

The Antares Balanced Portfolio focuses on income-generating investments, including high quality companies with a proven capability of paying recurring and growing dividends, high quality bonds, and real estate. It aims to produce dependable income with potential for growth of that income and appreciation of capital.

## MANAGER COMMENTARY

With the continued advance in equity prices, we have undertaken a deep dive into a number of portfolio holdings. This led us to make a few more changes than normal in client portfolios during the third quarter.

We exited the shares of Wells Fargo after a holding period of 13 months that saw our initial investment double. We purchased the shares in 2020 when headlines were negative due to missteps of the recent past. Regulators were putting a crimp on new business and the dividend was cut - all during the early panicky weeks of COVID-19. In our judgement, the problems were fixable and the shares were too cheap to ignore at around 60% of book value.<sup>1</sup> We had no idea the rebound would happen as quickly as it did - the shares reverted to a price above book value in a few quarters. As is true in life, so is true in investing: there is a difference between *like* and *love*. We never particularly loved the bank's competitive position given its multiple challenges (which remain), but we liked it as an investment opportunity after examining the facts and evaluating the risk and reward. Love is best left out of investing: *adios*, Wells Fargo.

We also exited the shares of Manulife Financial, a longstanding holding that has delivered good dividend growth and remains inexpensive at approximately 7x forward earnings (compared to the broader Canadian market at 16x). That said, our reassessment of our investment thesis led us to conclude that we were leaning too much on the cheap valuation and not enough on the outlook for growth, which is in question. We sold to redeploy capital where our conviction is higher.

With the proceeds from these sales, we introduced two new portfolio holdings, Vontier and BorgWarner, both global companies headquartered in the U.S.

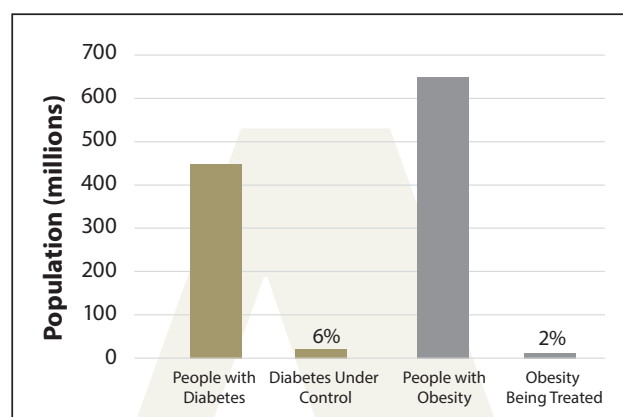
Vontier is an established and diversified industrial company that has business lines that include technologies for fueling stations and road traffic. Once a subsidiary of publicly traded company Danaher, Vontier began operating as an independent entity in 2020. This got us interested, because Danaher is known to have a disciplined, value-creating culture. Danaher trades at a premium 32x forward earnings estimates whereas Vontier trades at approximately 12x. We believe the gap can narrow once Vontier - a relatively unknown company - shows

1. Sources for data are Bloomberg and company presentations

it can deliver Danaher-like operating results. We purchased a small weighting inside client portfolios and will make further decisions as new information becomes available.

BorgWarner, for its part, is a leading supplier of advanced components to the automobile sector. In our view, the shares are inexpensive at 10x forward estimates. We believe this reflects temporary uncertainty over changes to the business mix as production moves (out of necessity) toward electric vehicles, as well as due to supply chain challenges across the auto sector. BorgWarner has a track record of adapting to new technologies - in fact, already, 45% of its order backlog is related to electric vehicles. The environment is being disrupted; we believe now is a good time to start building a position.

