Antipodes Global

Quarterly Investment Option Update

31 March 2020

Aim and Strategy

To achieve absolute returns in excess of the MSCI All Countries Index over the investment cycle (typically 3-5 years).

Antipodes applies a flexible, benchmark agnostic style to investing in global shares that allows for long/short exposure and actively managed cash levels. It offers active contrarian approach which seeks to exploit two broad types of market opportunities; high quality companies trading at cyclical lows where it is believed the market has become too pessimistic about the business cycle, and companies benefiting from structural change or sustained growth which is underestimated by the market. Across these opportunities the team diligently looks for a 'margin of safety' in a discount to valuation. For shorting opportunities, the symmetrically opposite logic to long investment is used.

The option primarily invests in global listed equities with maximum allowable gross exposure (sum of long and short positions) of 150% of its net asset value and a maximum net equity exposure (long minus short positions) of 100% of its net asset value. Antipodes also actively manages its currency exposure with the view of both generating and protecting portfolio returns rather than automatically hedging back to Australian dollars.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment Category	Global Shares
Suggested Investment timeframe	5 years
Relative risk rating	6 / High
Investment style	Special – absolute return
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100	N/A
Cash	0	N/A

Sector Allocation	%
Banks	6.8
Internet	8.8
Healthcare	6.5
Hardware	4.3
Industrial	6.4
Software	5.9
Retail	3.9
Energy	3.3
Communications	3.1
Insurance	2.8
Staples	3.0
Industrial Services	2.9
Infrastructure	1.6
Precious Metals	1.5
Other	2.4

Regional Allocation	%
North America	17.7
Developed Asia x Japan	7.7
Japan	9.0
Developing Asia	11.5
Western Europe	17.7
Australia	1.5
Rest of World	0.4

Portfolio Summary

- The fund outperformed the benchmark in the March quarter.

Investment Option Commentary

Key contributors included:

- Shorts, which protected the portfolio in an incredibly volatile market. The portfolio is short businesses that are expensive, vulnerable to competition and in many cases have highly geared balance sheets. The portfolio also has tail risk protection via long credit protection, which paid off during the quarter as high yield credit spreads materially widened.
- Healthcare cluster which behaved defensively. Gilead's promising antiviral drug Remdesivir is undergoing trials to determine its effectiveness in treating COVID-19 patients.
- Software cluster, notably Microsoft, a near-term beneficiary of the current environment where Office365 downloads hit record levels as we adapt to working from home.

Key detractors to performance over the quarter included the portfolios' cyclical exposures as it became evident COVID-19 was indeed a global pandemic and economic activity globally would be severely impacted because of lockdowns to contain the spread of the virus. Portfolio clusters impacted by this were:

- Financials (Consumer Cyclicals) globally were impacted by concerns around a rise in credit losses as a result of virus-induced supply chain and demand shocks to the system
- Oil/Natural Gas following the substantial decline in the oil price over the quarter which was primarily a function of the collapse in global demand but compounded by the collapse of the OPEC+ alliance.
- Industrials including Siemens, General Electric (GE) and Continental which have been penalised by perceived general economic sensitivity.

Market Commentary

While all sectors ended the quarter lower, the market exhibited a defensive bias led by momentum and growth styles, with Healthcare, Consumer Staples and Information Technology outperforming. Cyclicals and value lagged as economically sensitive sectors such as Energy, Financials and Materials underperformed.

Concerns over the human and economic toll of the virus prompted global central banks to embark upon an unprecedented policy response, cutting interest rates and restarting and/or expanding asset purchase programs. Such support stabilised funding markets for the real economy in the short term and should support longer term recovery. Governments also contributed fiscal measures to protect jobs, wages and businesses until economies can resume functioning at a more normal level.

Against this backdrop, Asian equities outperformed the broader index. The best performing region was China as COVID-19 spread was contained and broad government support softened the economic blow. In January, the US and China signed the much-anticipated phase one trade deal. Economically sensitive Emerging Markets suffered with India the worst performing market as the Reserve Bank of India desisted from announcing any major policy initiatives to support growth.

US equities were a small outperformer. The Federal Reserve introduced various stimulus measures including a corporate credit programme to support investment grade corporate bonds. The government passed the $2.3 trillion CARES Act to support individuals, families and small-and-medium sized businesses. Weekly jobless claims data at the end of March hit all-time highs. The Democratic Primary race for the US presidential election progressed with Joe Biden taking the lead as the potential Democratic candidate against rival Bernie Sanders on Super Tuesday.

Outlook

While investment manager's more cyclical/economically sensitive exposures were a drag on portfolio performance over the quarter, these holdings will benefit as the landscape changes. This change could be driven by fiscally funded investment programmes, central bank monetisation of ballooning fiscal deficits and consequent impact on real rates as the market inevitably demands a higher equity risk premium. Most importantly, global cyclicals are 1 standard deviation cheap after factoring in recessionary-style earnings cuts (30% cut to earnings) while global defensives are still 2 Standard deviations expensive after recessionary-style earnings cuts (15% cut). Yesterday's winners – long-duration assets – will not necessarily be tomorrow's winners as investors hunt for bargains in beaten up areas of the market. The focus of retail investors will shift to raising cash/protecting balance sheets and Antipodes expect to see more pressure on previous winners where retail/hedge funds are most overweight.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1526AU
AMP Flexible Super - Retirement account	AMP1586AU
AMP Flexible Super - Super account	AMP1574AU
CustomSuper	AMP1526AU
Flexible Lifetime - Allocated Pension	AMP1538AU
SignatureSuper	AMP1550AU
SignatureSuper Allocated Pension	AMP1562AU
SignatureSuper Select	AMP1550AU

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