# Antipodes

**Antipodes Global Investment Company Limited (ASX: APL)**

Annual General Meeting

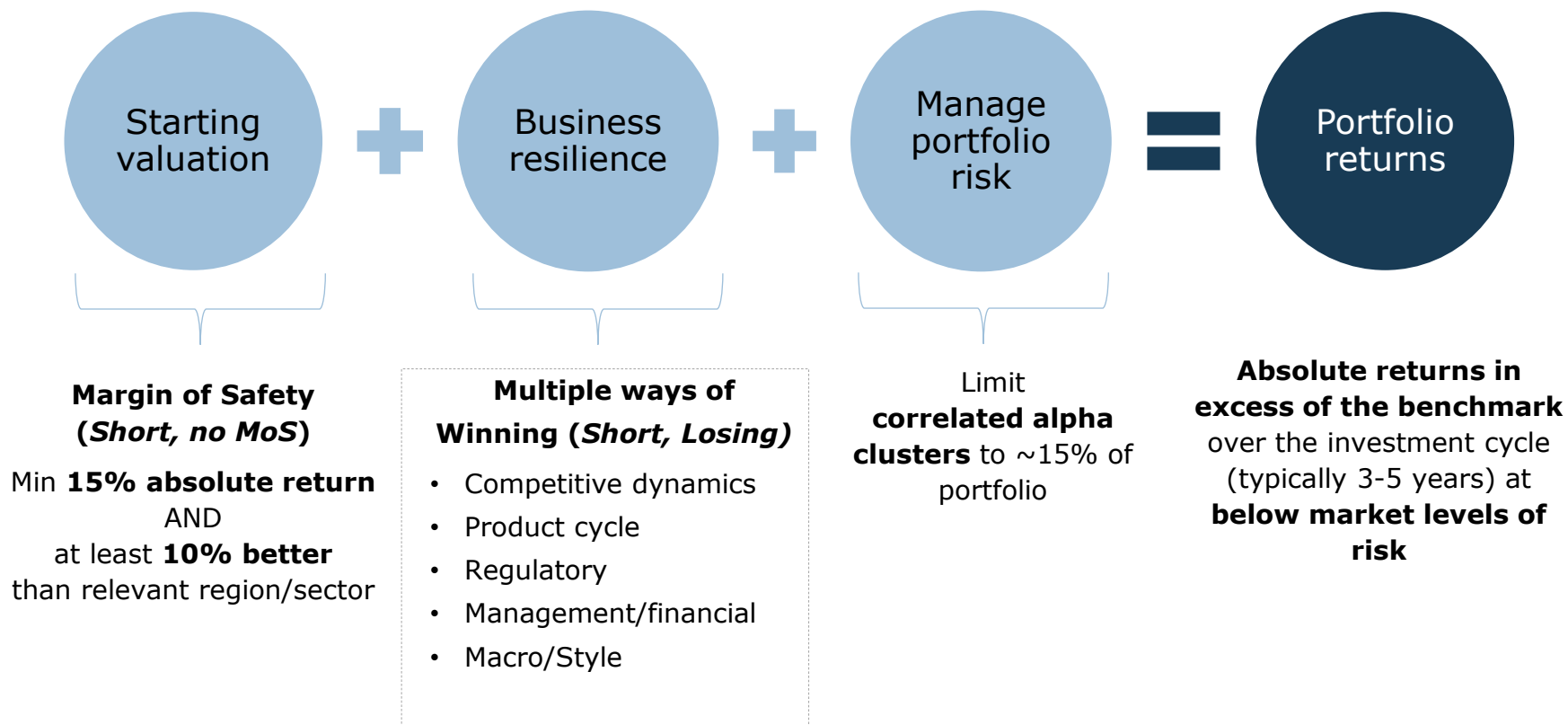6 November 2019

# Antipodes

- Founded 2015

- $9 billion+*

- 25 investment professionals

- Sydney and London offices

- $20m+ co-investment from firm/team

*as at September 2019

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# Our philosophy

A pragmatic value approach

**Starting valuation** + **Business resilience** + **Manage portfolio risk** = **Portfolio returns**

**Margin of Safety (*Short, no MoS*)**

Min **15% absolute return**
AND
at least **10% better**
than relevant region/sector

