Antipodes Emerging Markets (Managed Fund)

ARSN 096 451 393 APIR IOF0203AU

MONTHLY REPORT | **30 September 2022**

Key Takeaways

- **Existing Unitholders: Please note the effective changes to the Antipodes Emerging Markets (Managed Fund) from 1 October 2022. Read more**
- **Asian equities underperformed broader global markets over the month of September.**
- **Antipodes Emerging Markets (Managed Fund) outperformed the benchmark for the month (after fees) and is behind over the calendar-year-to-date.**

Commentary*

Global equities were down in September (-3.6%) with Healthcare, Consumer Staples and Financials outperforming whilst Information Technology, Communication Services and Utilities underperformed.

US equities were down (-3.3%) the Fed continued their Hawkish language post the Jackson Hole Economic Symposium and hiked in-line with market expectation. Core inflation data exceeded expectation, with sentiment remaining depressed as the labour market remained tight and consumer confidence dropped close to lows. European equities outperformed broader markets (-2.6%) with the ECB hiking in-line with expectation, as inflation data reached new highs. However, the discussion of energy price caps and the reporting of high natural gas stockpiles heading into the European winter provided some relief. The new UK government's fiscal policy implied budgetary deficit caused a seismic crash in UK debt, with the Pound Sterling weakening severely. This required the Bank of England to step in with short term QE to stabilise the situation shortly after increasing rates. While in Italy, the election outcome saw the right-wing coalition emerge victorious, with Giorgia Meloni set to become the next prime minister of Italy.

Asian equities underperformed (-6.1%). Chinese equities further underperformed the broader market (-6.4%) with a continuation of Covid-zero policy, weak economic data, and the property sector dragging sentiment despite ongoing support announcements. Japanese equities underperformed broader global markets (-4.4%) as the Bank of Japan maintained divergent loose monetary policy, while the Ministry of Finance intervened to strengthen the Yen.

Elsewhere, Brent Crude (-8.8% in USD) was weak, Gold (-3.0%) was down, whilst the US Dollar (+3.1%) was up.

Key contributors included:

- Bank Mandiri Persero within the Consumer Cyclical - Asia/EM cluster, as positive sentiment towards Indonesia continued due to strengthening commodities and the country's management of inflation with measured interest rate increases.
- Trip.com also within the Consumer Cyclical - Asia/EM cluster, reporting strong second quarter earnings, exceeding estimates. This was led by stronger than expected accommodation reservation and transportation ticketing globally, whilst demand in China was resilient in the face of ongoing lockdowns.
- MercadoLibre within the Internet/Software - Asia/EM cluster with sentiment turning bullish towards the Brazilian economy, with investors buoyed by early-cycle central bank hikes stemming inflation and declining unemployment figures.

Key detractors included:

- Hardware cluster, notably TSMC amid a report which detailed four major customers have scaled back order volumes with the order cut forcing TSMC to shut down four extreme ultraviolet lithography machines, which roll out high-end chips. Despite this, later in the month TSMC received a boost from sell-side analyst upgrades to near term price targets.
- Internet/Software - Asia/EM, notably JD.com with slower consumption recovery in China leading the company to issue lower than expected third quarter guidance.
- Country Garden Services Holdings within Consumer Cyclical - Asia/EM cluster with the property management company continuing to feel the effects from the downturn in the Chinese property market.

* Illustrative only and not a recommendation to buy or sell any particular security

Net performance (%)

	Fund	Benchmark	Difference
1 month	-5.3	-7.0	1.7
3 month	-11.0	-7.8	-3.2
Year to date	-23.7	-18.4	-5.3
1 year	-26.8	-20.0	-6.9
3 year p.a.	-3.5	0.3	-3.7
5 year p.a.	0.6	2.8	-2.2
Inception p.a.	3.6	4.1	-0.5

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	76.5%
Upside capture ratio	84
Downside capture ratio	70
Portfolio standard deviation	11.9%
Benchmark standard deviation	11.4%
Sharpe ratio	0.34

