Antipodes Asia Fund

ARSN 096 451 393 APIR IOF0203AU

MONTHLY REPORT | **31 May 2022**

Key Takeaways

- **Amidst heightened volatility in equities globally throughout May, Asian equities outperformed broader global markets.**
- **Asian markets were led by China over the month, supported by positive government rhetoric and signs of easing lockdowns across major cities.**
- **Against this backdrop the Antipodes Asia Fund, underperformed the benchmark for the month, with cyclical and infrastructure exposures the notable detractors.**

Commentary

Despite heightened volatility, global equities were relatively unchanged in May (-0.9%) with energy, utilities and financials outperforming and consumer staples, consumer discretionary and information technology underperforming.

US equities underperformed broader markets over the month (-1.2%). The Federal Open Market Committee (FOMC) hiked the federal funds rate by 50bps and further signalled more rate rises are to come, as the FOMC seeks to combat inflation. Whilst the FOMC speakers messaging became more mixed during the month, broader investor fears around economic growth persist.

European equities outperformed (-0.2%) over the month, with strong consumer confidence and high inflation data fuelling a more hawkish tone from the European Central Bank and likelihood of a hike in the near future. The Bank of England also lifted rates again in May.

Asian equities also broadly outperformed (-0.1%). Chinese equities outperformed broader Asian and global markets (+0.9%) with continued commentary highlighting assistance from the Government & People's Bank of China (PBOC). Whilst several cities, including Shanghai, spent much of May in lockdown, there was notable easing in restrictions towards the end of the month. Japanese equities also outperformed over the month (+0.7%) while the Bank of Japan continued their diverging policy, with signs of stability in the Yen. Indian equities were weaker (-6.7%) with the Reserve Bank of India announcing an inter-meeting rate hike rising to combat rising inflation.

Elsewhere, Brent Crude (+12.4% in USD) was strong, Gold (-3.1%) was down, as was the US Dollar (-1.2%).

Key contributors included:

- Internet/Software Asia/EM cluster, notably Meituan and Baidu. Meituan reported first quarter earnings whereby the company registered significant growth in its food delivery, in-store, hotel and travel segments despite lockdown pressures. Similarly, Baidu posted first quarter results that exceeded estimates, as demand for the company's cloud and artificial intelligence products remained strong.
- Hardware cluster, notably TSMC as the chip giant reported strong April 2022 revenue, up 55% year-over-year as the demand for chips continues to grow from data centres and the computational power needed for artificial intelligence and machine learning.

Key detractors included:

- Consumer Cyclical - Asia/EM cluster. Trip.com which was impacted by poorer investor sentiment from continued lockdowns in major Chinese cities throughout May, and a lower expected volume of domestic travellers for the annual Dragon Boat Festival holiday in early June, despite an easing of restrictions later in the month. Indonesian bank, Bank Mandiri and Indian bank, ICICI Bank detracted over the month amidst weaker sentiment and concerns over the outlook for interest rates and an economic slowdown.
- Infrastructure/Property - Asia/EM, notably GDS Holdings with the Chinese data centre developer reporting first quarter results largely in line with expectations, citing the negative impact on move-in rates from lockdowns across a number of provinces during the first quarter.

Net performance (%)

	Fund	Benchmark	Difference
1 month	-1.1	-0.5	-0.6
3 month	-13.2	-6.3	-6.9
Year to date	-18.5	-11.2	-7.4
1 year	-24.9	-15.4	-9.5
3 year p.a.	1.0	4.7	-3.7
5 year p.a.	2.4	5.1	-2.7
Inception p.a.	4.8	5.6	-0.8

Past performance is not a reliable indicator of future performance. Returns are quoted in AUD and net of applicable fees, costs and taxes. All p.a. returns are annualised.

