

Antipodes Global Investment Company Limited (ASX:APL)

ACN 612 843 517

UPDATE AS AT 31 MAY 2019

COMPANY COMMENTARY

- Company performance for the month was -4.5%, while the benchmark returned -4.4%. The key contributors and detractors are detailed under the Portfolio Commentary section below.
- The Company has decided to simplify its performance reporting by publishing a single Company performance number. Company performance (per the performance table below) is the movement in NTA before tax⁵ for the period, adjusted for dividends and income taxes paid and the dilutionary effect of options granted to shareholders upon the Company's initial listing. This figure incorporates underlying portfolio performance net of portfolio related fees and costs, less administration costs of the Company.

PORFOLIO COMMENTARY

- Key contributors include:
 - Our shorts were key contributors to performance this month, notably our connectivity cluster (e.g. short weaker competitors), our industrials cluster (e.g. short weaker competitors), and consumer exposures in emerging markets (e.g. short Chinese property developers with weak balance sheets and short underinvesting brands).
 - Gold cluster, notably Newcrest, as the market rotated into safe haven assets following concerns over a slowdown in global growth.
 - Healthcare cluster, notably Novartis thanks to a solid quarterly result and positive pipeline updates including FDA approval for its novel gene therapy for Spinal Muscular Atrophy. The company also accelerated its share buybacks during the month.
 - Sony, which had a successful game launch during the month and announced plans to buy back another 4.8% of shares. The company also entered into a collaboration with Microsoft for cloud gaming services, bolstering their ability to continue to lead the market in a streaming defined gaming world.
- Key detractors include:
 - Connectivity cluster, as semiconductor stocks were hit particularly hard with the escalation in the US-China trade war. Qualcomm was also negatively impacted by an unexpected adverse ruling in its dispute with the US Federal Trade Commission, which requires Qualcomm to implement changes to its licensing model. The ruling is out of step with the recently agreed settlement with Apple, and while this creates some near term uncertainty we believe it will ultimately have minimal effect on the company.
 - Domestic consumer exposures such as our European banks ING Groep and UniCredit, and Chinese consumer stocks including Yum China and Ping An, which fell in response to the escalation in the trade war and concerns over a slowdown in global economic activity. Tapestry also declined over the month as demand for premium brands in the US remained weak relative to luxury brands, and as the market becomes impatient on the turnaround prospects of Kate Spade which is a key driver of future growth.
 - Online services, notably Baidu which fell following the quarterly result which indicated lower advertising rates.
 - Oil and Natural gas cluster, notably Inpex and Technip which fell in response to the decline in oil price this month (-12.6% in AUD).

COMPANY FACTS

Investment manager	Antipodes Partners
ASX code share price	APL \$0.980
Inception date	11 October 2016
Listing date	18 October 2016
Management fee	1.10% p.a. ¹
Performance fee	15% ¹ of net return in excess of benchmark ⁸
Market capitalisation	\$541m

¹ Inclusive of the net impact of GST and RITC

NET TANGIBLE ASSETS (NTA)^{2,5}

Pre-tax NTA ³	Post-tax NTA ⁴
\$1.089	\$1.104

² NTA calculations exclude Deferred Tax Assets relating to capitalised cost deductions of \$0.002 per share. ³ Pre-tax NTA includes tax on realised gains/losses and other earnings, but excludes any provision for tax on unrealised gains/losses ⁴ Post-tax NTA includes tax on realised and unrealised gains/losses and other earnings ⁵ NTA before tax was \$1.102 as at 31 May 2019. This represents the NTA excluding all income tax related assets and liabilities. Company tax of 0.4 cps was paid during the month

PERFORMANCE (%)

	Company ⁶	Benchmark ⁷
1 month	-4.5	-4.4
3 months	-1.2	1.1
CYTD	1.5	10.8
1 year	0.5	7.8
2 year p.a.	4.1	8.9
Inception p.a.	8.5	12.5
Inception	24.0	36.5

Past performance is not a reliable indicator of future performance. ⁶ Movement in NTA before tax for the period, adjusted for dividends and income taxes paid and the dilutionary effect of options granted to shareholders upon the Company's initial listing. This figure incorporates underlying portfolio performance net of portfolio related fees and costs, less administration costs of the Company ⁷ MSCI All Country World Net Index in AUD (underlying portfolio benchmark)