**Multiple ways of Winning (*Short, Losing*)**

- Competitive dynamics
- Product cycle
- Regulatory
- Management/financial
- Macro/Style

Limit **correlated alpha clusters** to ~15% of portfolio

**Absolute returns in excess of the benchmark** over the investment cycle (typically 3-5 years) at **below market levels of risk**

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# Portfolio Performance

# Portfolio performance

## 1 year to September 2019

| Performance | Portfolio[1] | Benchmark[2] | Alpha |
|---|---|---|---|
| Long | 0.9% | 8.8% | (7.9%) |
| Short | (2.4%) | - | (2.4%) |
| Currency/Other[3] | 1.6% | - | 1.6% |
| Total | 0.1% | 8.8% | (8.7%) |

| Top Five | Contribution to alpha[4] |
|---|---|
| Barrick Gold | 0.9% |
| Qualcomm | 0.6% |
| Newcrest Mining | 0.6% |
| Sony | 0.6% |
| Ping An | 0.6% |

| Bottom Five | Contribution to alpha[4] |
|---|---|
| Tapestry | (1.4%) |
| Baidu | (1.1%) |
| Electricite de France | (0.9%) |
| Range Resources | (0.9%) |
| Short (Industrials) | (0.7%) |

[1] Based on gross of fees returns to Sep-19
[2] Benchmark for Global Long-Short is the MSCI ACWI Net Index
[3] Other offsets the impact of expenses, payables/receivables, cash flows and intraday trading, among other accounting elements.
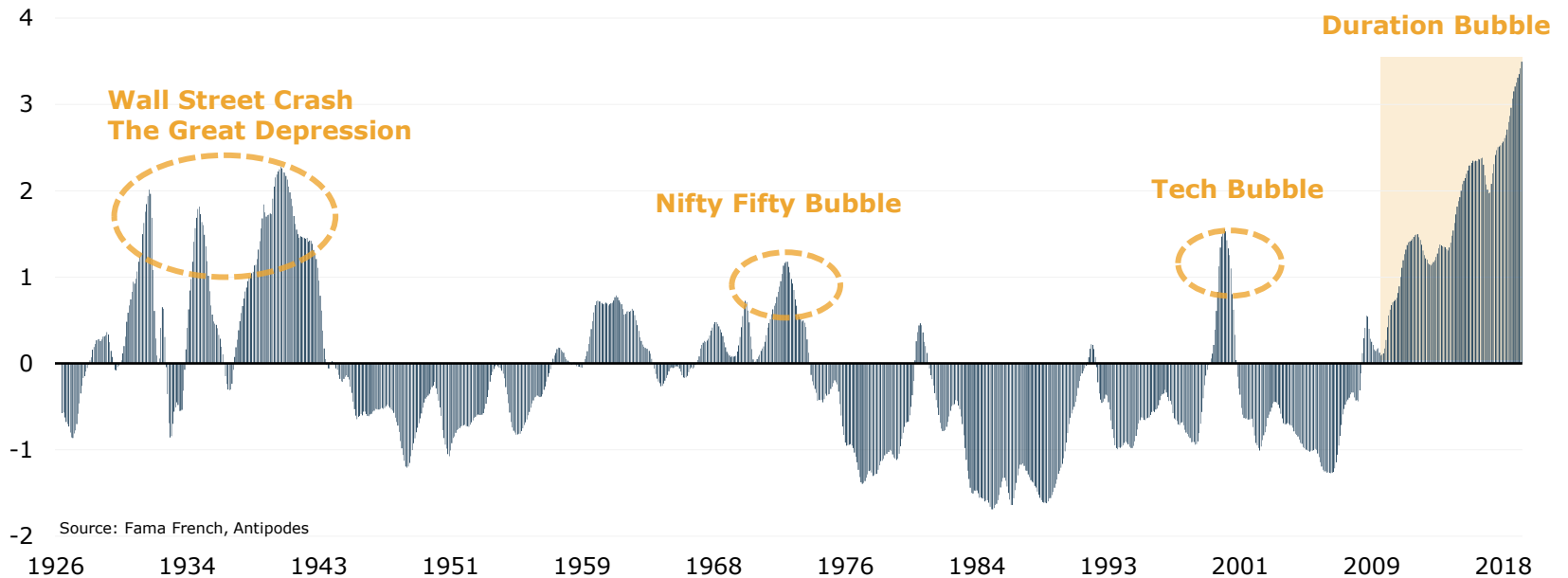[4] Contribution to alpha measures over/underperformance relative to the iShares MSCI ACWI ETF in AUD