Performance & risk summary[1]

Average net exposure	75.9%
Upside capture ratio	82
Downside capture ratio	68
Portfolio standard deviation	11.3%
Benchmark standard deviation	11.3%
Sharpe ratio	0.47

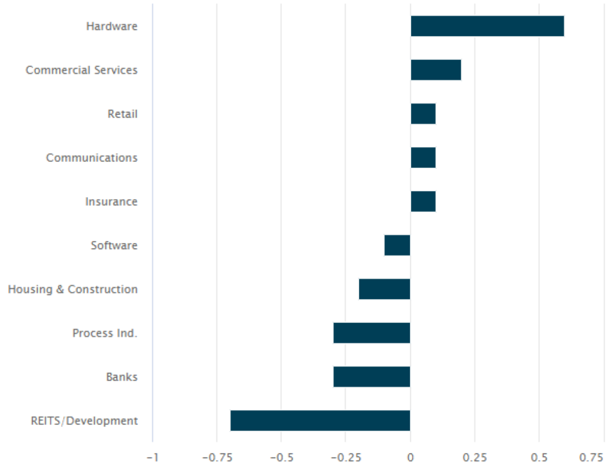
[1]All metrics are based on gross of fee returns in AUD terms. The upside/downside capture ratio is the percentage of benchmark performance captured by the fund during months that the benchmark is up/down. Standard deviation is a measure of risk with a smaller figure indicating lower return volatility. The Sharpe ratio measures returns on a risk adjusted basis with a figure > 1 indicating a higher return than the benchmark for the respective levels of return volatility

Performance contribution[2] (%)

	1 month
Long	-0.9%
Short	-0.1%
Currency	0.0%

[2] Based on gross returns in AUD

Top & bottom sector contribution[2,3] (%)



[3] Antipodes classification

Fund facts

Characteristics	
Investment manager	Antipodes Partners
Inception date	1 July 2015
Benchmark	MSCI All Country Asia ex Japan Net Index in AUD
Management fee	1.20% p.a.
Performance fee	15% of net return in excess of benchmark
Buy/Sell spread	±0.30%
Minimum investment	AUD $25,000
Distribution	Annual, 30 June

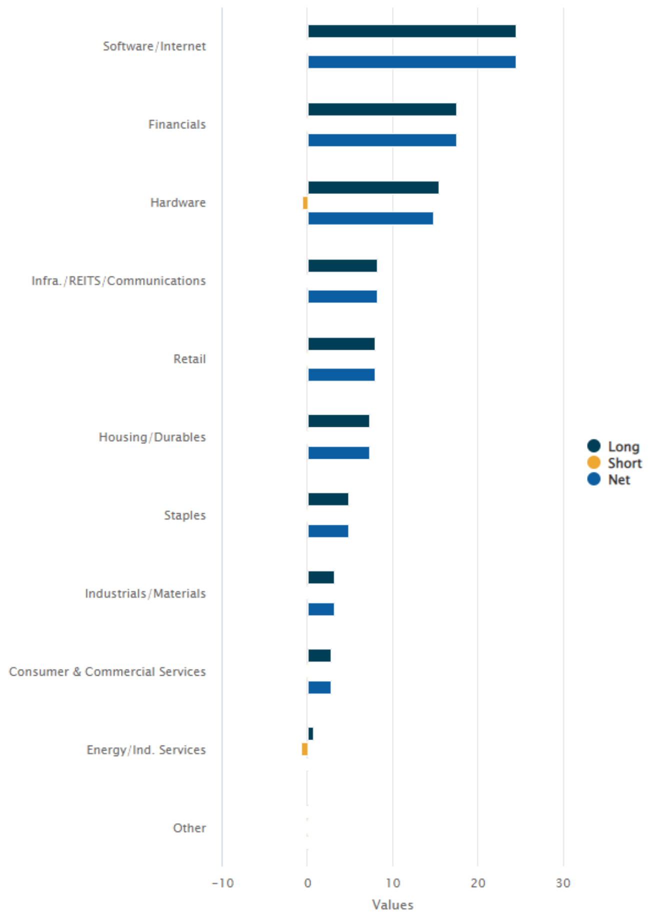
Asset value	
Fund AUM	$25m
Strategy AUM	$30m
Unit redemption price	0.9315

Asset allocation[4]

	Equities - Long	Other - Long	Equities - Short	Other - Short
Weight (%)	93.0	-	-1.3	-
Count	38	-	3	-
Avg. weight (%)	2.4	-	-0.4	-
Top 10 (%)	41.9	-	-	-
Top 30 (%)	87.6	-	-	-

[4] Call (put) options represented as the current option value (delta adjusted exposure)

Sector exposure[4,5] (%)

