

Antipodes Global

Quarterly Investment Option Update

30 September 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:

www.amp.com.au/performance

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	72.9
Cash	0	7.5

Sector Allocation	%
Internet	12.3
Banks	8.7
Healthcare	7.7
Hardware	8.7
Industrial	5.2
Retail	5.8
Software	5.6
Staples	3.8
Infrastructure	4.2
Communications	2.7

Regional Allocation (Net)	%
North America	24.7
Developed Asia x Japan	18.8
Japan	3.6
Developing Asia	7.9
Western Europe	21.1
Australia	2.0
Rest of World	0.0

Portfolio Summary

- The strategy underperformed (gross of fees) the MSCI All Country World Index in the September quarter

Investment Option Commentary

Key contributors to performance over the quarter included:

- Online Services Asia/Emerging Markets (EM), including Alibaba and JD.com, as China consumption rebounded with retail sales now higher than pre-COVID levels. Alibaba continues to take market share in online sales, as new users and engagement continue to grow at a fast clip due to, amongst other things, membership programmes, expanded recommendation feed and short form videos. JD.com similarly continues to report material increase in customers, revenue and profitability following cost control. Tencent, however, detracted as its share price consolidated following a period of material outperformance.
- Consumer Defensive EM cluster, including Wuliangye, as demand for premium baijiu continues to build amongst China's high-income cohort, and Yili, which continues to take share in yoghurt as well as milk, which is a premium category.
- Online Services Developed Markets (DM), notably Facebook and Roku. Facebook continues to announce new product initiatives including social commerce product launches on the core Facebook and Instagram platforms, and Roku (leading US TV operating system) reached a deal with Comcast's NBC Universal to include their broadcast and cable apps on Roku's platform.
- Connectivity/Compute cluster including TSMC and Samsung Electronics, as investors appreciate demand for TSMC's leading edge solutions while Samsung benefited from a rebound in handset sales. Both leading incumbent semiconductor companies are benefiting from the escalation in US-China tech tensions, with the US restricting China's access to chips designed or manufactured using US tools, curtailing China's tech independence and necessitating dependence on the Taiwanese/Koreans. Further, both are likely to benefit from any transition Intel may make from in-house production of its core CPU chips to contract manufacturing.

Key detractors to performance over the quarter included:

- Oil/Natural Gas cluster, notably TechnipFMC and CNOOC which weakened with the oil price, while the market overlooks Technip's c. \$3b in contract wins over the September quarter.
- Healthcare cluster including Roche and Sanofi as pharma stocks were broadly impacted by the potential of adverse drug pricing policies in the event of a Democratic clean sweep in the upcoming US elections. Gilead Sciences weakened as a key pipeline drug failed to secure approval from the FDA (US regulator).
- UniCredit, Consumer Cyclical DM cluster, which, along with other banks, was affected by potential money laundering claims over 2000 – 2017, with the bulk of these cases backward looking. The transactions attributed to UniCredit are immaterial.
- Shorts, which can act as a headwind in upward moving markets. The portfolio is short businesses that are expensive, vulnerable to competition and in many cases have highly geared balance sheet

Market Commentary

Global equities continued to rebound during the third quarter of 2020 (+8.1% in USD, +3.9% in AUD) as the focus remained on the early recovery phase of the cycle following the COVID-19 induced recession. A general easing in lock-down restrictions, progress in vaccine trials and continued fiscal and monetary support from governments and central banks were supportive for market sentiment.

Outlook

The outperformance of high multiple (growth) stocks relative to low multiple (value) has accelerated since 2018 with COVID-19 adding more fuel to the fire. Multiple dispersion has reached extraordinary levels across every sector, exceeding the levels reached in the dot.com bubble. A rotation into 'value', or compression in extreme multiple dispersion, typically occurs around a cyclical rebound in economic activity (as last seen in 2016-17) or on a much longer duration basis due to a fundamental shift in the underlying investment composition of the economy.

For a cyclical rebound to occur we need a continued re-opening of the global economy and in that vein the US, Europe and China appear reluctant to go back into lockdown. The Chinese economy has rapidly normalised without a vaccine, with the fiscal position and government debt intact. However, a vaccine will be key for Western consumers to fully 'normalise' behaviour.

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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