### Diabetes and Obesity are Undertreated



Source: [www.novonordisk.com](http://www.novonordisk.com); Investor Presentation, October 2020, slide 21

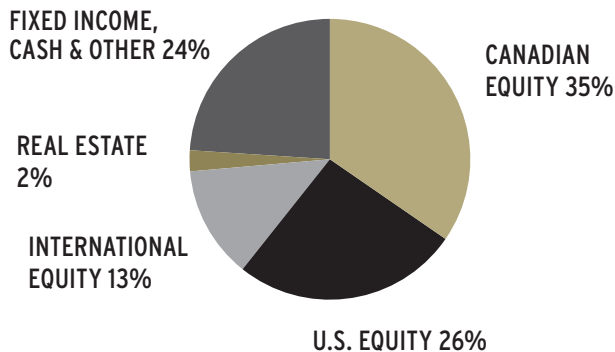
Our review of Danish pharmaceutical company Novo Nordisk confirmed to us that the investment thesis is intact. The company generates significant revenue from treatments for diabetes and obesity, two conditions whose prevalence is increasing. Novo has been able to provide innovative patented treatments, which gives us confidence that its competitive positioning will remain strong. Moreover, the majority of the world's population is not well treated for these conditions, as illustrated by the chart. This sets the table for continued growth, which we believe to be likely based on the company's track record of strong execution.

**Thank you for your trust,**

**Alec MacIsaac, CFA**

**Ricardo Melo, CFA**

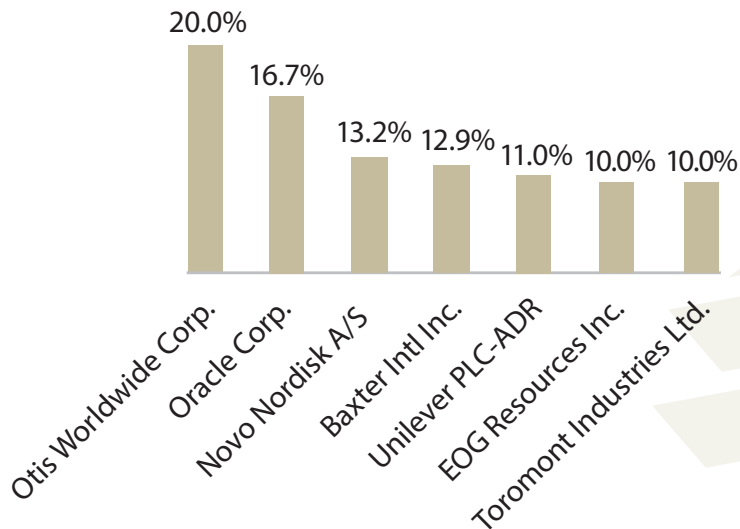
### ASSET ALLOCATION<sup>1</sup>



### DIVIDEND REPORT - AS AT SEPT 30, 2021<sup>1</sup>

- 3.0% Portfolio Dividend Yield
- 22 of 32 Holdings Raised Their Dividend In Local Currency In The Last 12 Months
- 3.1% Portfolio Dividend Growth Rate (in Canadian dollars) Over The Last 12 Months