Source: Factset, Antipodes

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# Market observations

# The preference for duration is extreme

## The bubble in duration is here

**PRICE PERFORMANCE OF EXPENSIVE TO CHEAP STOCKS VS. 100 YEAR TREND**
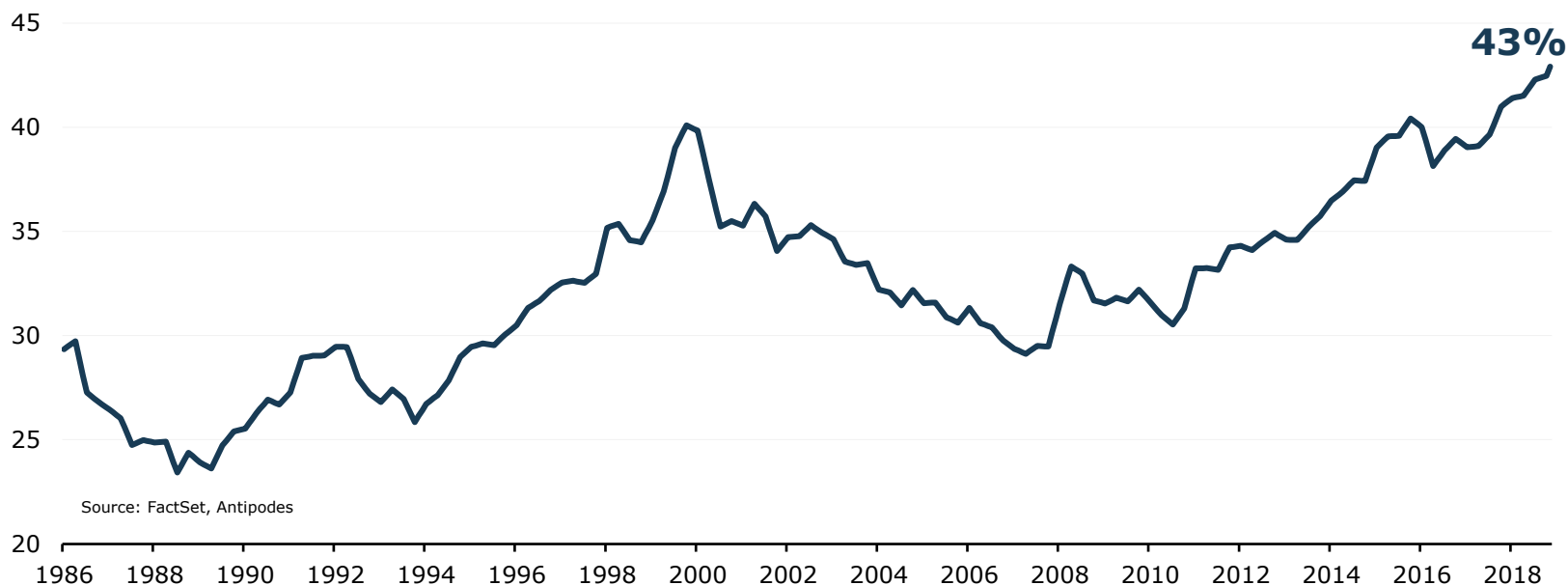
Standard deviations from trend