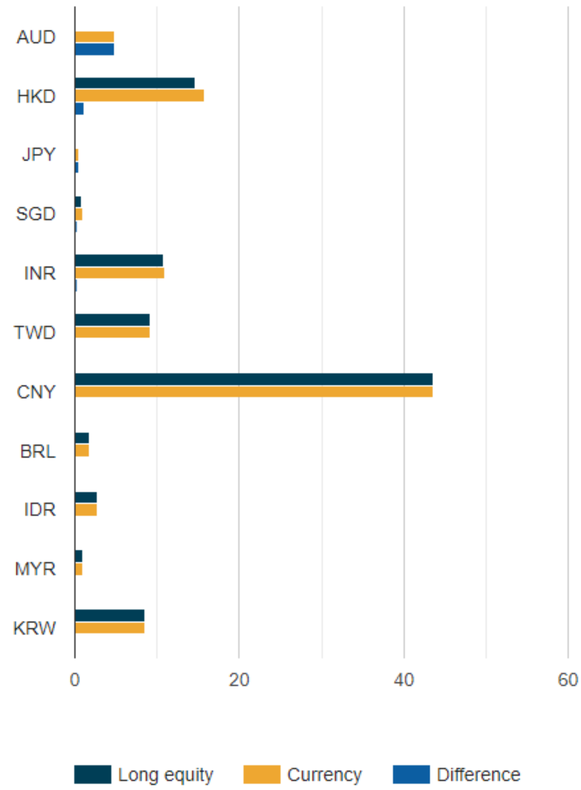


[5] Antipodes classification

Top 10 equity longs[4] (%)

Name	Country	Weight
Meituan	China/HK	6.1
Taiwan Semiconductor	Taiwan	6.0
Tencent	China/HK	4.7
Samsung Electronics	Korea	4.3
JD.com	China/HK	4.3
Ping An Insurance	China/HK	3.5
AIA Group	China/HK	3.5
Trip.com Group	China/HK	3.3
KE Holdings	China/HK	3.1
MediaTek	Taiwan	3.1

Currency exposure[4,6] (%)



[6] Where possible, regions, countries and currencies classified on a look through basis

Regional exposure[4,5,6] (%)

Region	Long	Short	Net
Developing Asia/EM	**75.4**	**-0.1**	**75.3**
- China/Hong Kong	58.2	-0.1	58.1
- India	10.8	-	10.8
- Indonesia	2.8	-	2.8
- Malaysia	0.9	-	0.9
- Singapore	0.8	-	0.8
- Rest Developing Asia/EM	1.8	-	1.8
Developed Asia	**17.6**	**-0.6**	**17.1**
- Korea/Taiwan	17.6	-0.6	17.1
Rest of World	-	**-0.6**	**-0.6**
Total Equities	**93.0**	**-1.3**	**91.7**
Cash	7.0	-	-
Totals	100.0	-1.3	-

Market cap exposure[4] (%)

Band	Long	Short	Net
Mega (>$100b)	32.1	0.0	32.1
Large (>$25b <$100b)	28.4	-0.1	28.3
Medium (>$5b <$25b)	28.2	-1.2	27.0
Small (<$5b)	4.4	0.0	4.4

Investment Manager

- Global and Asian pragmatic value manager, long only and long-short
- Structured to reinforce alignment between investors and the investment team
- We attempt to take advantage of the market's tendency for irrational extrapolation, identify investments that offer a high margin of safety and build portfolios with a capital preservation focus

Fund Ratings

Further information

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Fund features

- Objective to achieve absolute returns in excess of the benchmark over the investment cycle (typically 3-5 years)
- The fund may invest in companies that are listed:
  - On Asian share markets
  - On global share markets and which derive >65% of their revenues from Asia
  - In Japan (maximum 30% net exposure)
  - In Oceania and non-Asian emerging markets (maximum 15% net exposure)
- In the absence of finding securities that meet minimum risk-return criteria, cash may be held
- Flexibility to hedge for risk management purposes:
  - Equity shorts and currency positions used to take advantage of attractive risk-return opportunities, offset specific long portfolio risks and provide some protection from negative tail risk. Derivatives may also be used to amplify high conviction ideas
  - Typical net equity exposure of 50% to 100%; maximum gross exposure of 150% of NAV

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