Antipodes Global

Quarterly Investment Option Update

31 March 2021

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/performance

Investment Option Overview

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

Asset Allocation	Benchmark (%)	Actual (Net %)
Global Shares	100	80.1
Cash	0	3.8

Sector Allocation (Net)	%
Software/Internet	14.6
Industrials/Materials	13.4
Financials	12.9
Hardware	9.3
Housing/Durables	8.7
Infra./REITS/Communications	7.2
Healthcare	6.3
Retail	4.9
Energy/Ind. Services	2.7
Staples	2.5
Consumer & Commercial Services	1.9
Precious	1.4
Other Equity	(5.5)

Regional Allocation (Net)	%
North America	23.2
Developed Asia x Japan	12.4
Japan	4.9
Developing Asia	14.1
Western Europe	24.6
Australia	1.0
Rest of World	-

Portfolio Summary

- The strategy outperformed the MSCI All Country World Index in the March quarter.

Investment Option Commentary

Key contributors to performance over the quarter included:

- Industrials cluster, including Siemens and General Electric, as the market began to view cyclical businesses through a more favourable lens following confidence around vaccine-led reopening and positive implications for economic activity.
- Consumer Cyclical Developed Markets (DM) cluster including ING Groep and Capital One Financial on improvement in the economic outlook. ING and Capital One have consistently reported lower than expected credit costs over the last 12 months, distributions have recently lifted and both companies have considerable excess capital to facilitate additional distributions.
- Oil/Natural Gas cluster including Exxon and Equinor on positive outlook for energy demand with vaccine-led reopening whilst supply remains disciplined.

Key detractors to performance over the quarter included:

- EDF (Telco/Infrastructure cluster DM) suffered in the early part of the quarter as a decision regarding the company's new regulation and restructure, expected early in the year, was delayed. News flow after quarter end indicated the negotiation process is back on track.
- Software/Internet Asia/Emerging Markets (EM) cluster, notably JD.com and Meituan Dianping, amidst ongoing domestic scrutiny over Chinese internet platforms. Despite near-term regulatory issues, the long-term outlook for Chinese internet/e-commerce remains attractive given opportunities to increase penetration in lower tier cities, expand into new categories, and in digital advertising where ad penetration lags most markets.

Market Commentary

Global equities were strong in the first quarter of 2021 (+4.6% in USD, +5.9% in AUD) on a robust improvement in economic data and as the rapid rollout of COVID-19 vaccination programs boosted optimism on a sustainable reopening of the global economy, whilst the supportive monetary backdrop alongside further US fiscal efforts supported sentiment.

Against this backdrop, investors exhibited a bias towards cyclical stocks as economically sensitive sectors such as Energy, Financials, Industrials and Materials outperformed. Defensive sectors which benefitted the most from the COVID outbreak such as Consumer Staples, Healthcare and Utilities underperformed. There was a stylistic preference for low multiple - or value - stocks over growth and momentum, whilst small-cap stocks, which tend to me more domestically focused, performed particularly well.

Outlook

One year on from “coronavirus” entering household vocabulary, the global economic cycle has rebounded but remains below trend. While the fund continues to watch India and Brazil closely, emerging economies are leading the developed world despite the slower vaccine rollout and little stimulus. A diligent handling of the virus in the early stages (particularly in north Asia) has supported domestic activity and stimulus in the US has buoyed exports.

The amount of stimulus undertaken by policy makers globally has reached astonishing levels with 40% of all money ever created occurring last year, led by the US. Central banks seem committed to remain accommodative, though the fund is watching the People’s Bank of China (PBOC) closely as it appears credit creation in China has peaked. The question is whether an acceleration in stimulus from the US can offset any tightening in China.

Whilst the market has begun to view economically sensitive stocks through a different lens, cyclicals are still broadly cheap relative to defensives. Investment led stimulus/growth can lead to a more permanent shift in investment preferences, and a more durable outperformance of low multiple stocks, much like what was seen after the 2000 tech wreck. There will be new candidates that can transition to secular growth winners and some of today’s perceived winners will be revealed as growth traps.

Availability

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

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