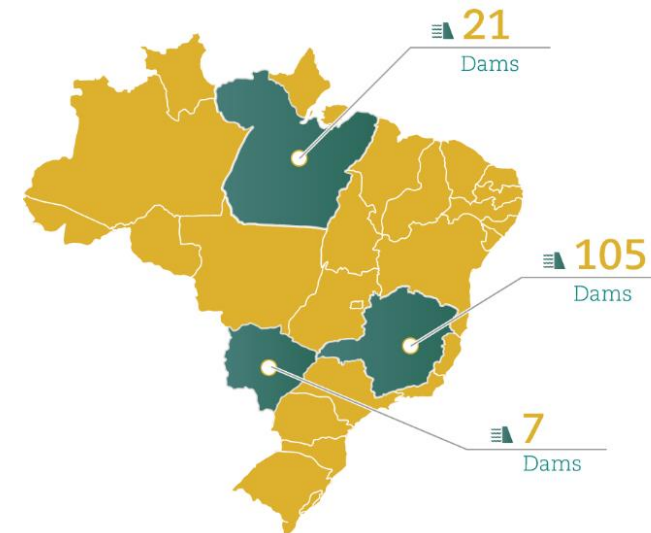


- 25 Jan '19 – Córrego do Feijão mine Dam I breached
- 17 Mar '19 - 206 people confirmed dead, 102 people missing
- 12M m³ of tailings released (~ 7x the volume of MCG)
- Vale has 133 dams



Source: Antares, [Steel Guru](#), [Vale](#), [Wikipedia](#), February 2019

- While we were aware of the human costs of the disaster, we also had to be objective for our investors.
- The impact on the entire iron supply chain was enormous.
- The market focused on lagging indicators, especially Chinese port stocks, to gauge impact on supply.
- Our insight was the duration of the supply chain.



Antares expectations

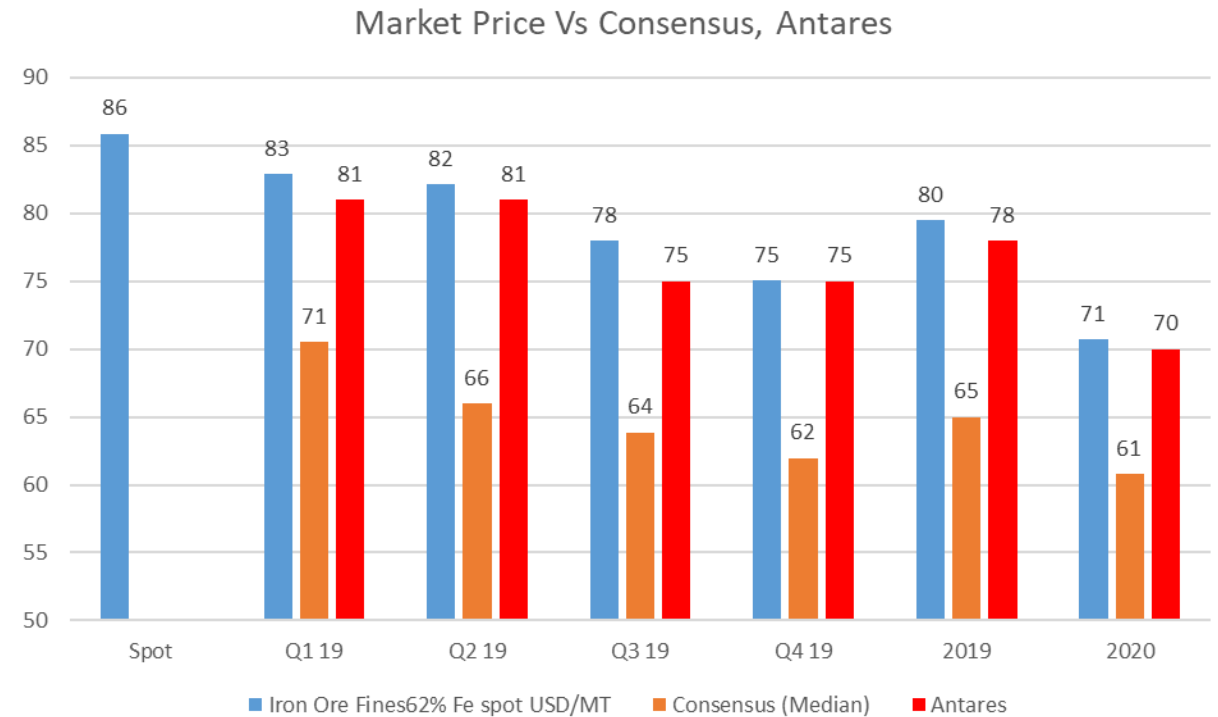


Supply -48 mt
Demand +24 mt
Net +72 mt

Insights from China Trip:

All the steel industry participants we met with were not concerned about the Vale outage

Remember it takes around 35-40 days for a vessel to sail from Brazil to China



Source: Antares, Bloomberg, February 2019

We are one of Australia's most experienced managers of Australian Equities. Founded over 25 years ago, we aim to generate consistent performance through skillful stock picking

Our investment philosophy

- Active management achieves superior returns over the long term
- Achieve consistency of returns using thorough and repeatable research methodology
- Style agnosticism maximises the number of investment opportunities
- Selectively contrarian
- Fundamental & bottom up research

Antares Equities Investment Team experience



Name	Title	Sector Responsibility	Years with company	Years of experience	Lead Portfolio Responsibility	Deputy Portfolio Responsibility
Glenn Hart	Co-Head of Equities	Banks, Insurance	22	32	Australian Equities & Dividend Builder	
Nick Pashias	Co-Head of Equities	Metals & Mining, Telecommunications Services	21	21	Elite Opportunities High Growth Shares	Large Companies Select Alpha
Andrew Hamilton	Head of Research	Energy, Healthcare	19	22	Large Companies	Elite Opportunities Ex-20 Australian Equities Select Alpha
John Guadagnuolo	Investment Manager	Transport, Online Media, Food & Beverage, Technology	12	19	Select Alpha Ex-20 Australian Equities	Elite Opportunities Large Companies
Vikrant Gupta	Investment Manager	Real Estate, Retail, Developers & Contractors	7	10	Listed Property	Dividend Builder
Jennifer Lam	Investment Analyst	Utilities, Gaming, Chemicals, Building Materials	7	16		Large Companies
Winston Chong	Investment Analyst	TBD*	2 [^]	9		
Bruce Rose	Head of Equity Dealing	Dealing	19	28		
Gehan Gunawardena	Quantitative Analyst / Back-up Dealer	Stock & Portfolio Quantitative Analysis	2	14		
Average years of experience			13 years	19 years		

As at October, 2019. *New Hire – responsibilities still being determined. ^Was previously employed with Antares.