Antipodes Asia Fund

ARSN 096 451 393 APIR IOF0203AU

MONTHLY REPORT | **31 October 2020**

Commentary

Global equities retreated for a second month in October (-0.4%) on a resurgence in COVID-19 cases and risk aversion ahead of the US election. Whilst investors continued to exhibit a slight preference for growth over low multiple - or value - stocks, there was a rotation in the market as Tech underperformed and Financials outperformed. Elsewhere, Consumer Discretionary outperformed, whilst Healthcare and Energy lagged.

Asia broadly outperformed (+3.2%) led by China (+6.9%) as the relaxation of internal COVID restrictions and the unveiling of the central government's 14th Five Year Plan, led to optimism over momentum in its economic recovery. Japan outperformed (+0.4%) after removing the ban on overseas travel.

US equities fell (-0.6%) as the market began to factor in the potential of a Democratic sweep of the House, Senate and the Presidency against a backdrop of continued gridlock on a new fiscal package. Cyclicals outperformed on the potential of more aggressive stimulus under a Blue sweep, while the US technology giants retreated despite posting strong earnings.

Elsewhere, US treasury yields rose sharply on post-election fiscal hopes. Brent Crude continued to fall on continued demand concerns.

Key contributors to performance included:

- Online Services including Tencent, Alibaba and Meituan. Tencent benefited from recovery in digital advertising and attention on payments businesses with the Ant Group IPO, and Alibaba highlighted ventures in retail and food delivery are moving towards profitability. Meituan posted a strong result as food delivery continues to grow at a robust pace and cost per delivery has fallen, leading to a material increase in profits.
- Consumer Cyclical cluster, notably KB Financial and HDFC Bank, as both reported strong results highlighting ongoing normalisation of their domestic economies. In particular, recovery has gathered pace in India and HDFC has taken market share.
- Consumer Defensive cluster including Wuliangye as sales growth accelerated to high-teens driven by its premium product, and Li Ning reported a turnaround with sales growing mid-single digits driven by e-commerce, outperforming peers.
- Connectivity/Compute cluster, notably MediaTek in the lead up to recent results where the company continues to grow in 5G handsets and a diverse range of adjacent products.

Key detractors to performance included:

- Tongcheng-Elong Holdings (Consumer Cyclical cluster), as the market takes a cautious view on tourism plays despite evidence of greenshoots in domestic Chinese travel.
- Shorts, which can act as a headwind in strong upward moving markets.

Net performance (%)

	Fund	Benchmark	Difference
1 month	6.1	4.9	1.2
3 month	9.2	7.1	2.1
Year to date	8.5	8.5	0.1
1 year	13.3	13.7	-0.4
3 year p.a.	7.6	7.4	0.3
5 year p.a.	10.3	9.9	0.5
Inception p.a.	9.8	8.5	1.3
Inception	64.5	54.4	10.0

Past performance is not a reliable indicator of future performance. Returns are quoted in AUD and net of applicable fees, costs and taxes

Performance & risk summary[1]

Average net exposure	71.9%
Upside capture ratio	75
Downside capture ratio	33
Portfolio standard deviation	9.0%
Benchmark standard deviation	11.4%
Sharpe ratio	1.10

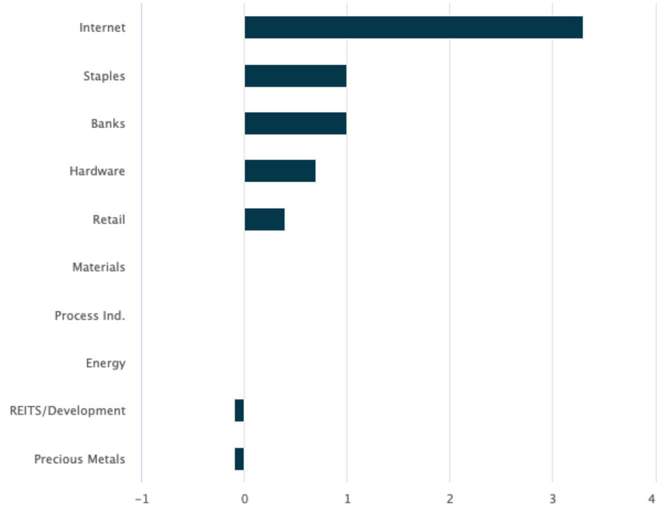
[1]All metrics are based on gross of fee returns in AUD terms. The upside/downside capture ratio is the percentage of benchmark performance captured by the fund during months that the benchmark is up/down. Standard deviation is a measure of risk with a smaller figure indicating lower return volatility. 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	6.4%
Short	-0.2%
Currency	0.0%