### NOTEWORTHY DIVIDEND INCREASES - LAST 12 MONTHS<sup>1</sup>



### PORTFOLIO HOLDINGS & SECTOR WEIGHTS<sup>1</sup>

	DIVIDEND YIELD	5YR DIVIDEND GROWTH RATE
<b>INFORMATION TECHNOLOGY 12.8%</b>		
Accenture Plc-CI A	1.2%	9.9%
Apple Inc.	0.6%	9.3%
Cisco Systems Inc.	2.7%	9.2%
Constellation Software Inc.	0.2%	N/A
Microsoft Corp.	0.8%	9.2%
Oracle Corp.	1.4%	13.3%
<b>HEALTHCARE 12.3%</b>		
Baxter International Inc.	1.3%	16.5%
Gilead Sciences, Inc.	4.1%	9.3%
Johnson & Johnson	2.6%	6.0%
Novo Nordisk A/S Sponsored ADR Class B	1.6%	10.2%
Roche Holdings Ltd-Sponsored ADR	2.8%	3.7%
<b>FINANCIALS 10.1%</b>		
Bank Of Nova Scotia	4.6%	4.6%
Berkshire Hathaway Inc.	N/A	N/A
Brookfield Asset Management	0.9%	7.3%
JPMorgan Chase & Co.	2.3%	14.9%
Royal Bank Of Canada	3.4%	6.2%
<b>INDUSTRIALS 9.8%</b>		
Otis Worldwide Corp.	1.2%	N/A
Stantec Inc.	1.1%	8.0%
Toromont Industries Ltd.	1.3%	13.2%
Union Pacific Corp.	2.1%	13.1%
Vontier Corp.	0.1%	N/A
<b>ENERGY 9.0%</b>		
Enbridge Inc.	6.6%	10.0%
EOG Resources Inc.	3.0%	30.9%
Pembina Pipeline Corp.	6.3%	6.1%
Suncor Energy Inc.	3.2%	(6.3%)
<b>CONSUMER STAPLES 4.2%</b>		
CVS Health Corp.	2.4%	4.2%
Unilever Plc-Sponsored Adr	3.6%	7.7%
<b>MATERIALS 4.0%</b>		
Nutrien Ltd.	2.8%	N/A
<b>INFRASTRUCTURE 4.0%</b>		
Brookfield Infrastructure Partners L.P.	3.6%	4.9%
<b>UTILITIES 3.0%</b>		
Canadian Utilities Ltd-A	5.2%	6.7%
<b>TELECOMMUNICATIONS 2.9%</b>		
Verizon Communications Inc.	4.7%	2.1%
<b>CONSUMER DISCRETIONARY 1.3%</b>		
BorgWarner Inc.	1.6%	5.5%
<b>REAL ESTATE 2.4%</b>		
<b>FIXED INCOME, CASH &amp; OTHER 24.0%</b>		

### PORTFOLIO CHANGES<sup>1</sup>

- ▲ BorgWarner Inc.
- ▲ Vontier Corp.
- ▲ Constellation Software Inc.
- ▼ Wells Fargo & Co.
- ▼ Manulife Financial Corp.
- ▼ Sun Life Financial Inc.

1. Sources: Bloomberg for dividend data, NDEX for portfolio data

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**BALANCED PORTFOLIO**
**PORTFOLIO PHILOSOPHY - INCOME & GROWTH**

The Antares Balanced Portfolio invests in high quality income-generating securities. Bonds produce interest income and provide stability to the portfolio. High quality equities produce reliable dividend income that creates the opportunity to keep up with inflation. From time to time a portion of the strategy may be allocated to real estate.

**INVESTOR OBJECTIVE - CASH FLOW**

The Antares Balanced Portfolio is appropriate for the conservative investor focused on current income, with a need for long-term protection from inflation. Typically this investor is looking for stable results in the short to medium term and requires a predictable stream of cash flow that grows over the long term.

**PERFORMANCE**
**AS AT SEPT 30, 2021**
**ANNUALIZED  
RETURN  
SINCE INCEPTION\***
**3 MONTH**
**1 YEAR**
**3 YEAR**
**5 YEAR**
**2.3%**
**20.5%**
**9.2%**
**8.0%**
**7.8%**
**2014**
**2015**
**2016**
**2017**
**2018**
**2019**
**2020**
**YTD**
**1.9%**
**5.6%**
**10.1%**
**7.0%**
**(3.0%)**
**14.4%**
**4.4%**
**14.3%**

Source: Antares Investment Management, Inc. - Internal Management System

\*Inception date November 4, 2014

**BALANCED PORTFOLIO**

The Antares Balanced Portfolio is available to investors within a Separately Managed Account ("SMA") that holds securities directly, and through the Antares Balanced Pool ("Pool") which is held in the accounts of multiple investors. Performance data for the Balanced Portfolio refers to the Pool. The performance of the Pool may be used as a proxy for the performance of SMAs, however performance may differ in SMA accounts due to a number of factors including but not limited to timing of trades and client-specific circumstances.

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