Antipodes

Antipodes Asia Fund

ARSN 096 451 393 APIR IOF0203AU

MONTHLY REPORT | **28 February 2022**

Commentary

Global equities were down in February (-5.4%) with Materials, Energy, Utilities and Consumer Staples outperforming, whilst Communication Services, Consumer Discretionary and Information Technology underperformed. US equities underperformed (-5.8%) as fears relating to Russia's invasion of Ukraine took hold. This coincided with concerns earlier in the month that central banks remained acutely focused on managing inflation and the potential this could have on growth. European equities were also down (-5.6%) on similar concerns, with regard to geopolitical tensions and central bank policy.

Relative to global equities, Asian equities outperformed (-4.8%) with Chinese equities also outperforming (-4.1%) with an expansive Manufacturing PMI. Japan also outperformed within the region (-4.0%).

Elsewhere, Brent Crude (+10.7% in USD) and Gold (+6.2%) rallied due to geopolitical tensions and the US Dollar (+0.2%) was up.

Key contributors included:

- Consumer Defensive – Asia/EM cluster, notably China Mengniu Dairy which benefitted from the defensive nature of product base amid broader weak Chinese consumer activity. The company continued to affirm its market positioning, in a landscape with limited key players and few competitive pressures.
- Materials cluster, notably OZ Minerals with the company reporting full year profits more than double the CY20 figures, driven by surging copper prices and higher sales volumes.
- Shorts within the Consumer Cyclical – Asia/EM cluster, notably Honk Kong banking exposure with up to 25% of branches across Hong Kong impacted by the growing COVID-19 case numbers throughout the month, forcing operations online.
- Hauzhu Group Ltd, within the Consumer Cyclical – Asia/EM cluster benefitted from a broader rally in Chinese travel stocks amid reports the government is looking to explore avenues to transition from its zero-tolerance approach to managing COVID-19. Later in the month, the company benefitted from consensus upgrades from several sell-side analysts.

Key detractors included:

- Internet/Software – Asia/EM, notably Meituan on the back of a regulatory proposal calling for internet companies such as food delivery platforms to further reduce the service fees of catering merchants to reduce the operating costs of related catering enterprises. Our thesis remains in-tact with the view the proposal may produce short-term support for the catering industry during the difficult current period and the relief measures do not appear to be permanent commission rate reductions.
- Similarly, Tencent, within the Internet/Software – Asia/EM cluster came under pressure amid regulatory scrutiny on the metaverse, with the China Banking and Insurance Regulatory Commission comments highlighting false metaverse projects, cryptocurrency-related frauds, and over-hyping of metaverse real estate, despite not specifically highlighting Tencent directly. Tencent highlighted its metaverse ambitions in the group's latest earnings conference in November 2021.
- Hardware cluster, notably TSMC with reports the company is three-to-six months behind schedule in constructing its planned plant in the US state of Arizona. Reports of labour shortages, COVID-19 infections and licensing requirements are believed to be driving the delay. Against this, TSMC announced that the planned chip plant to be built Japan in conjunction with Sony will expand, with an extra US$1.6b in spending announced, with construction scheduled to commence in late 2022.

Net performance (%)

	Fund	Benchmark	Difference
1 month	-7.7	-5.2	-2.5
3 month	-9.2	-6.3	-2.9
Year to date	-6.1	-5.2	-0.9
1 year	-14.0	-8.7	-5.3
3 year p.a.	4.7	6.0	-1.3
5 year p.a.	7.4	9.3	-1.9
Inception p.a.	7.2	6.8	0.4

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	75.7%
Upside capture ratio	81
Downside capture ratio	55
Portfolio standard deviation	10.1%
Benchmark standard deviation	11.2%
Sharpe ratio	0.77

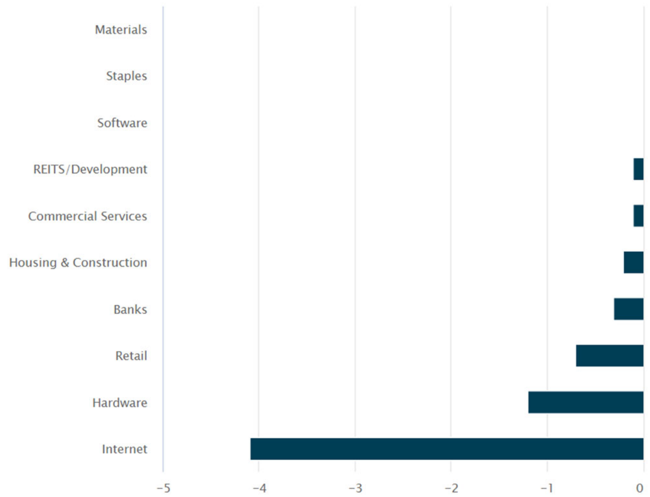
[1]All metrics are based on gross of fee returns in AUD terms. The upside/downside capture ratio is the percentage of benchmark performance captured by the fund during months that the benchmark is up/down. Standard deviation is a measure of risk with a smaller figure indicating lower return volatility. 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	-7.2%
Short	0.0%
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 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