Source: Fama French, Antipodes

# Investors are <u>chasing duration</u>

## Equities are increasingly behaving like bonds

**DEFENSIVE & GROWTH STOCKS**

% of global market capitalisation

**43%**

Source: FactSet, Antipodes

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# Global factors: performance and valuation

## Growth, Profitability & Momentum have rarely been more expensive

**PERFORMANCE**

| | 1Y | 3Y p.a. | 5Y p.a. | 10Y p.a |
|---|---|---|---|---|
| **Factors** | | | | |
| Value | (0.8%) | 0.0% | 0.2% | (0.5%) |
| Growth | 5.6% | 7.7% | 5.2% | 0.4% |
| Profitability | 7.9% | 8.5% | 7.4% | 5.2% |
| Resilience | (4.3%) | (0.8%) | 0.2% | 0.1% |
| Momentum (12m) | (1.7%) | 6.2% | 2.3% | 6.1% |

Factors returns measure global price performance of the highest to lowest quintile (cheapest to most expensive for Value). As at Sep 2019.

*Source: FactSet, Antipodes Partners*

**COMPOSITE VALUATION (30Y Z-SCORE)**

| | Growth | Profitability | Momentum | Value | |
|---|---|---|---|---|---|
| | 1.9 | 0.1 | 0.6 | -0.6 | North America |
| | 1.5 | 1.3 | 1.4 | -0.7 | Western Europe |
| | 0.3 | 2.0 | 2.4 | -1.8 | Japan/Korea/Taiwan |
| | 0.1 | 2.4 | 2.3 | -2.1 | Emerging Markets |

Expensive — Cheap

Factor valuations are a ratio of the median multiple of the highest to lowest quintile (cheapest to most expensive for Value), expressed as a z-score. Our approach to measuring multiples comprises an equal weighted composite of EV/CE, EV/Sales, forward PE and EV/normalised EBIT. As at Sep 2019.
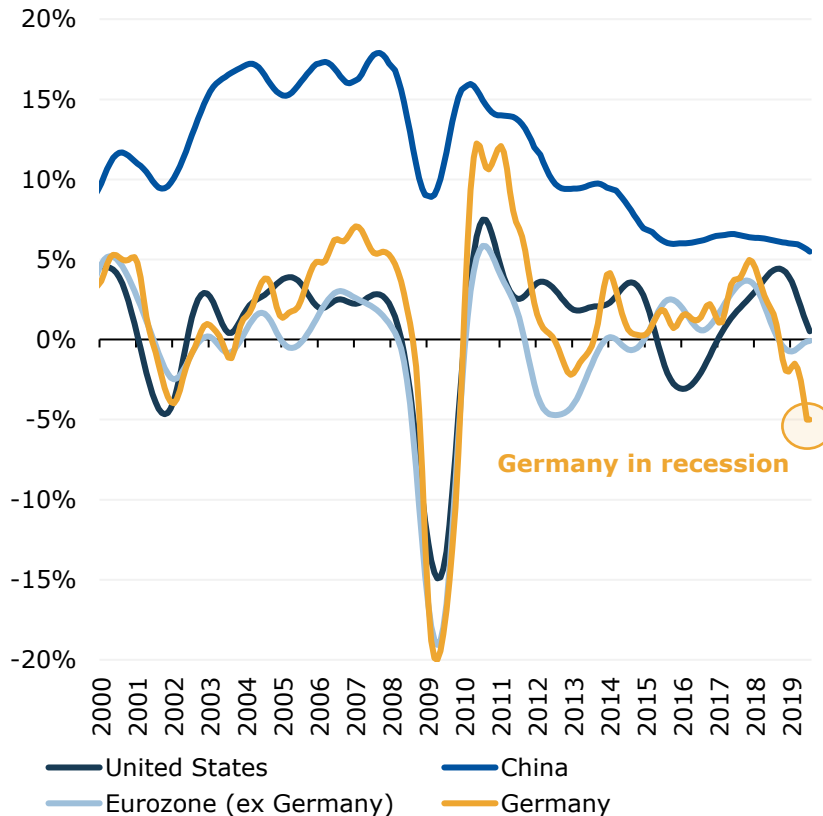
*Source: FactSet, Antipodes Partners*
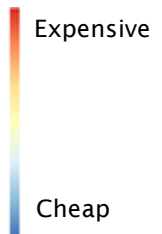
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# Monetary policy failure?

