Antipodes

Antipodes Emerging Markets (Managed Fund)

ARSN 096 451 393 APIR IOF0203AU

MONTHLY REPORT | **31 October 2022**

Key Takeaways

- **Emerging market equities underperformed broader global equities over the month, led largely by weaker performance in China.**
- **Markets reacted poorly in China to the formation of a Politburo consisting solely of President Xi's supporters, which was not unexpected given Xi's behaviour in his first two terms.**
- **The Antipodes Emerging Markets (Managed Fund) underperformed the benchmark over the month (after fees) and is behind over the calendar-year-to-date.**

Commentary*

Global equities were higher in October (+6.6%) with Energy, Industrials and Healthcare outperforming whilst Communication Services, Consumer Discretionary and Utilities underperformed. US equities were the strongest performing market over the month (+8.5%), as hopes for a Fed pivot grew as economic data showed material slowing even whilst the labour market remained strong and CPI data remained elevated.

European equities also outperformed (+7.8%) as governments announced more detailed fiscal support to address energy concerns and natural gas stockpiles continued to grow amid milder weather. Similarly, policy pivot expectations grew in light of heightened market expectations for a likely recession in the region.

Asian equities underperformed broader global markets over the month (-2.3%). Chinese equities were weak (-13.1%) in light of continued COVID-zero lockdowns and the negativity around the 20th Party Congress announcements and formation of President Xi's Politburo. This was exacerbated by poor economic data and heightened concerns around the property sector, which furthered negative sentiment. Japanese equities were positive (+3.5%) as the Bank of Japan continued their loose monetary policy amid low inflation, despite the Ministry of Finance once again intervening to support the Yen.

Elsewhere, Brent Crude (+11.1% in USD) was strong with OPEC+ output cuts, Gold (-1.6%) was down, whilst the US Dollar (-0.5%) was down marginally. 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:

- Oil/Natural Gas cluster, including Petro Rio SA and Reliance Industries. Petro Rio SA continued to benefit from rising energy prices and provided a solid investor update on their project development pipeline. Indian conglomerate Reliance Industries, similarly, benefitted from strong energy prices in addition to a broader uptick in Indian equities over the month.
- Hardware cluster, notably Samsung Electronics. Despite reporting a drop in quarterly earnings, the share price surged as investors looked forward to 2023, with expected improving inventory positions and reduced industry CAPEX, signalling the potential for a cyclical recovery.

Key detractors included:

- Consumer Cyclical - Asia EM cluster, including Longfor Group and Country Garden Services Holdings as Chinese property related exposures continued to be impacted by the downturn in the Chinese property market, with heightened concerns around liquidity and access to capital.
- Similarly, real estate platform KE Holdings within the Internet/Software cluster similarly was impacted by weaker sentiment towards the Chinese property sector.
- Internet/Software - Asia/EM cluster, including JD.com and Alibaba, which were impacted by negative sentiment with the expectation economic activity in China will remain lacklustre and consumption will remain depressed in the short-term following President Xi's Politburo formation. Subsequently, both companies were impacted by significant foreign investor outflows.

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

Net performance (%)

	Fund	Benchmark	Difference
1 month	-6.4	-2.6	-3.8
Inception	-6.4	-2.6	-3.8

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.

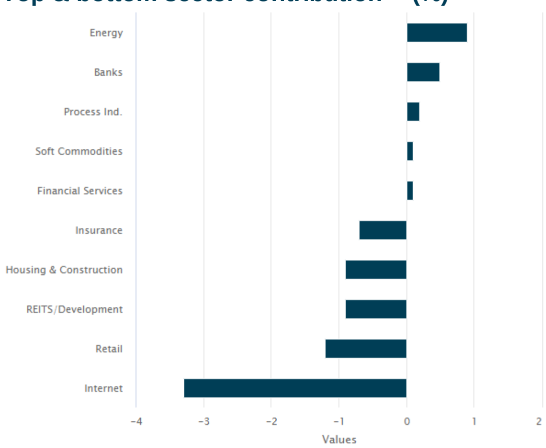
Please note the strategy of the Fund changed effective 1 October 2022. The Antipodes Emerging Markets (Managed Fund) was previously known as the Antipodes Asia Fund which targeted companies listed on Asian exchanges and derive revenue from Asia. As of 1 October 2022, the Fund invests in companies that are exposed to emerging markets or listed on emerging market stock exchanges.

