Key Takeaways

- **Global equities were higher in January 2023, as the Fed slowed the pace of rate hikes, despite maintaining a hawkish rhetoric as inflation remains elevated.**
- **The month also saw continued outperformance in China, with easing policy and mobility over the month continuing to accelerate.**
- **The Antipodes Global Fund outperformed the benchmark over the month, and remains meaningfully ahead over 12 months.**

Commentary*

Global equities were up in January 2023 (+3.1%) with consumer discretionary, communication services and information technology sectors outperforming whilst healthcare, utilities and consumer staples underperformed.

US equities were higher (+2.5%) as economic data suggested a slowing economy, cooling inflation and a resilient labour market. Markets reacted positively to the increased chance of an economic soft landing, despite US government debt ceiling issues and political debate.

European equities outperformed (+4.6%) helped by China's reopening, cooling inflation and GDP data indicating the Eurozone avoided a technical recession in Q4 2022. Further, markets responded positively to Eurozone manufacturing PMI data and fading energy crisis concerns.

Asian equities finished higher over the month (+3.5%). Chinese equities advanced (+6.9%) as China's reopening continued following the government's pivot from its Covid zero policy. Japanese equities were up (+2.2%) supported by strong industrial production and retail sales data, despite rising inflation data.

Elsewhere, Brent Crude (-1.7% in USD) was lower, Gold (+5.7%) was stronger, whilst the US Dollar (-1.4%) weakened.

Key contributors included:

- Internet/Software - DM cluster notably Compass Inc, whereby the real estate broking platform announced a further series of cost cutting initiatives, with the CEO remarking the company is expected to be free cash flow positive by mid-2023.
- Similarly, within the cluster, Meta Platforms posted earnings ahead of analyst estimates with operating expenses and capital expenditures expected to be lower this year due to several cost-cutting measures, including layoffs announced late last year. Meta also announced a US$40 billion stock buyback program.
- Consumer Cyclical – DM, notably UniCredit which posted net profits of €2.46bn in the December quarter, exceeding analyst estimates. In addition, the company announced plans to boost its capital distribution programme by 40% as part of its goal to return €16bn by 2024.
- Hardware cluster, notably Seagate Technology which surged upon quarterly results which exceeded analyst estimates. Commentary from the CEO was well received, in line with an expected recovery in the hard-disk drive storage cycle and sell-side upgrades.

Key detractors included:

- Northrop Grumman in the Industrials cluster with the aerospace and defence company experiencing sell-side analyst downgrades, citing US defence budget pressures and cost input pressures. Antipodes' thesis remains in-tact noting the material revenue potential from new programs in Space and Aeronautic Systems in the medium term.
- Healthcare cluster, including Merck & Co, Gilead Sciences and Sanofi within the pharmaceuticals sector as the market exhibited a rotation in sentiment away from defensive holdings in favour of growth, upon signs of inflation cooling and economic activity slowing.
- Short positioning in the Industrials, Internet/Software – DM and Tail Risk clusters detracted over the month.

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

Net performance (%)

	Fund	Benchmark	Difference
1 month	5.1	3.1	2.0
3 month	11.5	0.7	10.8
Year to date	5.1	3.1	2.0
1 year	-0.5	-8.0	7.5
3 year p.a.	5.7	5.0	0.7
5 year p.a.	5.6	8.5	-3.0
Inception p.a.	8.4	9.0	-0.6

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]

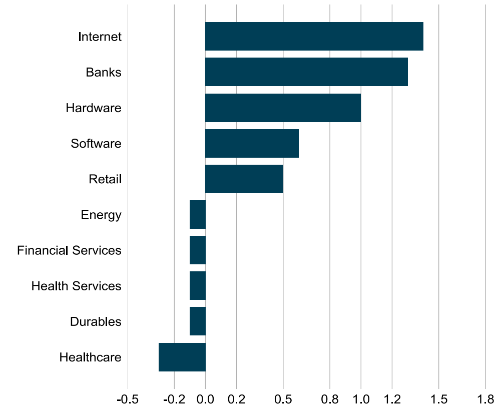
Average net exposure	65.8%
Upside capture ratio	71
Downside capture ratio	44
Portfolio standard deviation	9.1%
Benchmark standard deviation	11.1%
Sharpe ratio	0.94

Performance contribution[2] (%)

	1 month
Long	7.5%
Short	-2.0%
Currency	-0.3%

[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 World Next Index in AUD
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	$2,366m
Strategy AUM	$4,823m
Unit redemption price	1.6778

