

Antipodes Global

Quarterly Investment Option Update

31 December 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/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 (Net %)
Global Shares	100	75.6
Cash	0	7.3

Sector Allocation	%
Internet / Software	14.1
Banks	11.4
Healthcare	5.6
Hardware	8.6
Industrial	12.5
Retail	5.7
Staples	3.7
Infrastructure / REITS / Communications	9.2

Regional Allocation (Net)	%
North America	25.9
Developed Asia x Japan	10.9
Japan	2.7
Developing Asia	16.4
Western Europe	20.9
Australia	2.7
Rest of World	0.0

Portfolio Summary

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

Investment Option Commentary

Key contributors to performance over the quarter included:

- Industrials cluster on a better outlook for economic growth following vaccine news. General Electric and Norsk Hydro led the broad move in the cluster, as GE stands to benefit from a normalisation in travel given its aerospace engines business accounted for two-thirds of earnings pre-COVID and Norsk Hydro has moved with the strength in the aluminium price.
- Consumer Cyclical Developed Markets (DM) cluster, including Capital One Financial and ING Groep on greater confidence around recovery in economic activity. Capital One and ING continue to report lower than feared credit losses. The market was disappointed by the ECB's limit on European banks' capital distributions, and recommendation to delay distributions until September 2021, and Antipodes await clarity from the US Federal Reserve regarding US banks' distributions post 1Q21. Regulatory approval to lift capital distributions would be a clear catalyst for re-rating US banks.
- Connectivity/Compute cluster including Samsung Electronics and TSMC as semiconductor demand across key end markets including handset, data centre, auto and PC continues to outpace expectations.

Key detractors to performance over the quarter included:

- Healthcare cluster, including Sanofi and Merck, as pharma stocks were impacted early in the quarter from the possibility of adverse drug pricing policies under a potential Democratic clean sweep in the US elections.
- Gold cluster, notably Newcrest, underperformed as the market exhibited a preference for cyclical stocks. For Newcrest specifically, a strong AUD proved a further headwind given local costs.
- Alibaba, Online Services Asia/EM cluster, on anticompetitive policies announced by the Chinese regulator.
- 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 sheets.

Market Commentary

Global equities were strong in the final quarter of 2020 (+14.7% in USD, +6.5% in AUD), closing the year at all-time highs as the US election result, positive COVID-19 vaccine news and the continued fiscal and monetary support from governments and central banks fuelled optimism on the recovery phase of the cycle. This was despite the pandemic taking a turn for the worse over the quarter, with new infections rising significantly in Europe and the US.

Against this backdrop, investors exhibited a bias towards cyclical stocks as economically sensitive sectors such as financials, energy and materials outperformed whilst more defensive sectors such as consumer staples, healthcare and utilities underperformed. There was a stylistic preference for low multiple - or value - stocks over growth and momentum.

Outlook

As news of COVID-19 vaccine trial progress arrived in Q4 2020, markets exhibited a preference for cyclical stocks. Their view is that as the global economy continues to emerge from the slowdown in to 2021 investment led stimulus will cement this rotation to the benefit of lower multiple stocks.

The vaccine rollout will play an important role in this rotation in to 2021. Though the new strain of COVID-19 has received much headline attention, mutations are expected in most viruses, including SARS-CoV-2. Importantly, there is no evidence to suggest that the currently authorised vaccines will not be effective against this strain. While vaccines can catalyse a cyclical rebound in economic activity, Antipodes see government directed investment spending as leading to a more permanent shift in investment preferences and a more durable stock picking market where extreme valuation multiple dispersion starts to converge.

Antipodes expect this transition to be accelerated in the US with the Democrats having pulled off a 'blue sweep' following the Georgia Senate runoffs, taking control of both the White House and Congress, providing a pathway to materially accelerate fiscal stimulus. The COVID relief package may be upsized and the blue sweep will likely bring forward investment stimulus. The market will be quick to price in additional stimulus reinforcing their views around a steepening yield curve, a stronger rotation into cyclical stocks and a weaker dollar.

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

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267



What you need to know

This publication has been prepared by AWM Services Pty Limited ABN 15 139 353 496, AFSL No. 366121 (AWM Services). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying investment manager only and not necessarily the views of AMP Limited ABN 49 079 354 519 (AMP Group). No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information.

The investment option referred to in this publication is available through products issued by N.M. Superannuation Proprietary Ltd ABN 31 008 428 322, AFSL 234654 (NM Super), AMP Capital Funds Management Limited ABN 15 159 557 721, AFSL 426455 (AMPCFM) and/or ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac). Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement (PDS) for the relevant product, available from the issuer or your financial planner.

Any advice in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner. In providing any general advice, AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in. The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither NM Super, AMPCFM, ipac, AWM Services, any other company in the AMP Group nor the underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document, unless expressly stated in the PDS. Past performance is not a reliable indicator of future performance. Any slight asset allocation deviations from 100% may be caused by rounding, asset categorisation and/or hedging.