[4] 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

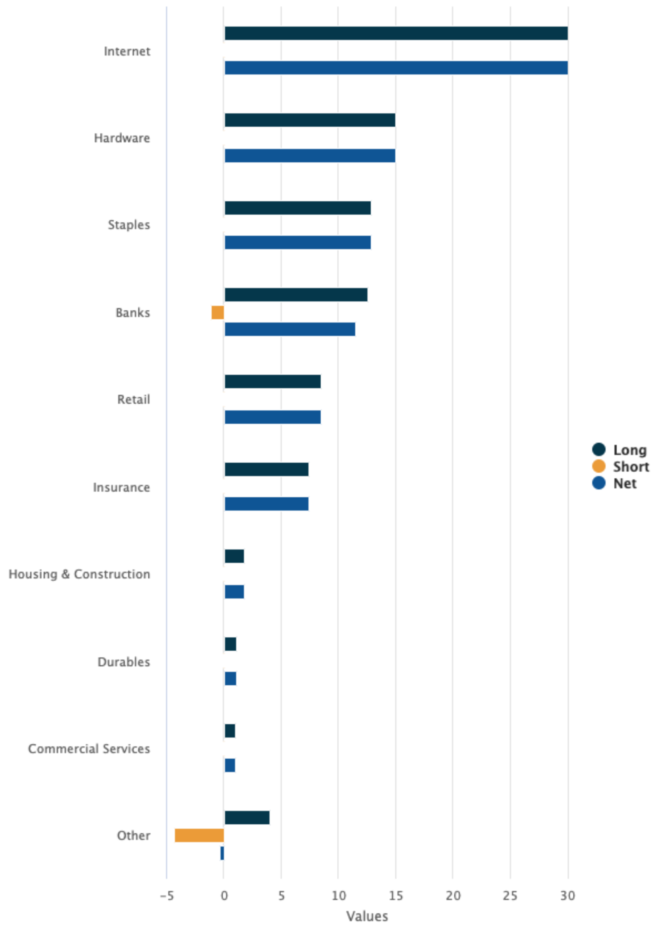
Asset value	
Fund AUM	$82m
Strategy AUM	$89m
Unit redemption price	1.3998

Asset allocation[4]

	Equities - Long	Other - Long	Equities - Short	Other - Short
Weight (% NAV)	94.5	-	-5.4	-
Count	35	-	6	-
Avg. weight	2.7	-	-0.9	-
Top 10 (% NAV)	54.8	-	-	-
Top 30 (% NAV)	92.3	-	-	-

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

Sector exposure[4,5] (%)

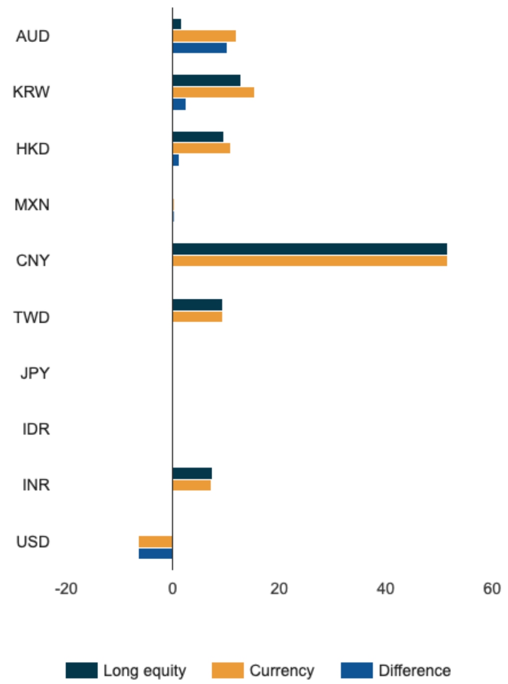


[5] Antipodes classification

Top 10 equity longs[4] (%)

Name	Country	Weight
Alibaba	China/HK	9.4
Tencent	China/HK	9.2
Taiwan Semiconductor	Taiwan	7.1
Samsung Electronics	Korea	5.6
Meituan	China/HK	4.5
JD.com	China/HK	4.3
HDFC Bank	India	4.2
Li Ning	China/HK	3.7
KB Financial Group	Korea	3.5
Inner Mongolia Yili Industrial Gr...	China/HK	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	70.7	-2.9	67.8
- China/Hong Kong	61.3	-2.9	58.4
- India	7.4	-	7.4
- Rest Developing Asia	2.0	-	2.0
Developed Asia	22.2	-2.6	19.6
- Korea/Taiwan	22.2	-	22.2
- Japan	-	-2.6	-2.6
Australia	1.6	-	1.6
Total Equities	94.5	-5.4	89.1
Cash	5.5	-	-
Totals	100.0	-5.4	-

Market cap exposure[4] (%)

Band	Long	Short	Net
Mega (>$100b)	52.2	-4.1	48.1
Large (>$25b <$100b)	21.2	-1.3	19.9
Medium (>$5b <$25b)	12.6	0.0	12.6
Small (<$5b)	8.5	0.0	8.5

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

Further information

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