Antipodes

Antipodes Asia Fund

ARSN 096 451 393 APIR IOF0203AU

MONTHLY REPORT | **30 November 2021**

Commentary

With the news and uncertainty that followed the new COVID-19 variant, Omicron, global assets went into risk-off mode with USD strong against many currencies including AUD (+5.5%). Against this backdrop, global equities were weak in November (-2.4% in USD, but +3.4% in AUD following the strength in the USD) with Information Technology, Consumer Discretionary and Utilities outperforming, whilst Energy, Financials and Communication Services underperformed.

US equities outperformed in a relative sense (+4.8%) with US Federal Reserve (Fed) policy on track, Fed chair Powell staying on for another term and President Biden's Build Back Better $1.7t bill gaining political traction. European equities were weak (+0.5%) with some countries announcing the reintroduction of COVID-19 restrictions due to surging rates in the COVID-19 Delta variant.

Asian equities underperformed (+2.4%) with Chinese equities weak (+2.0%) amidst continued regulatory headlines and speculation of the delisting of variable interest entities (VIE). Japan was inline (+3.3%) with growth evident in the macro data.

Elsewhere, Brent Crude (-16.4% in USD) tumbled with Omicron variant fears, while Gold (-0.5%) was slightly down and the US Dollar (DXY +2%) overall was strong.

Key contributors included:

- Hardware cluster, notably TSMC and Mediatek. TSMC benefitted from the announcement of a US$7bn chip plant to be built in Japan in conjunction with Sony, with construction beginning in 2022. Mediatek reacted positively after the unveiling of its latest flagship chip, the Dimensity 9000 which is poised to rival competitor high-end chips in powering premium mobile devices.
- JD.com, within the Internet/Software - Asia/Emerging Markets cluster contributed after the e-commerce company posted record sales for the 11/11 Singles Day shopping holiday, with a record number of merchants participating and 70% of sales coming from cities other than Beijing or Shanghai, demonstrating broad consumer penetration.
- Richemont, in the Consumer Defensives cluster, contributed positively upon news the company is in advanced talks to with Farfetch in divesting its holding in online retailer Yoox Net-a-Porter, with news of activist asset managers pushing for changes also driving the stock higher.

Key detractors included:

- Internet/Software - Asia/Emerging markets cluster, notably Meituan and KE Holdings. Meituan reacted negatively 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. KE Holdings delivered 3Q21 earnings which were below analyst estimates with management providing guidance of lower fourth quarter revenue. The Chinese online real estate platform also experienced a slowdown in new and secondary property sales given regulatory impacts on the Chinese property market.
- Country Garden Services Holdings, within the Consumer Cyclical - Asia/Emerging Markets cluster, reacted similarly to a slower Chinese property sector outlook, with the company raising US$1bn from the sale of 150 million shares at a discount to the trading price later in the month.

Net performance (%)

	Fund	Benchmark	Difference
1 month	0.9	1.8	-1.0
3 month	-3.7	-3.8	0.0
Year to date	1.2	2.3	-1.1
1 year	4.8	4.3	0.5
3 year p.a.	10.8	11.6	-0.8
5 year p.a.	10.1	11.5	-1.3
Inception p.a.	9.1	8.2	0.9

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	75.3%
Upside capture ratio	81
Downside capture ratio	48
Portfolio standard deviation	9.6%
Benchmark standard deviation	11.1%
Sharpe ratio	0.98

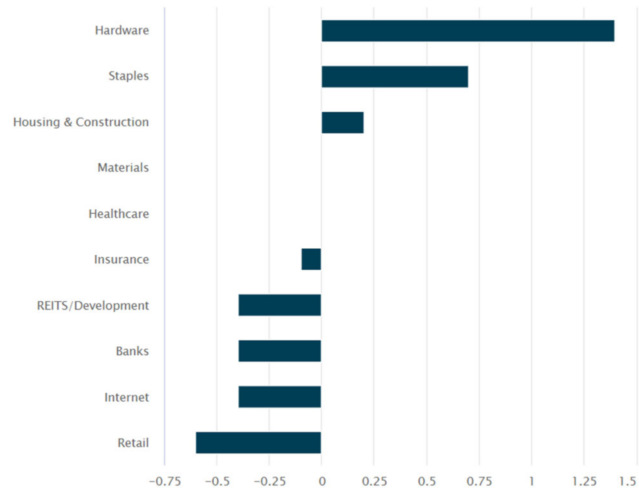
[1]All metrics are based on gross of fee returns in AUD terms. The upside/downside capture ratio is the percentage of benchmark performance captured by the fund during months that the benchmark is up/down. Standard deviation is a measure of risk with a smaller figure indicating lower return volatility. 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	0.4%
Short	0.1%
Currency	0.5%

[2] Based on gross returns in AUD

Top & bottom sector contribution[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