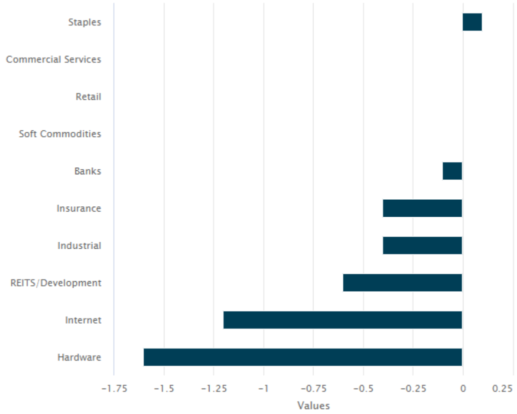
[1]All metrics are based on gross of fee returns in AUD terms. The upside/downside capture ratio is the percentage of benchmark performance captured by the fund during months that the benchmark is up/down. Standard deviation is a measure of risk with a smaller figure indicating lower return volatility. 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	-5.6%
Currency	0.4%

[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 Emerging Markets Index
Management fee	1.20% p.a.
Performance fee	15% of net return in excess of benchmark
Risk/Return profile	High
Buy/Sell spread	±0.30%
Minimum investment	AUD $25,000
Distribution	Annual, 30 June

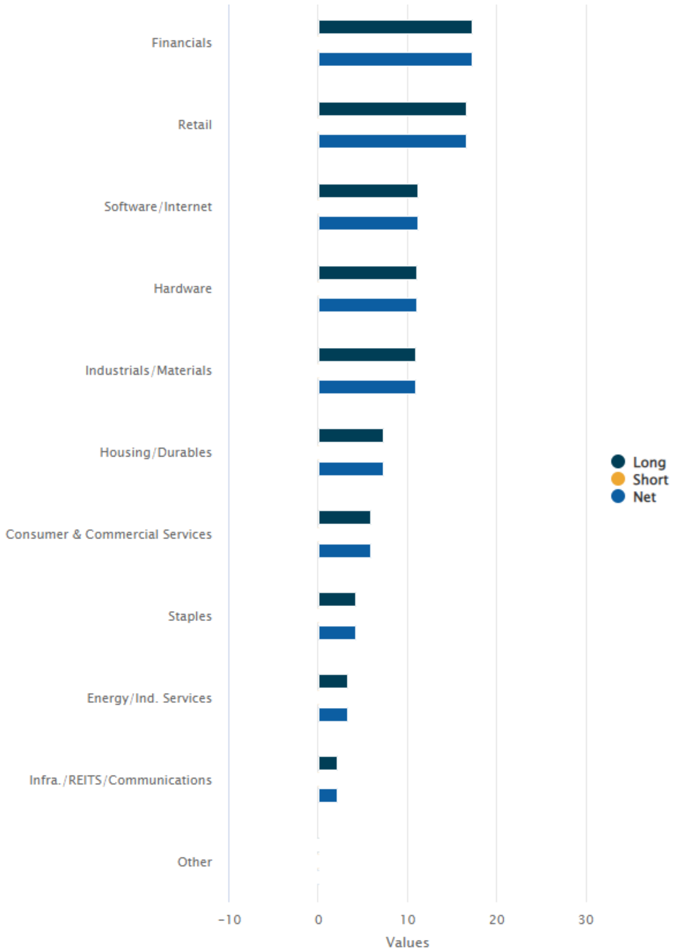
Asset value	
Fund AUM	$21m
Strategy AUM	$26m
Unit redemption price	0.8724

Asset allocation[4]

	Equities - Long	Other - Long	Equities - Short	Other - Short
Weight (%)	90.4	-	-	-
Count	38	-	-	-
Avg. weight (%)	2.4	-	-	-
Top 10 (%)	38.3	-	-	-
Top 30 (%)	82.3	-	-	-

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

Sector exposure[4,5] (%)



