ANTARES INVESTMENT MANAGEMENT

VALUE PORTFOLIO

The Antares Value Portfolio focuses on companies that, in our analysis, are underpriced in the stock market relative to their underlying worth as businesses. Our strategy aims first to protect investors' capital by not overpaying for a given company - holding fixed income or cash when bargains cannot be found - and second, to grow that capital through share price appreciation as the company's value gets properly recognized within the equity market.

MANAGER COMMENTARY

In sports, defence wins championships and is often overlooked.

Ask almost any coach about where their team needs to improve in order to win games and vie for championships, and they will likely say, "defence". Most athletes are naturally focused on scoring rather than defending. This can be great for creating excitement and fanfare, but offence alone rarely wins championships. Hence the extra work needed on defence. This inherent weakness in most teams is seen from the grassroots level all the way up to the professional leagues. It is understood by most coaches that you can win more easily if you keep the other team from scoring on you. Said another way, you do not need many goals of your own if you can keep the other team from scoring many on you. When you combine that defensive approach with a focus on capitalizing on available opportunities when they present themselves, it can lead to success. That approach of safety first, may not be exciting to watch but is one that many teams have followed to championship success.

Value investing focuses on defence first.

Investing is similar. At least Value Investing is. If winning with investing is about making, and keeping, gains in your portfolio then defence is a key component. The value investing approach is firmly of the mindset that the best way to increase a portfolio's value is by avoiding repeated and large declines. In other words, a good defence is considered a necessary condition for becoming a financial champion.

Our "defence-first" investment stance has protected your capital in 2022

Many avid investors and professionals alike spend much time focused on returns only (scoring goals), but often give little thought to preserving what they have already saved and gained (defence). That lack of defensive focus often causes investors to suffer massive declines. This year may be a textbook example.

I have spent much time these last few years thinking about the defence part of your portfolio; trying to limit both the severity of losses and the number of occurrences.

The easiest way to do that is to avoid overpaying for stocks. My belief is that avoiding the temptation to join the crowds in paying higher and higher prices will ultimately provide you with a safer portfolio that can withstand financial onslaughts.

That diligence and patience has paid off. Canadian, U.S., and International stock markets are down 13.4%, 25%, and 28.8% respectively, with the technology heavy NASDAQ market down almost 33% so far this year[1]. As mentioned in our last newsletter, I am thrilled to report that your portfolio has not suffered to that extent. There are several reasons why.

1. Your portfolio looks nothing like the markets. You are invested in businesses, not markets.
2. The businesses you own overwhelmingly provide needed goods and services that people will continue to buy.
3. We refused to pay exorbitant prices and therefore your portfolio already has a defensive posture.
4. Most of the businesses you own have more cash than debt and higher interest rates will not hurt them.

You have all seen the chart on the next page. It shows how cheap or expensive the U.S. market has been over the last 140 years. This year started with a price point that was the second highest on record and despite the losses already incurred there is still 40% more to go, just to get to the long-term average.

814-1661 Portage Ave
Winnipeg, MB R3J 3T7
Canada

P (204) 975 5131
TF (866) 975 3888
F (204) 925 5960

info@antaresinvestment.ca
www.antaresinvestment.ca

ANTARES INVESTMENT MANAGEMENT

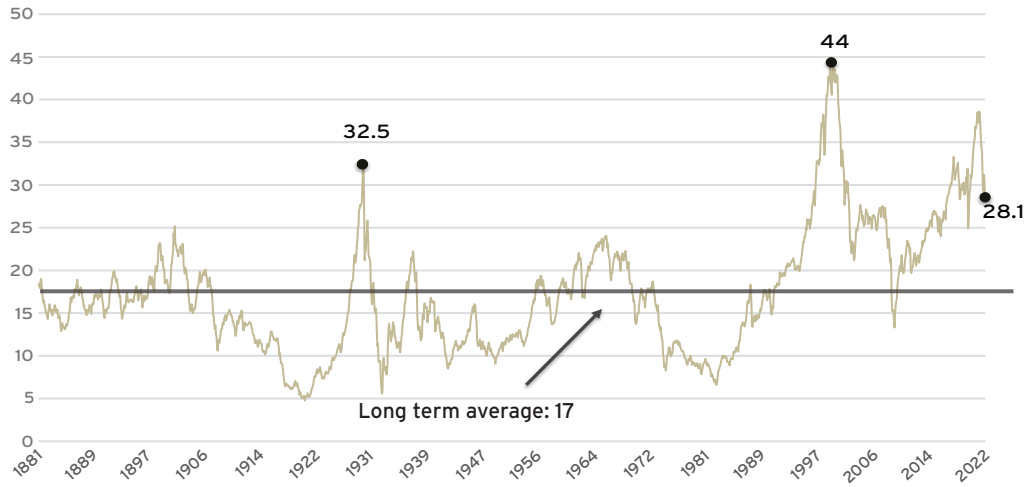
VALUE PORTFOLIO

The Antares Value Portfolio focuses on companies that, in our analysis, are underpriced in the stock market relative to their underlying worth as businesses. Our strategy aims first to protect investors' capital by not overpaying for a given company - holding fixed income or cash when bargains cannot be found - and second, to grow that capital through share price appreciation as the company's value gets properly recognized within the equity market.

MANAGER COMMENTARY

Although the U.S. market is down, it remains expensive by historical standards.

Figure 1 - Shiller CAPE Ratio - Monthly



We pay attention to how you are doing, not how the market is doing.

This chart simply corroborates what we are seeing on a company-by-company basis; that on average many companies are still overpriced and we believe have more room to fall.

Keep in mind that our mindset is not simply on beating a market, or outperforming some other person or firm. Our mindset is on doing everything we can to ensure you don't run out of money. That's winning financially. We are not concerned about what markets or others are doing, but on how you are doing. If this is the mindset, then we can wholeheartedly embrace the (potential) continued downside in stock markets. You have a solid defence in your portfolio and lower prices would present some compelling opportunities to buy at discounted prices. There will come a time to be offense-minded, but that time is not yet here.

I forsee continued downside in equity markets and will continue with a defensive stance until such time as good value emerges.

For the remainder of the year I expect that we will continue to see more of what we have seen so far this year.

That is, market prices are poised to continue to come down, but your portfolio is unlikely to match the market declines. The opportunities will present themselves over the coming months and we want to be prepared to take advantage of them. Take note, that I do not know when prices will stop going down and I make no attempt to try to guess.

I will continue to be diligent and focused on downside risk, knowing that we can invest when the opportunities come. That approach, I believe, puts you in the best position to preserve what you have already saved, and continue to grow into the future. It may not be exciting, but it is much more conducive to winning YOUR financial championship.

Thank you for your continued support and trust.

Gerry Bettig, CFA

1. Source : Bloomberg in local CAD and USD currency respectively

814-1661 Portage Ave
Winnipeg, MB R3J 3T7
Canada

P (204) 975 5131
TF (866) 975 3888
F (204) 925 5960

info@antaresinvestment.ca
www.antaresinvestment.ca