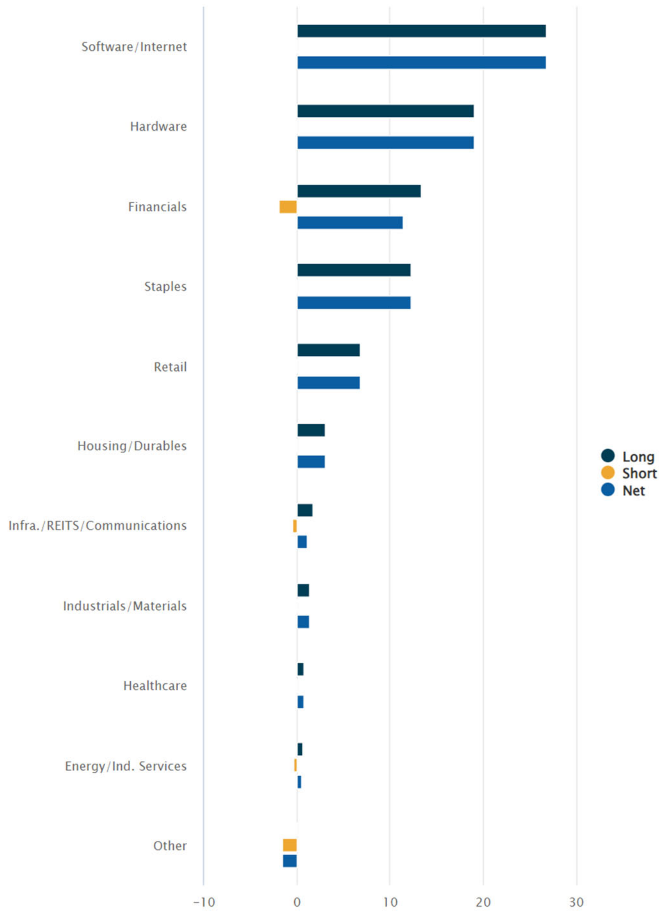
Asset value	
Fund AUM	$39m
Strategy AUM	$46m
Unit redemption price	1.1813

Asset allocation[4]

	Equities - Long	Other - Long	Equities - Short	Other - Short
Weight (%)	86.2	-	-4.1	-
Count	30	-	7	-
Avg. weight (%)	2.9	-	-0.6	-
Top 10 (%)	55.3	-	-	-
Top 30 (%)	86.2	-	-	-

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

Sector exposure[4,5] (%)

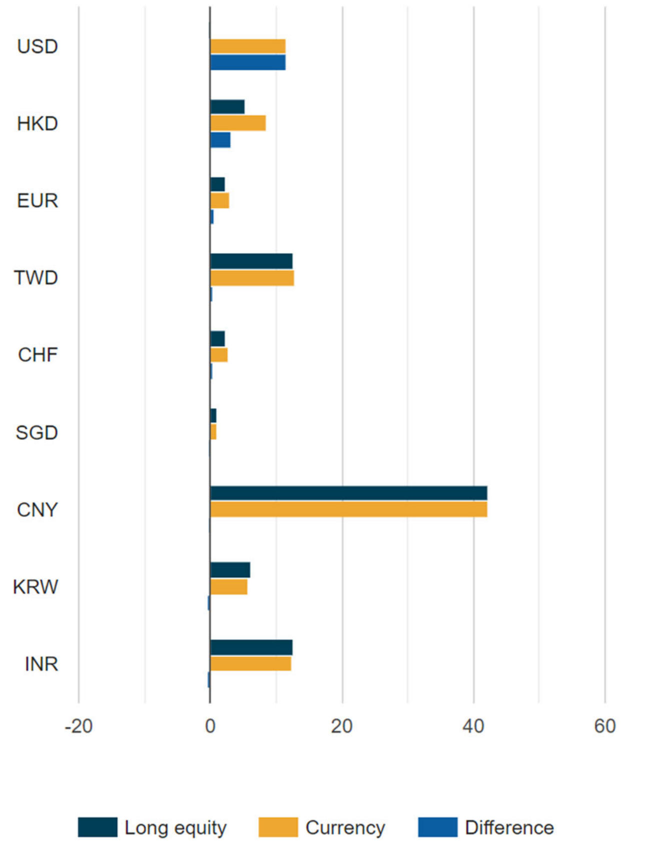


[5] Antipodes classification

Top 10 equity longs[4] (%)

Name	Country	Weight
Tencent	China/HK	9.7
Taiwan Semiconductor	Taiwan	8.5
Meituan	China/HK	7.8
JD.com	China/HK	5.7
ICICI Bank	India	5.5
Wuliangye Yibin	China/HK	3.8
SK hynix	Korea	3.8
KE Holdings	China/HK	3.6
Li Ning	China/HK	3.5
HDFC Bank	India	3.3

Currency exposure[4,5] (%)



[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	**61.4**	**-4.1**	**57.4**
- China/Hong Kong	47.7	-2.6	45.1
- India	12.7	-1.5	11.2
- Singapore	1.0	-	1.0
Developed Asia	**18.5**	**-**	**18.5**
- Korea/Taiwan	18.5	-	18.5
Rest of World	**4.9**	**-**	**4.9**
Australia	**1.4**	**-**	**1.4**
Total Equities	**86.2**	**-4.1**	**82.2**
Cash	**13.8**	**-**	**-**
Totals	**100.0**	**-4.1**	**-**

Market cap exposure[4] (%)

Band	Long	Short	Net
Mega (>$100b)	46.8	-2.1	44.7
Large (>$25b <$100b)	27.9	-1.3	26.6
Medium (>$5b <$25b)	11.6	-0.4	11.1
Small (<$5b)	0.0	-0.3	-0.3

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 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

Fund Ratings

Zenith RECOMMENDED

Recommended Lonsec Research

Further information

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