Antipodes Global

Quarterly Investment Option Update

31 March 2022

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 visit amp.com.au/performance.

Investment Option Overview

Investment Category	Global Shares
Suggested Investment timeframe	5 years
Relative risk rating	7 / Very high
Investment style	Special – absolute return
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (Net %)
Global Shares	100	68.1
Cash	0	0.13

Sector Allocation	%
Software/Internet	19.8
Industrials/Materials	7.4
Financials	10.5
Retail	6.9
Healthcare	5.7
Hardware	7.4
Energy/Ind. Services	6.9
Infra./REITS/Communications	9.6
Staples	2.6
Housing/Durables	3.6
Consumer & Commercial Services	1.3
Precious	3.9
Tail Risk (Equity)	-8.1
Tail Risk (Other)	-9.6

Regional Allocation (Net)	%
North America	34.8
Developed Asia x Japan	4.5
Japan	2.5
Developing Asia	13.0
Western Europe	25.2
Australia	1.4
Rest of World	-3.6

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:

- Oil/Natural Gas cluster, including Exxon, Coterra Energy and EQT Corporation with commodity prices surging over geopolitical risks to supply.
- Materials cluster, notably Teck Resources reported strong earnings in February, exceeding market estimates with the diversified miner reporting profit increases on metallurgical (steel-making) coal, copper and zinc operations, reflective of demand surges and higher prices globally.
- Tail Risk cluster, notably Gold and Industrials. Gold as well as miners Newcrest and Barrick Gold contributed to the portfolio over the quarter as geopolitical tension played on investor sentiment, with gold benefitting as a perceived safe haven.
- Shorts, including Industrials and Internet/Software - DM clusters as higher yields triggered a more severe sell off in weaker companies early in the quarter. The selloff expanded most notably into widely held technology names over February.

Key detractors to performance over the quarter included:

- Internet/Software – DM cluster, notably Meta Platforms which reported weaker than expected earnings in early February 2022, casting doubt over market estimates of future growth prospects.
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- Internet/Software – Asia/EM, cluster including KE Holdings, Tencent, Meituan Dianping and JD.com. Upon releasing results which were in line with analyst expectations, JD.com and Tencent revealed slowing revenue growth in a challenging year for Chinese internet companies. Fears of slowing economic growth, continued regulatory impacts and prospective delisting announcements continue to weigh heavily on investor sentiment.

Market Commentary

The first quarter of the year was characterised by uncertainty as volatility dominated global markets. Overall, global equities plunged (-5.4% in USD, -8.4% in AUD) over the period. The Russian invasion of Ukraine put further pressure on already stressed supply chains and rising global inflation, with energy, materials and agriculture commodities pushed higher. Whilst the impact of the conflict, as well as the persistence of COVID-19, will eventually ease, longer-term inflationary pressures, increased spending in alternative forms of energy and increased defence spending, will see central banks consumed by balancing the risks of inflation against concerns of weaker growth.

Equities in Asia were down (-7.5% in USD) over the quarter. Chinese equities (-14.3% in USD) continued to underperform, with disappointing Chinese macro data, exaggerated by the surge of the Omicron variant of COVID-19 and concern that China's vaccines have proven less successful at preventing transmission. With the Chinese Government strictly pursuing a zero-COVID strategy, the enforced lockdowns in several major cities and manufacturing hubs, raises concern for further global supply chains disruption.

During the quarter, energy, materials and utilities outperformed, whilst consumer discretionary, consumer services and information technology underperformed.

Outlook

Whilst US equities were perceived to be the safe-haven in the early stage of the Russia/Ukraine sell off, weaker domestic data and Fed tightening may amplify the narrative around policy error. In this context the portfolio remains underweight to expensive US domestic cyclicals which will bear the brunt of a weaker environment.

The portfolio remains overweight European equities and remain biased towards companies that will benefit from a longer-term increase in spending around decarbonisation and defensives such as Sanofi and SAP. Domestic exposure is focused on financials which are well capitalised with a mandate to increase shareholder returns, utilities greening Europe's grid, and Tesco which is taking share as grocery shifts online.

The Antipodes Global portfolio has c. 13% exposure to China. Even though the Chinese economy remains in the middle of a slowdown we are encouraged by the change in policy rhetoric and increase in frequency of announcements around protecting the economy, stabilising the property sector and reaching an end to the regulatory cycle. Portfolio exposure remains focused on dominant consumer franchises with opportunities to increase market share that will perform well in a rebound (travel, insurance, restaurants), leading platforms that are relatively better positioned from a regulatory perspective (JD.com and Tencent), and very high-quality property related exposures.

Stagflation represents a more challenging environment as Growth-Value factor and bond-equity correlations will likely rise. Further, historically equity multiples have compressed at an aggregate level when inflation is sustained above 4%. Antipodes continues to avoid weaker companies, irrespective of growth profile, which will be tested in a tougher economic environment and focus on resilient market leaders that can take profitable market share against a backdrop of stickier inflation.

Availability

Product name	APIR
SignatureSuper*	AMP1550AU
SignatureSuper Allocated Pension*	AMP1562AU

*Closed to new investors

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