## Fiscal policy is the answer, Europe/China have the most dry powder

**INDUSTRIAL PRODUCTION**
Year over Year %
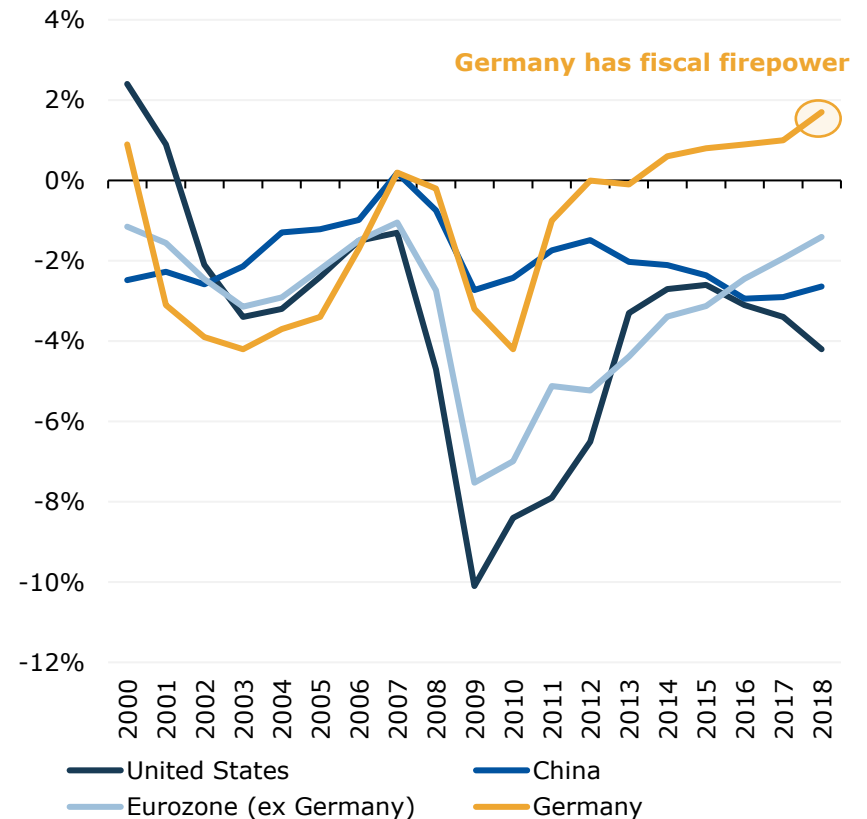
**FISCAL SURPLUS**
% of gross domestic product



Germany in recession

Germany has fiscal firepower

Legend (left chart): United States · China · Eurozone (ex Germany) · Germany

Legend (right chart): United States · China · Eurozone (ex Germany) · Germany

Source: Bloomberg, Antipodes

Source: Bloomberg, Morgan Stanley Research

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# Valuation of cyclical stocks ignores potential for fiscal stimulus

## Cheap, but risks to global growth remain

**CYCLICALITY AND THE GLOBAL ECONOMIC CYCLE**
Z-Score of cyclical v. defensive composite valuation and year over year global industrial production