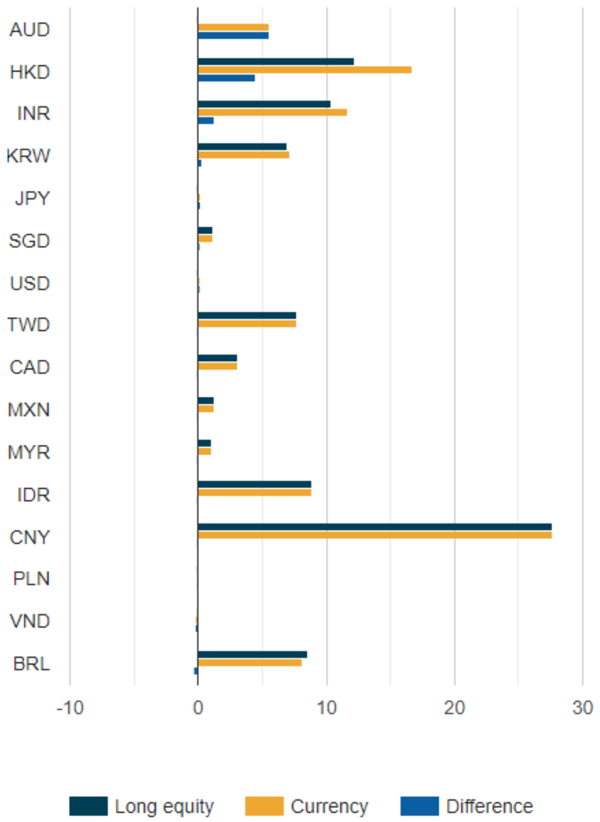
[5] Antipodes classification

Top 10 equity longs[4] (%)

Name	Country	Weight
Taiwan Semiconductor	Taiwan	5.5
PT Bank Mandiri (Persero)	Indonesia	4.8
JD.com	China/HK	4.5
PT Astra International	Indonesia	4.1
Reliance Industries	India	4.0
Samsung Electronics	Korea	3.5
Teck Resources Limited	Canada	3.1
Midea Group Co.	China/HK	3.1
Wuliangye Yibin	China/HK	2.9
Yum China Holdings	China/HK	2.9

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	**62.0**	-	**62.0**
- China/Hong Kong	39.8	-	39.8
- India	10.4	-	10.4
- Indonesia	8.9	-	8.9
- Singapore	1.1	-	1.1
- Malaysia	1.0	-	1.0
- Rest EM Asia	0.9	-	0.9
Developed Asia	**14.6**	-	**14.6**
- Taiwan	7.7	-	7.7
- Korea	6.9	-	6.9
LATAM/EEMEA	**10.7**	-	**10.7**
- Brazil	8.5	-	8.5
- Mexico	1.3	-	1.3
- Rest EE	0.9	-	0.9
Rest of World	**3.1**	-	**3.1**
Total Equities	**90.4**	-	**90.4**
Cash	**9.6**	-	-
Totals	**100.0**	-	-

Market cap exposure[4] (%)

Band	Long	Short	Net
Mega (>$100b)	21.7	0.0	21.7
Large (>$25b <$100b)	27.8	0.0	27.8
Medium (>$5b <$25b)	27.9	0.0	27.9
Small (<$5b)	13.0	0.0	13.0

Investment Manager

- Global and Emerging Markets 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 features

- Objective to achieve absolute returns in excess of the benchmark (after fees) over the investment cycle (typically 3-5 years)
- The Fund invests in companies that are exposed to emerging markets or listed on emerging market stock exchanges.
- In the absence of finding individual securities that meet minimum risk-return criteria, cash may be held to maximum 25%
- Flexibility to hedge for risk management purposes:
  - Currency exposure of the underlying stock position (net short currency position not permitted)
  - Equity market exposure via exchange traded derivatives (limited to 10% of NAV)
  - Leverage not permitted
- This product is likely to be appropriate for a consumer seeking capital growth to be used as a small allocation within a portfolio where the consumer has a minimum investment timeframe of 5 years, and a high risk/return profile.

Fund Ratings

Zenith RECOMMENDED

Investment Grade Lonsec Research

Further information

1300 010 311

invest@antipodespartners.com

Australia Head Office

Antipodes Partners Limited
Level 35, 60 Margaret St
Sydney NSW 2000
Australia

UK Office

Antipodes Partners Limited
6th Floor, Nova North
11 Bressenden Place
London SW1E 5BY UK

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Link to Product Disclosure Statement

Link to Target Market Determination

For historic TMD's please contact Pinnacle client service Phone 1300 010 311 or Email service@pinnacleinvestment.com

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