Antipodes Global

Quarterly Investment Option Update

31 December 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	77.8
Cash	0	1.97

Sector Allocation	%
Software/Internet	19.6
Industrials/Materials	7.2
Financials	9.7
Retail	6.2
Healthcare	8.6
Hardware	9.7
Energy/Ind. Services	6.4
Infra./REITS/Communications	6.9
Staples	3.4
Housing/Durables	1.3
Consumer & Commercial Services	2.1
Precious	2.1
Tail Risk (Equity)	-5.4
Tail Risk (Other)	-8.2

Regional Allocation (Net)	%
North America	31.0
Developed Asia x Japan	6.2
Japan	3.1
Developing Asia	13.0
Western Europe	26.3
Australia	1.9
Rest of World	-3.7

Portfolio Summary

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

Investment Option Commentary

Key contributors to performance over the quarter included:

- Hardware cluster, including Mediatek and Seagate Technologies largely resulting from announcements and release of new technologies in chip development and memory respectively.
- Consumer Defensive – Developed markets cluster also contributed, notably Tesco and Richemont as both companies continued to benefit from e-commerce trends in both the grocery and luxury retail segments.
- Consumer Cyclical – Develop markets cluster, notably UniCredit which surged higher over the quarter upon management committing to €16b of payouts from FY22-FY25, which was announced in addition to the a €652m buyback that commenced in mid-December.

Key detractors to performance over the quarter included:

- Shorts, notably within the Industrials cluster, were a drag on performance over the quarter as the market continued to re-rate growth equities amid heightened uncertainty regarding the impact of the Omicron variant.
- Internet/Software - Asia/Emerging Market cluster, notably Meituan after 3Q21 reporting revealed a fourth consecutive quarterly loss in addition to the finalising of a 3.4bn yuan (US$527.4m) fine for abusing its dominant market position.
- Consumer Cyclical - Asia/EM cluster, including Trip.com and Country Garden Services Holdings which were impacted by the re-emergence of Covid-19 in China and the poor sentiment around Chinese property sector respectively.

Market Commentary

The fourth quarter continued the year's theme of volatility driven largely by COVID-19. Overall, global equities for the quarter were up (+6.7% in USD, +6.0% in AUD). Following a strong start to Q4 in October, the emergence of the highly contagious Omicron variant in November disrupted global markets as many governments reintroduced restrictions. In addition, ongoing discussion relating to the faster implementation of monetary tightening from many central banks, inflationary pressures from commodity prices and supply bottle necks continued to challenge markets during the quarter.

Equities in Asia were down (-2.3% in USD) during Q4. Chinese equities (-2.5% in USD) continued to underperform during the quarter in part due to the real estate debt crisis which expanded beyond Evergrande, with more developers citing concerns of defaults as property prices continued to slow. Data also highlighted a slowing economy, with the People's Bank of China (PBoC) commencing monetary easing and markets pricing in further supportive measures.

During the quarter Information Technology, Utilities and Consumer Staples outperformed, whilst Communication Services, Energy and Financials underperformed.

Outlook

Given extreme valuations and crowding, Antipodes Global portfolio remains underweight US equities as risk/reward is poor relative to the rest of the world. Antipodes are also avoiding expensive growth globally. The portfolio remains overweight Europe which will disproportionately benefit from a full reopening and remain overweight Asia as China policy upside will benefit the region broadly and via our exposure to consumption beneficiaries in China. Additionally, Europe and Asia are home to some of the world's leading capital equipment enablers of the key emerging investment cycles. Antipodes can also find this type of exposure in the US and hence, the underweight here is concentrated in domestically exposed businesses.

Against a once in a generation policy backdrop, the range of outcomes remains wide. Antipodes see two key tail risks that should be monitored closely: an economic growth shock and an inflation shock.

An economic growth shock could come from a hard landing in China if easing is delayed or too gradual, which would coincide with a deceleration in the West as stimulus recedes. The Fed tightening into slowing growth could compound the problem. This would be a challenging environment for cyclicals and weaker companies or "value traps".

The second risk is an inflation shock from structurally higher and more volatile inflation led by the US. Discount rates would rise which would be a challenging environment for higher multiple companies and "growth traps".

The combination of both a growth and inflation shock – stagflation – would be a difficult environment for equities generally as it could lead to a highly correlated drawdown. US equities, however, would be particularly vulnerable given elevated starting multiples.

To protect against these risks, Antipodes focus on resilient market leaders that can take profitable market share in a backdrop of higher inflation regardless of whether the business has a cyclical or secular growth profile. Further, Antipodes remain disciplined around valuations. Extremely high multiple dispersion, however, means pragmatic value opportunities can be found across the growth spectrum.

Availability

Product name	APIR
SignatureSuper*	AMP1550AU
SignatureSuper Allocated Pension*	AMP1562AU

*closed to new investors

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