

# Antipodes Global

Quarterly Investment Option Update

30 September 2019

## 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](http://amp.com.au)

## Investment Option Overview

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

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	N/A	63.3
Cash	N/A	11.2

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

Top Holdings	%
Facebook	3.2
Microsoft	2.9
Ping An Insurance	2.8
Siemens	2.7

## Portfolio Summary

- The fund underperformed in the September quarter as defensively minded investors showed a stylistic preference for momentum and high multiple/growth stocks at the expense of value.

## Investment Option Commentary

Key contributors to performance include:

- Online Services - Asia cluster including LINE after strong growth in advertising units and indicating losses in its strategic new businesses had peaked. Sony had strong results driven by the digital image sensors business.
- Gold cluster including Barrick Gold and Newcrest Mining, which continue to deliver on fundamentals with both companies reporting strong results, and performance also supported by the strength in the gold price over the quarter.
- Healthcare cluster including Merck as their immuno-oncology drug Keytruda continued to gain regulatory approvals during the quarter, and Roche as they announced positive results during the quarter, confirming the efficacy of combining its two key breast cancer drugs in a single injection.
- Connectivity/Compute cluster including Samsung Electronics as the market started to price in a recovery in memory end demand after a steep downturn.

Key detractors to performance include:

- Consumer Defensives - Developed Markets, notably Tapestry as results disappointed with the slower than anticipated turnaround at Kate Spade, which was expected to be a key growth driver for the company.
- Consumer Cyclical - Asia/Emerging Markets including KB Financial, which was impacted by concerns of slowing global growth.
- Electricite de France (EDF) due to component issues (affecting <10% of the nuclear fleet and not requiring immediate replacement) and construction delays at a new plant in the UK weighed on sentiment.
- Short positions detracted from performance.

## Market Commentary

Global equities struggled for direction in the September quarter (+4.0%), experiencing vicious rotations beneath the surface as the global economic slowdown, rising US-China trade tensions and geopolitical issues were offset by further monetary easing. Characterised by a defensive bias, investors showed a stylistic preference for momentum and high multiple/growth stocks at the expense of value.

Against this backdrop, the US outperformed. The Fed cut rates in July and September in an attempt to prolong the economic expansion after recession fears escalated with the 2yr/10yr yield curve inverting for the first time since 2007. European equities lagged after the release of disappointing economic data, in particular, the manufacturing sector in Germany.

## Outlook

The point to point move in global equity markets (0% in USD) hid the significant rotation that occurred during the quarter. In August, the market saw the US Federal Reserve cut rates, global economic data weaken, US-China trade tensions escalate, and US 10-year Treasury yields collapse. As these events unfolded momentum significantly outperformed as investors held their winners (long duration assets e.g. defensive and secular growth stocks) and sold their losers (short duration assets e.g. cyclical stocks).

Towards the end of the quarter, the European Central Bank (ECB) announced easing measures and encouraged governments to launch fiscal initiatives, catalysing a severe rotation out of momentum into low multiple stocks (often labelled as "value"), as investors quickly sought to reposition. The question is, how durable will this rotation be?

With central banks seemingly committed to monetary stimulus and the bond market telling us that we are living in a low growth world, one could argue this reinforces the case for owning long duration assets. With this in mind, Antipodes have tilted the portfolio, increasing exposure to quality defensive assets but without overpaying for this exposure (e.g. healthcare).

## 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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