

Antipodes Global

Quarterly Investment Option Update

30 June 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 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	74.1
Cash	0	14.3

Sector Allocation	%
Internet / Software	20.3
Banks	9.6
Healthcare	9.2
Hardware	8.7
Industrial	17.4
Retail	6.3
Staples	2.6
Infrastructure / REITS / Communications	8.7

Regional Allocation (Net)	%
North America	29.0
Developed Asia x Japan	13.1
Japan	5.9
Developing Asia	7.1
Western Europe	29.9
Australia	3.2
Rest of World	0.0

Portfolio Summary

- The strategy underperformed the MSCI All Country World Index in the June quarter.

Investment Option Commentary

Key contributors to performance over the quarter included:

- Online Services - Developed Markets (DM) cluster, notably Facebook which reported better than expected revenue and earnings growth, a reflection of the strength of Facebook and Instagram as advertising platforms.
- Software cluster, notably Microsoft which reported a strong result as the cloud infrastructure product Azure continues to grow at impressive rates in excess of 40% on an increasingly high base.
- Consumer Cyclical - DM cluster, notably Financials such as Capital One, ING, Wells Fargo on enthusiasm around economic normalisation as the northern hemisphere continues to reopen.
- Industrials cluster including Airbus, on confidence around reopening and Toyota, on production strength despite industry-wide supply constraints.

Key detractors to performance over the quarter included:

- Consumer Defensive - Emerging Markets (EM) cluster, notably Ping An where sales have taken time to normalise as policies are sold face to face in China, and restrictions are still in the process of easing.
- Shorts, which can act as a headwind in strong 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 second quarter of 2021 (+7.7% in USD, +9.3% in AUD) buoyed by continued monetary support alongside improving COVID-19 vaccination rates worldwide. Investors exhibited a bias for Technology, Healthcare and Energy with surging oil prices, while Utilities and Industrials underperformed.

The European vaccination drive caught up with the US and the UK during the period, though emerging economies continue to lag in their rollouts. The more recent spread globally of the Delta variant will challenge those countries where vaccination rates are still lagging, which could compound the uneven recovery seen so far.

Against this backdrop, overall growth over the last three months has been strong due to a significant rebound in activity as economies gradually reopened. This has fuelled inflation in some countries due to underlying factors such as supply bottlenecks and strength in commodity prices. Whilst many central banks regard this as transitory, policy makers will closely watch for any persistence in inflation as activity continues to revert to pre-pandemic levels.

Outlook

With the COVID-19 Delta strain in the headlines it's important to note transmission has not translated into higher hospitalisations and deaths in countries where vaccinations are well-progressed. At this stage, a return to widespread lockdown in the northern hemisphere appears unlikely. We expect policy makers globally to continue to focus on the vaccine rollout and believe a successful rollout in Emerging Markets is central to a global pathway to herd immunity and cross border reopening beyond regional travel bubbles.

As the global economy shows signs of normalisation, the question is whether the price action in June signals that the rotation into cyclicals has run its course - will the market return to the bond proxy/long-duration trade? The manager views the June price action as a necessary consolidation at the end of the first phase of an ongoing rotation in market leadership. This first phase was defined by a normalisation in inflation rather than economic growth expectations.

The risk remains that the global economy slows materially before any stage 2 self-sustaining investment-led recovery gains traction. The best way to manage this risk is to focus on investing in resilient businesses at the right price and incorporate some inexpensive tail-risk protection.

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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