Source: Bloomberg, FactSet, Antipodes

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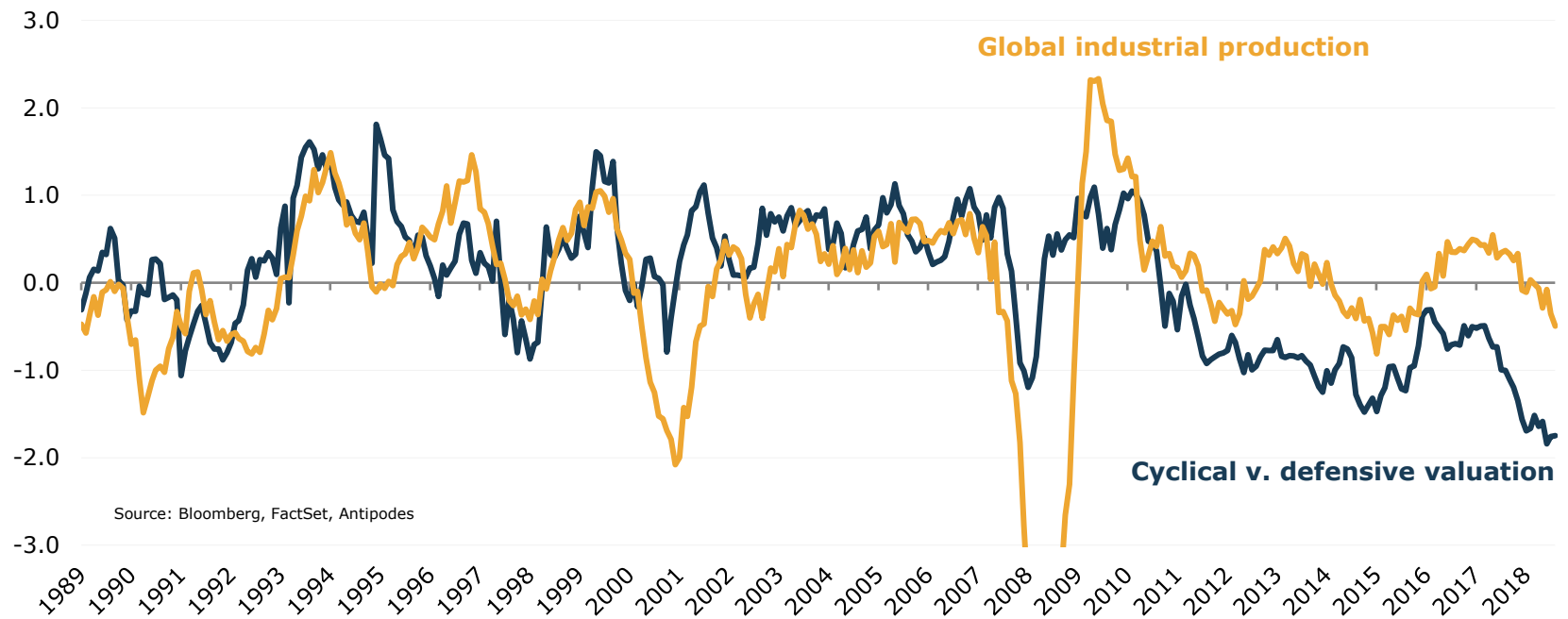
# Portfolio positioning

# Top 10 equity longs

| Name | Country | Weight (%) |
| --- | --- | --- |
| Facebook | United States | 3.2 |
| Microsoft | United States | 2.9 |
| Ping An Insurance | China/HK | 2.8 |
| Siemens | Germany | 2.7 |
| Samsung Electronics | Korea | 2.7 |
| KB Financial | Korea | 2.5 |
| Merck | United States | 2.5 |
| Roche | Switzerland | 2.5 |
| Alibaba | China/HK | 2.5 |
| Electricite de France | France | 2.3 |
| **Total** | | **26.6** |