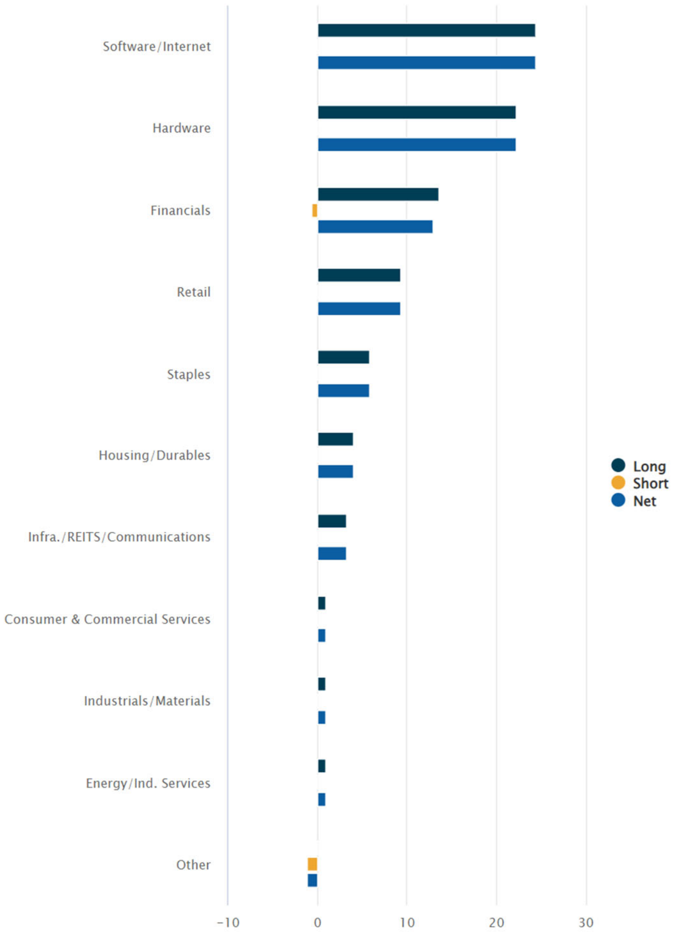
Asset value	
Fund AUM	$35m
Strategy AUM	$42m
Unit redemption price	1.0732

Asset allocation[4]

	Equities - Long	Other - Long	Equities - Short	Other - Short
Weight (%)	86.0	-	-1.6	-
Count	30	-	2	-
Avg. weight (%)	2.9	-	-0.8	-
Top 10 (%)	49.4	-	-	-
Top 30 (%)	86.0	-	-	-

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

Sector exposure[4,5] (%)

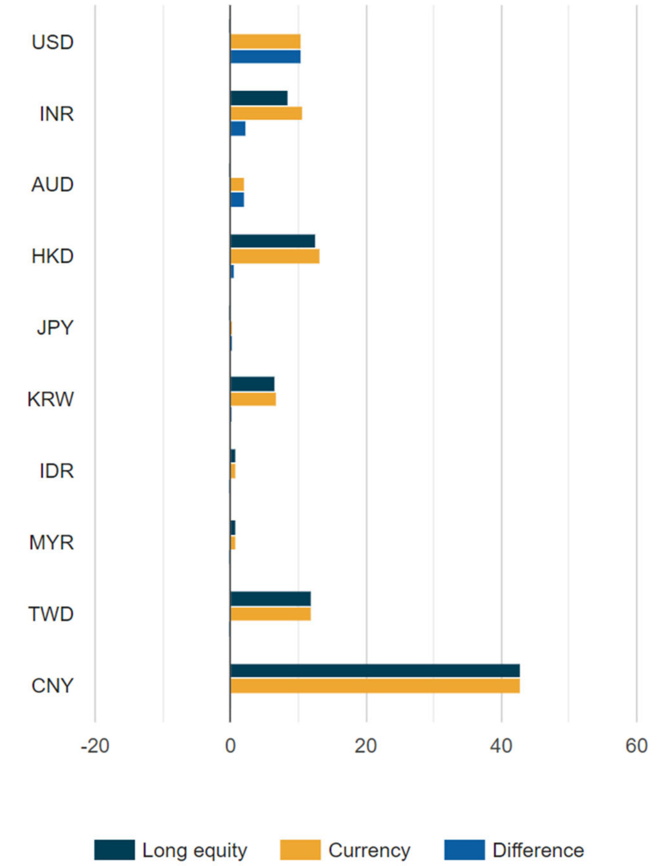


[5] Antipodes classification

Top 10 equity longs[4] (%)

Name	Country	Weight
Taiwan Semiconductor	Taiwan	8.9
Meituan	China/HK	8.0
Tencent	China/HK	6.9
JD.com	China/HK	5.3
ICICI Bank	India	5.1
KE Holdings	China/HK	4.9
Samsung Electronics	Korea	3.7
Wuliangye Yibin	China/HK	3.6
Ping An Insurance	China/HK	3.3
Country Garden Services Holdings Co.	China/HK	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	**67.3**	**-1.6**	**65.7**
- China/Hong Kong	57.3	-0.6	56.7
- India	8.5	-1.1	7.4
- Malaysia	0.8	-	0.8
- Indonesia	0.7	-	0.7
Developed Asia	**18.7**	**-**	**18.7**
- Korea/Taiwan	18.7	-	18.7
Total Equities	**86.0**	**-1.6**	**84.4**
Cash	**14.0**	**-**	**-**
Totals	**100.0**	**-1.6**	**-**

Market cap exposure[4] (%)

Band	Long	Short	Net
Mega (>$100b)	42.2	-1.1	41.2
Large (>$25b <$100b)	21.0	-0.6	20.4
Medium (>$5b <$25b)	20.9	0.0	20.9
Small (<$5b)	1.8	0.0	1.8

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

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

Further information

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