ANTARES INVESTMENT MANAGEMENT

TOTAL EQUITY PORTFOLIO

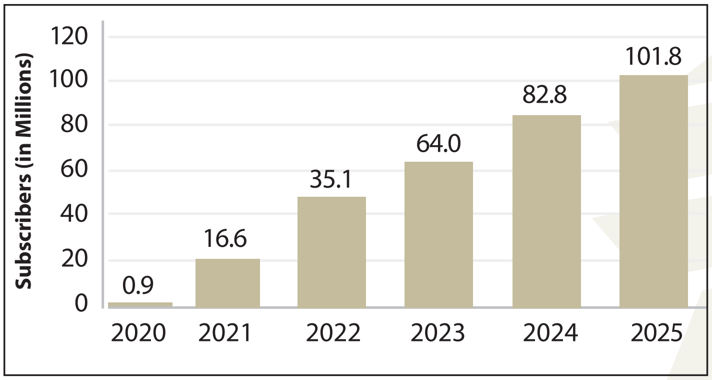
The Antares Total Equity Portfolio focuses on quality companies with high levels of recurring and growing cash flow. It aims to produce a strong long-term total investment return comprised of capital appreciation and dividend income.

MANAGER COMMENTARY

Your portfolio's companies generally reported good results and validated our decisions to own them. Economies are reopening and companies are hiring. With the cost of money still at historically cheap levels, commodities, housing and stock prices continued to surge during the quarter. We expended considerable effort researching new candidates for the portfolio and made no big decisions, but the groundwork is laid in the event circumstances and/or our thinking evolve. For now, we are in a bull market and past experience has taught us that sometimes our job is to stay out of the way.

This quarter we completed the purchase of Verizon Communications in client portfolios. Verizon has the largest wireless subscriber base in the U.S., with a 32% market share. As cell phone service providers start to invest heavily in 5G wireless infrastructure, we believe that Verizon is well positioned competitively. Its size means it can spread the investment across a large revenue base. The company has taken a focused approach with the 5G rollout. They offer the fastest network in 64 large urban centres, having deferred investment in less populous areas. Separately, the company has consistently generated higher profit margins than peers – we believe it has a better network that allows it to charge full price and limit its exposure to damaging price wars. We like that Verizon has historically maintained lower debt ratios than peers. The dividend yield of 4.5% suggests the company is suited for income-oriented investors, but we also believe the company has the potential to grow faster than the inexpensive share valuation (11x forward earnings, 10% free cash flow yield) implies. The share price has been relatively restrained, which provided us with the opportunity to build positions in client portfolios.

Verizon 5G Subscriber Forecast



Source: Bloomberg

We trimmed Enbridge in the majority of client accounts after considerable internal discussion. We believe our original investment thesis has weakened due to the evolution in political and societal acceptance of new pipeline construction. Pipelines are valuable assets that cannot be replicated, and despite the occasional spill, are surely a much safer (and cheaper) means to transport energy than rail cars. The dividend is rich (6.7% yield at June 30, 2021) and well covered by cash flow. All of this is good, which is why we continue to hold the shares. However, it is now onerous to obtain approvals to replace existing pipelines, let alone build new ones. The winds have shifted, and we suspect a return to the old days of double-digit asset growth are a thing of the past. A full weighting no longer made sense to us – hence the decision to trim. We will be evaluating next steps as we pursue our analysis – we have no strong prejudice and are not feeling rushed. We do our best to see the world as it is, not as we want it to be.

Looking forward, we will continue with our company-by-company analysis. With bond yields low and corporate earnings enjoying something of a tailwind from the economic recovery, the consensus view is that the path of least resistance for equities is upward. We tend to agree, which partly explains why we have generally left the portfolio alone in the past quarter. That said, we are mindful of the lessons from the Financial Crisis 2008 when, like today, debt levels and asset prices were high – there is some potential for a negative shock. We believe the best protection is to own shares of companies that manage their debt prudently, that show sales and profit growth, and whose market value is reasonable relative to the underlying business.