Performance contribution[2] (%)

	1 month
Long	-6.3%
Currency	-0.1%

[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 October 2022
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

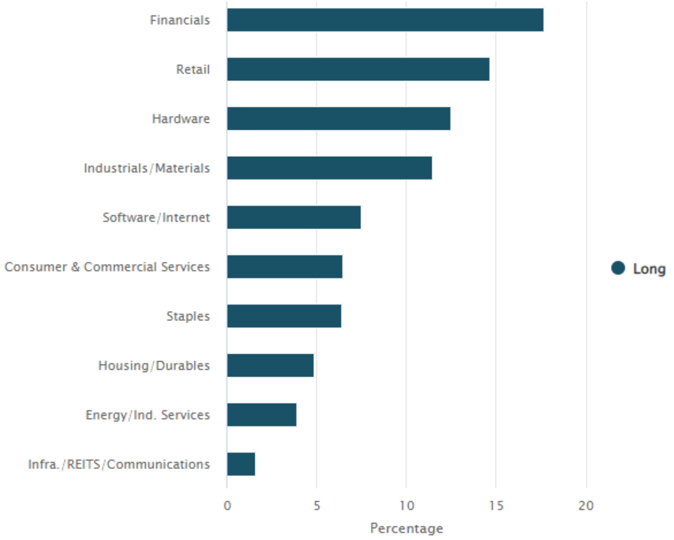
Asset value	
Fund AUM	$19m
Strategy AUM	$23m
Unit redemption price	0.8165

Asset allocation[4]

	Equities - Long
Weight (%)	87.1
Count	35
Avg. weight (%)	2.5
Top 10 (%)	42.0
Top 30 (%)	83.5

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

Sector exposure[4,5] (%)

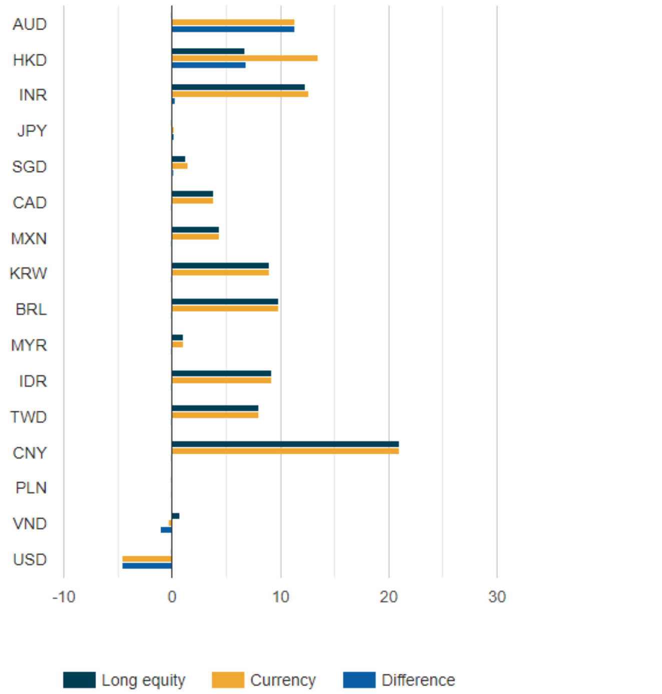


[5] Antipodes classification

Top 10 equity longs[4] (%)

Name	Country	Weight
Taiwan Semiconductor	Taiwan	5.4
PT Bank Mandiri (Persero)	Indonesia	4.8
Samsung Electronics	Korea	4.5
Fomento Economico Mexicano	Mexico	4.4
PT Astra International	Indonesia	4.4
Reliance Industries	India	4.3
Teck Resources Limited	Canada	3.8
ICICI Bank	India	3.8
JD.com	China/HK	3.4
Petro Rio	Brazil	3.2

Currency exposure[4,6] (%)



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

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

Region	Long
Developing Asia	**52.2**
- China/Hong Kong	27.6
- India	12.3
- Indonesia	9.2
- Singapore	1.3
- Malaysia	1.0
- Rest EM Asia	0.7
Developed Asia	**16.9**
- Korea	9.0
- Taiwan	8.0
LATAM/EEMEA	**14.2**
- Brazil	9.8
- Mexico	4.4
Rest of World	**3.8**
Total Equities	**87.1**
Cash	**12.9**
Totals	**100.0**

Market cap exposure[4] (%)

Band	Long
Mega (>$100b)	16.6
Large (>$25b <$100b)	29.0
Medium (>$5b <$25b)	29.9
Small (<$5b)	11.7

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 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

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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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