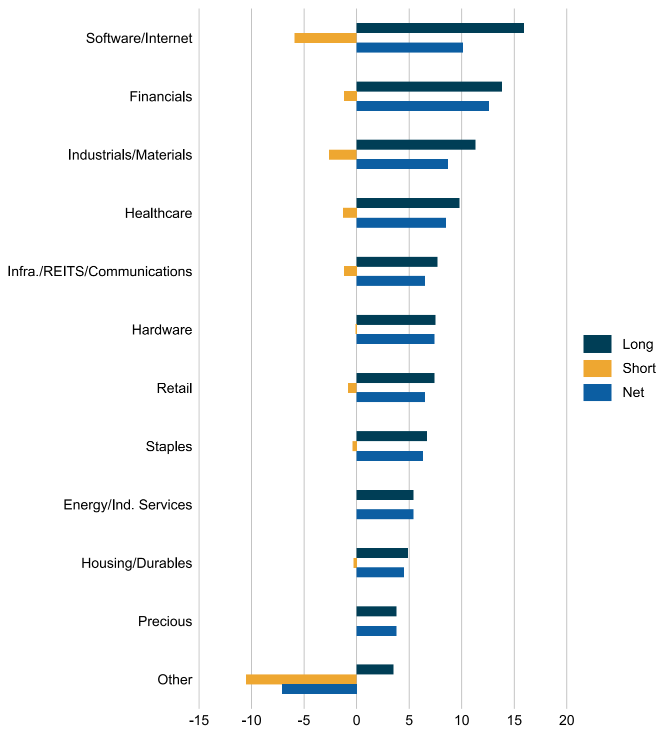
[1] All metrics are based on gross of fee returns in AUD terms. The upside/downside capture ratio is the percentage of benchmark performance captured by the fund during months that the benchmark is up/down. Standard deviation is a measure of risk with a smaller figure indicating lower return volatility.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

Asset allocation[4]

	Equities - Long	Other - Long	Equities - Short	Other - Short
Weight (%)	97.7	0.0	-24.4	-8.7
Count	73.0	1	44.0	4
Avg. weight (%)	1.3	0.0	-0.6	-2.2
Top 10 (%)	27.0	-	-15.2	-
Top 30 (%)	62.4	-	-22.4	-

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

Sector exposure[4,5] (%)

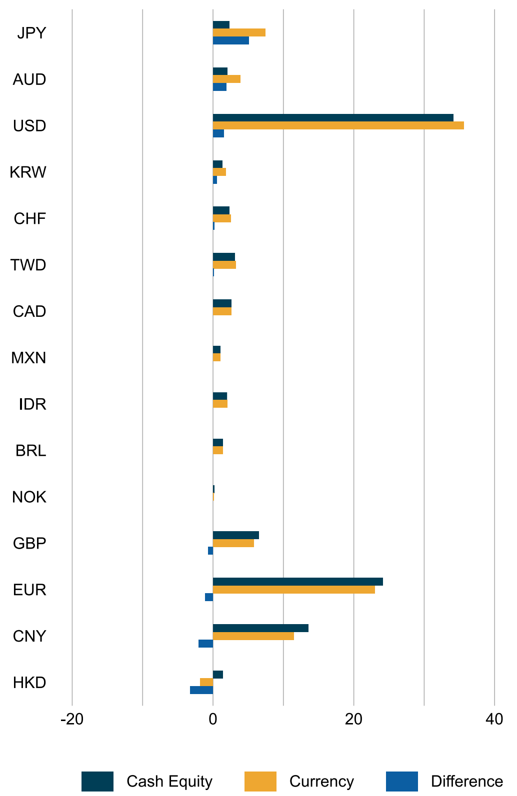


[5] Antipodes classification

Top 10 equity longs[4] (%)

Name	Country	Weight
Sanofi	France	3.3
Frontier Communications	United States	2.9
Siemens	Germany	2.8
Merck	United States	2.8
Siemens Energy	Germany	2.7
Oracle	United States	2.6
SAP	Germany	2.6
TotalEnergies	France	2.6
Meta Platforms	United States	2.4
Seagate Technology Holdings	United States	2.3

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	Benchmark
North America	**36.7**	**-12.2**	**24.4**	**63.2**
Western Europe	**33.1**	**-2.4**	**30.7**	**16.2**
- Eurozone	24.1	-1.5	22.7	8.2
- United Kingdom	6.5	-	6.5	3.6
- Rest Western Europe	2.4	-0.9	1.5	4.3
Developing Asia/EM	**19.3**	**-2.8**	**16.5**	**9.9**
- China/Hong Kong	14.9	-	14.9	4.8
- India	0.0	-2.8	-2.8	1.5
- Rest Developing Asia/EM	4.4	-	4.4	3.6
Developed Asia	**6.6**	**-1.2**	**5.4**	**8.5**
- Korea/Taiwan	4.4	-0.4	4.0	3.0
- Japan	2.3	-0.8	1.4	5.5
Oceania	**2.0**	**-3.0**	**-1.0**	**2.2**
Other equity	**0.0**	**-2.7**	**-2.7**	**0.0**
Total Equities	**97.7**	**-24.4**	**73.3**	**100.0**
Other	**0.0**	**-8.7**	**-**	**0.0**
Cash	**2.3**	**-**	**-**	**0.0**
Totals	**100.0**	**-33.0**	**-**	**100.0**

Market cap exposure[4] (%)

Band	Weight	Short	Net
Mega (>$100b)	34.2	-14.9	19.3
Large (>$25b <$100b)	36.2	-3.4	32.8
Medium (>$5b <$25b)	21.5	-5.2	16.3
Small (<$5b)	5.8	-0.9	4.9

Investment Manager

- Global 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)
- In the absence of finding securities that meet minimum risk-return criteria, cash may be held
- 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
- 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 HIGHLY RECOMMENDED

Recommended Lonsec Research

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Link to Product Disclosure Statement

Link to Target Market Determination

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