Thank you for your trust,

Alec MacIsaac, CFA
Ricardo Melo, CFA

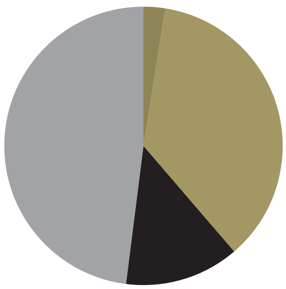
814-1661 Portage Ave
Winnipeg, MB R3J 3T7
Canada

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

info@antaresinvestment.ca
www.antaresinvestment.ca

TOTAL EQUITY PORTFOLIO

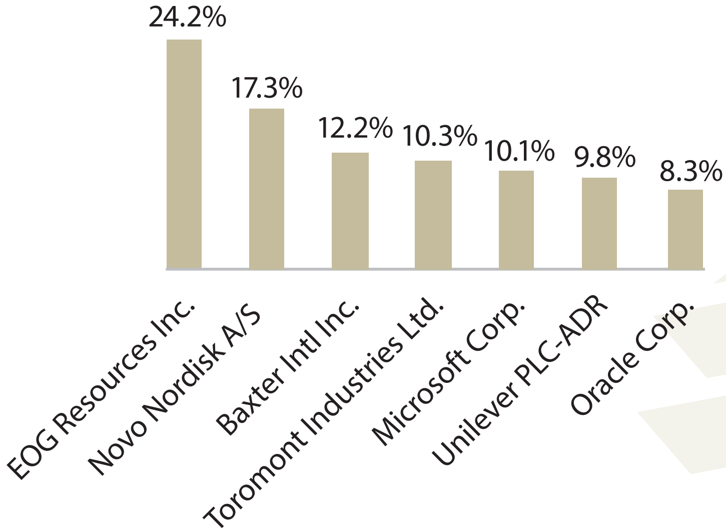
ASSET ALLOCATION[1]



DIVIDEND REPORT - AS AT JUNE 30, 2021[1]

- 2.6% Portfolio Dividend Yield
- 24 of 31 Holdings Raised Their Dividend In Local Currency In The Last 12 Months
- 11.2% Portfolio Dividend Growth Rate Over The Last 12 Months

NOTEWORTHY DIVIDEND INCREASES - LAST 12 MONTHS[1]



PORTFOLIO HOLDINGS & SECTOR WEIGHTS[1]

		DIVIDEND YIELD	5YR DIVIDEND GROWTH RATE
FINANCIALS	**23.3%**		
Bank of Nova Scotia		4.5%	4.9%
Berkshire Hathaway Inc. Class B		N/A	N/A
Brookfield Asset Management		1.0%	7.4%
JPMorgan Chase & Co.		2.4%	15.4%
Manulife Financial Corp.		4.6%	9.5%
Royal Bank of Canada		3.4%	6.5%
Wells Fargo & Co.		1.2%	(23.3%)
INFORMATION TECHNOLOGY	**19.5%**		
Accenture Plc Class A		1.2%	9.4%
Apple Inc.		0.6%	9.4%
Cisco Systems, Inc.		2.8%	10.3%
Constellation Software Inc.		0.3%	(0.9%)
Microsoft Corp.		0.8%	9.5%
Oracle Corp.		1.6%	11.6%
HEALTHCARE	**16.4%**		
Baxter International Inc.		1.3%	16.4%
Gilead Sciences, Inc.		4.1%	9.6%
Johnson & Johnson		2.5%	6.0%
Novo Nordisk A/S Sponsored ADR Class B		1.9%	8.5%
Roche Holdings Ltd-Sponsored ADR		2.7%	3.7%
INDUSTRIALS	**11.6%**		
Otis Worldwide Corp.		1.2%	N/A
Stantec Inc.		1.2%	8.0%
Toromont Industries Ltd.		1.3%	12.8%
Union Pacific Corp.		1.9%	12.6%
ENERGY	**9.0%**		
Enbridge Inc.		6.7%	10.6%
EOG Resources Inc.		2.4%	18.1%
Suncor Energy Inc.		2.8%	(6.3%)
CONSUMER STAPLES	**6.4%**		
CVS Health Corp.		2.4%	5.2%
Unilever PLC-Sponsored ADR		3.4%	7.7%
UTILITIES	**3.7%**		
Canadian Utilities Ltd Class A		5.1%	7.1%
TELECOMMUNICATIONS	**2.4%**		
Verizon Communications Inc.		4.5%	2.2%
INFRASTRUCTURE	**2.4%**		
Brookfield Infrastructure L.P.		3.6%	5.3%
MATERIALS	**2.4%**		
Nutrien Ltd.		3.0%	N/A
CASH & OTHER	**2.9%**		

PORTFOLIO CHANGES[1]

▲ Verizon Communications Inc.
▲ Nutrien Ltd.
▼ Enbridge Inc.

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

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