Antipodes Global

Quarterly Investment Option Update

30 September 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	7 / Very High
Investment style	Special – absolute return
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (Net %)
Global Shares	100	75.8
Cash	0	3.9

Sector Allocation	%
Software/Internet	17.6
Industrials/Materials	8.9
Financials	10.6
Retail	7.0
Healthcare	8.5
Hardware	7.4
Energy/Ind. Services	7.1
Infra./REITS/Communications	5.7
Staples	3.2
Housing/Durables	2.4
Consumer & Commercial Services	2.1
Precious	1.0
Tail Risk (Equity)	-5.7
Tail Risk (Other)	-9.4

Regional Allocation (Net)	%
North America	30.3
Developed Asia x Japan	6.2
Japan	2.9
Developing Asia	13.3
Western Europe	24.0
Australia	1.0
Rest of World	-1.9

Portfolio Summary

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

Investment Option Commentary

Key contributors to performance over the quarter included:

- Consumer Cyclicals - Developed Markets (DM) cluster, notably European financials ING and UniCredit, due to ongoing economy recovery and as the regulator removed restrictions on payout ratios introduced during the pandemic.
- Oil/Natural Gas cluster also contributed, notably Cabot Oil and Gas (renamed Coterra Energy, following a successful merger with Cimarex) due to strong US natural gas prices and increasing recognition that the merger will provide the potential for significant capital returns to shareholders.
- Industrials cluster, notably Siemens and Teck Resources. Siemens continues to report strong order flow across its segments, but particularly in Digital Industries (the automation business which includes hardware and software solutions), which is positive for revenue and earnings growth in the coming quarters. Teck Resources benefited from a tight coking coal market while the company makes the transition to a copper-led business.

Key detractors from performance over the quarter included:

- Internet/Software - Asia/Emerging Markets (EM) cluster including Tencent and Meituan as uncertainty around regulatory reform in China weighed on the internet/platform companies broadly in the first half of the quarter.
- Ping An, within the Consumer Cyclical - Asia/EM cluster detracted from performance, over concerns around its property exposure, which appear manageable, and that growth in new business will remain slow in the near term as the company restructures its agency force.

Market Commentary

Over the quarter, economic activity in Western economies continued to moderate while employment data improved and inflation trended higher. The third quarter saw global equities up (+1.1% in USD, +2.8% in AUD). Increased volatility in September saw most of the gains from earlier in the quarter wiped out.

During the quarter the market's focus shifted towards the impact of continued inflationary pressures, spiking oil and gas prices, the outlook for Fed tapering, and China's growth trajectory following recent events impacting its regulatory landscape, property sector and power prices.

Central banks globally sounded more cautious over the management of inflationary pressures than in previous quarters as more muted growth coupled with continued supply chain pressures and disruption drove up prices. Higher energy costs also contributed to these price rises.

During this period investors exhibited a bias for Energy and Financials, with oil prices surging and sovereign yields increasing, while Materials and Consumer Discretionary underperformed.

Outlook

The manager's base case for 2022 remains that the strength of household balance sheets can support the cycle in the near-term. Over the longer-term, the view remains that global policy makers will be reluctant to move to austerity too quickly and that attitudes towards fiscal stimulus have fundamentally shifted. Investment cycles around decarbonisation, 5G adoption, infrastructure, catch-up spending in the health system and a capex cycle around unbundling global supply chains could lead to a shift in the consensus that the world is mired in a permanently low growth, low rate environment. There will be low multiple stocks that can transition to secular growth winners, and this can further fuel the rotation in equity preferences.

These new investment cycles may also tighten the extreme valuation dispersion between US equities and the rest of the world; US equities are valued at a 65% premium despite very similar earnings growth through time. Emerging investment cycles benefit companies globally and the rest of the world is not being priced for success. The manager is therefore underweight to the US and overweight to Europe on valuation grounds. While Europe has historically exhibited a high degree of correlation to China via the export connection, it has the potential to decouple due to reopening. Further, Europe has a strong desire to decarbonise which should be brought forward by today's high energy prices, and the economy's capacity to stimulate in order to cushion any slowdown.

As stimulus-led growth peaks, the key risks are that China over-tightens and excess savings in the West remain unspent. The global economy may materially slow before any investment-led recovery gains traction, and this would occur against a backdrop of higher inflation. This would be a difficult environment for equities in general, but US equities could be particularly vulnerable given their elevated valuations relative to other markets.

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

Contact Details

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

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