

Antipodes Global Investment Company Limited (ASX:APL)

ACN 612 843 517

UPDATE AS AT 31 JULY 2019

COMPANY COMMENTARY

- Company performance for the month was down 0.4%, while the benchmark returned 2.1% for the month. The key contributors and detractors are detailed under the Portfolio Commentary section below.
- On 19 July the Company announced an on-market buy-back of the Company's shares as a proactive measure to address the share price of the Company trading at a persistent discount to NTA. The Company will purchase up to 10% of the Company's shares during the 12-month period commencing 1 August 2019 and ending 31 July 2020 at the prevailing share price. This buy-back is a clear commitment to shareholders that the Board is prepared to take action when the share price trades away from the NTA. The Board expects the buy-back to be accretive to NTA.

PORFOLIO COMMENTARY

Key contributors:

- Online Services - Asia cluster, notably Sony and LINE. Sony reported a solid result driven by the company's digital image sensors business where they are the number one player with a clear lead in technology, and LINE reported strong growth in advertising units and indicated that losses in strategic new businesses such as payments and e-commerce have peaked.
- Gold cluster including Barrick Gold and Newcrest Mining due to continued strength in the gold price over the month and strong results, with Barrick on track to hit the upper end of its full year guidance and Newcrest reporting production at the top end of guidance.
- Oil/Natural gas cluster, notably Technip as the company reported continued growth in its orderbook, and an improvement in profitability and cash flow.

Key detractors:

- Infrastructure Asia, notably China Telecom and China Unicom due to disappointment around capital management broadly amongst the Chinese telecommunication companies, and concern that an escalation in US-China trade war might force an accelerated 5G network build.
- Consumer Cyclical - Asia, notably KB Financial as the market was disappointed with the reduction in loan growth guidance to 3% due to the uncertain macro outlook, and Korea being a trade dependent economy. The company, however, continues to report solid net interest margins as it maintains low credit costs, and is trading at historically low valuations.
- Software cluster, notably SAP which reported during the month and the market was disappointed with the growth of the Cloud business. We believe the market is missing that the pipeline remains full, SAP's transformation to cloud remains on-track, and operating profitability is about to inflect.
- Our short positions detracted from performance. The portfolio is short businesses that we believe are vulnerable to competition and in many cases have highly geared balance sheets. The market, however, is overly optimistic about the near-term growth projections for these businesses and is prepared to pay a significant premium. Short positions protect the portfolio in down markets but they can act as a headwind in upward moving markets as experienced in July.

COMPANY FACTS

Investment manager	Antipodes Partners
ASX code share price	APL \$0.990
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 ⁷
Market capitalisation	\$546m

¹ Inclusive of the net impact of GST and RITC

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

Pre-tax NTA ³	Post-tax NTA ⁴
\$1.135	\$1.134

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 \$1.136 as at 31 July 2019. This represents the NTA excluding all income tax related assets and liabilities. Company tax of \$0.003 per share was paid during the month

PERFORMANCE (%)

	Company ⁶	Benchmark ⁷
1 month	-0.4%	2.1
3 months	-0.5%	2.7
CYTD	5.7%	19.1
1 year	1.0%	11.0
2 year p.a.	7.4%	15.0
Inception p.a.	9.6%	14.6
Inception	29.2%	46.6

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)	88.5	1.1	-24.6	-2.7
Count	61	1	56	5
Avg. weight	1.5	1.1	-0.4	-0.4
Top 10 (% NAV)	25.6	-	-7.2	-
Top 30 (% NAV)	64.1	-	-16.9	-

⁸ Index futures and other non-single stock

TOP 10 EQUITY LONGS (%)

Name	Country	Weight
Facebook	United States	3.1
Ping An Insurance	China/HK	2.8
Microsoft	United States	2.8
Siemens	Germany	2.7
Samsung Electronics	Korea	2.4
UniCredit	Italy	2.4
KB Financial	Korea	2.4
Merck & Co.	United States	2.4
ING Groep	Netherlands	2.4
General Electric	United States	2.3

CURRENCY EXPOSURE⁹ (%)

ISO	Cash equity	Currency	Difference
USD	31.8	41.1	9.3
AUD	1.7	4.8	3.0
CHF	3.1	5.8	2.7
SEK	0.0	2.3	2.3
NOK	0.0	2.0	2.0
JPY	12.1	13.3	1.2
GBP	0.0	1.0	1.0
BRL	0.0	0.8	0.8
INR	1.8	2.0	0.2
MXN	0.4	0.4	0.1
KRW	7.1	5.7	-1.4
HKD	1.8	0.1	-1.7
EUR	17.9	16.0	-1.9
SGD	0.0	-2.5	-2.5
CNY	10.7	7.2	-3.5

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	11.5	-2.6	8.9
Internet	10.2	-0.9	9.3
Industrial	9.2	-4.9	4.2
Healthcare	8.0	-2.2	5.9
Software	7.2	-2.3	4.9
Hardware	7.1	-2.0	5.1
Communications	5.5	-1.1	4.4
Retail	4.7	-1.4	3.3
Energy	4.0	-0.4	3.7
Other	22.2	-9.5	12.6

¹⁰ Antipodes Partners classification

REGIONAL EXPOSURE^{9, 10} (%)

Region	Long	Short	Net
North America	31.8	-17.4	14.4
Developed Asia	19.6	-3.1	16.6
Korea/Taiwan	7.1	-0.6	6.4
Japan	12.5	-2.4	10.1
Developing Asia	13.9	-1.7	12.2
China/Hong Kong	12.1	-1.2	10.9
India	1.8	-0.5	1.4
Western Europe	21.0	-2.9	18.1
Eurozone	17.9	-1.3	16.5
United Kingdom	0.0	-0.5	-0.5
Rest Western Europe	3.1	-1.0	2.1
Australia	1.7	0.0	1.7
Rest of World	0.4	0.0	0.4
Total Equities	88.5	-25.1	63.4
Other	1.1	-2.2	-1.1
Cash	10.4	-	-
Totals	100.0	-27.2	62.4

MARKET CAP EXPOSURE (%)

Band	Long	Short	Net
Mega (>\$100b)	26.8	-5.5	21.3
Large (>\$25 <\$100b)	35.2	-8.6	26.6
Medium (>\$5 <\$25b)	24.7	-12.0	12.7
Small (<\$5b)	2.9	-1.2	1.7

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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