ASSET ALLOCATION

	Long		Short	
	Equities	Other ⁸	Equities	Other ⁸
Weight (% NAV)	85.9	2.0	-26.6	-1.7
Count	62	2	55	4
Avg. weight	1.4	1.0	-0.5	-0.3
Top 10 (% NAV)	26.7	-	-8.1	-
Top 30 (% NAV)	62.1	-	-18.5	-

⁸ Index futures and other non-single stock

TOP 10 EQUITY LONGS (%)

Name	Country	Weight
Facebook	United States	3.0
Ping An Insurance	China/HK	3.0
Microsoft	United States	2.8
Electricite de France	France	2.8
Siemens	Germany	2.7
Sony	Japan	2.6
KB Financial	Korea	2.5
Cisco Systems	United States	2.5
Qualcomm	United States	2.4
General Electric	United States	2.4

CURRENCY EXPOSURE⁹ (%)

ISO	Cash equity	Currency	Difference
JPY	11.8	17.8	6.1
USD	28.3	34.1	5.8
SEK	0.0	2.9	2.9
AUD	1.8	4.4	2.6
CHF	3.8	6.3	2.6
NOK	0.0	2.2	2.2
BRL	0.0	1.7	1.7
GBP	0.0	1.1	1.1
MXN	0.4	0.5	0.1
INR	1.7	1.8	0.1
EUR	17.7	16.8	-0.9
KRW	6.9	5.4	-1.5
SGD	0.0	-2.6	-2.6
HKD	2.0	-0.7	-2.7
CNY	11.5	8.2	-3.3

⁹ Where possible, regions, countries and currencies classified on a look through basis

FURTHER INFORMATION

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SECTOR EXPOSURE¹⁰ (%)

Sector	Long	Short	Net
Banks	11.6	-2.6	8.9
Internet	9.6	-0.2	9.4
Industrial	9.3	-5.1	4.2
Software	7.4	-1.9	5.6
Hardware	7.4	-3.1	4.3
Communications	6.9	-0.7	6.2
Healthcare	6.6	-0.9	5.7
Retail	4.6	-2.1	2.5
Energy	3.9	-0.4	3.4
Other	20.7	-11.4	9.4

¹⁰ Antipodes Partners classification

REGIONAL EXPOSURE^{9,10} (%)

Region	Long	Short	Net
North America	28.3	-17.3	11.0
Developed Asia	18.7	-3.1	15.6
<i>Korea/Taiwan</i>	6.9	-0.7	6.3
<i>Japan</i>	11.8	-2.4	9.4
Developing Asia	15.2	-2.6	12.6
<i>China/Hong Kong</i>	13.5	-2.2	11.3
<i>India</i>	1.7	-0.4	1.3
Western Europe	21.5	-4.0	17.5
<i>Eurozone</i>	17.7	-1.4	16.3
<i>United Kingdom</i>	0.0	-0.6	-0.6
<i>Rest Western Europe</i>	3.8	-2.0	1.8
Australia	1.8	0.0	1.8
Rest of World	0.4	0.0	0.4
Total Equities	85.9	-27.0	59.0
Other	2.0	-1.3	0.7
Cash	12.0	-	-
Totals	100.0	-28.3	59.7

MARKET CAP EXPOSURE (%)

Band	Long	Short	Net
Mega (>\$100b)	25.9	-1.7	24.2
Large (>\$25 <\$100b)	31.4	-9.3	22.1
Medium (>\$5 <\$25b)	26.7	-14.9	11.8
Small (<\$5b)	4.0	-2.4	1.6

Antipodes Partners	<ul style="list-style-type: none"> • Global pragmatic value manager, long only and long-short • We take advantage of the market's tendency for <i>irrational extrapolation</i>, identify investments that offer a high <i>margin of safety</i> and build portfolios with a <i>capital preservation</i> focus
Company features	<ul style="list-style-type: none"> • Aims to achieve absolute returns in excess of the benchmark over the investment cycle (typically 3-5 years) • In the absence of finding individual 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 allowable gross exposure limit of 150% of NAV

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