# Siemens' Digital Factory

## The next wave of industrial evolution

**SIEMENS**
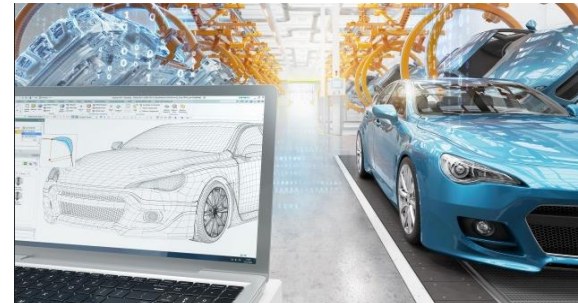
Source: Siemens

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# Merck

## Harvesting innovation

**GROWTH IN NEW KEY THERAPIES MORE THAN OFFSETS PATENT CLIFF**

Sales USD billions



Legend: Januvia | Oncology | Vaccines | Animal Health | Other therapies
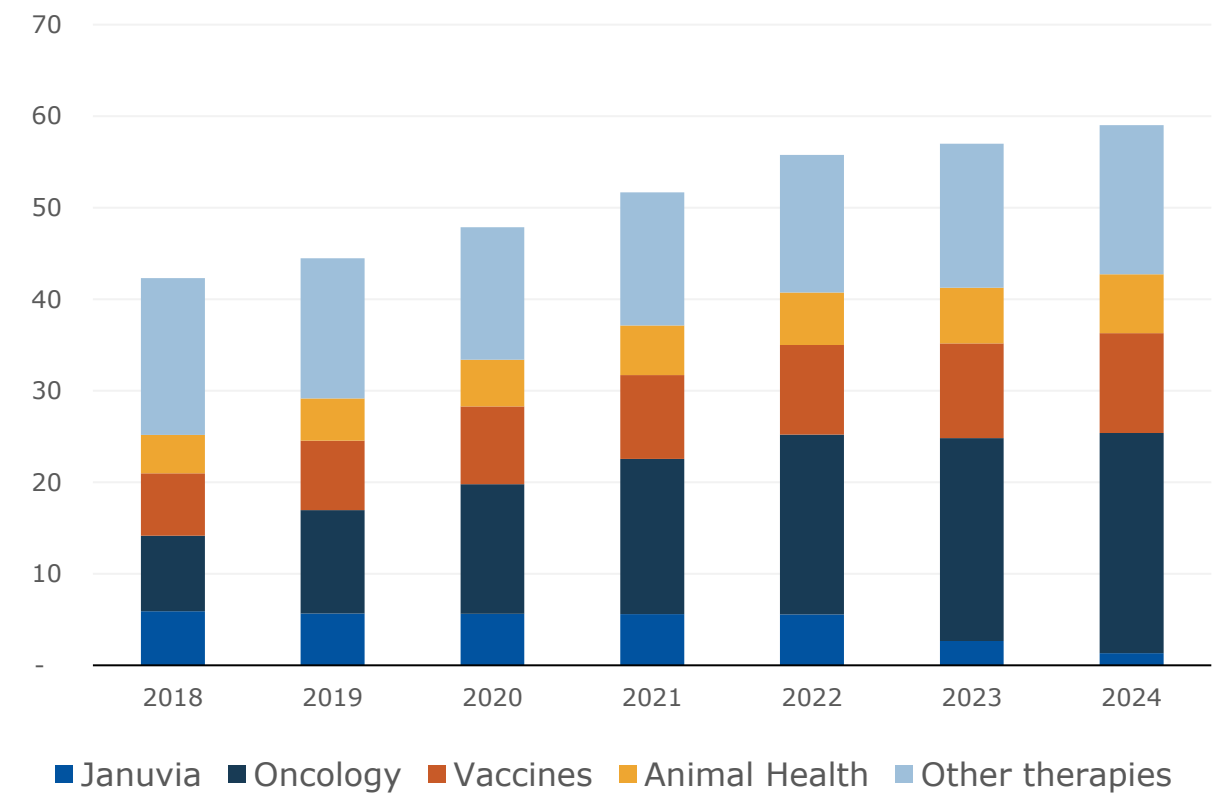
# Portfolio offers <u>cheap exposure to growth and quality</u>

**STYLE EXPOSURES**

Percentile score of fully invested long and short books (50 = market median)
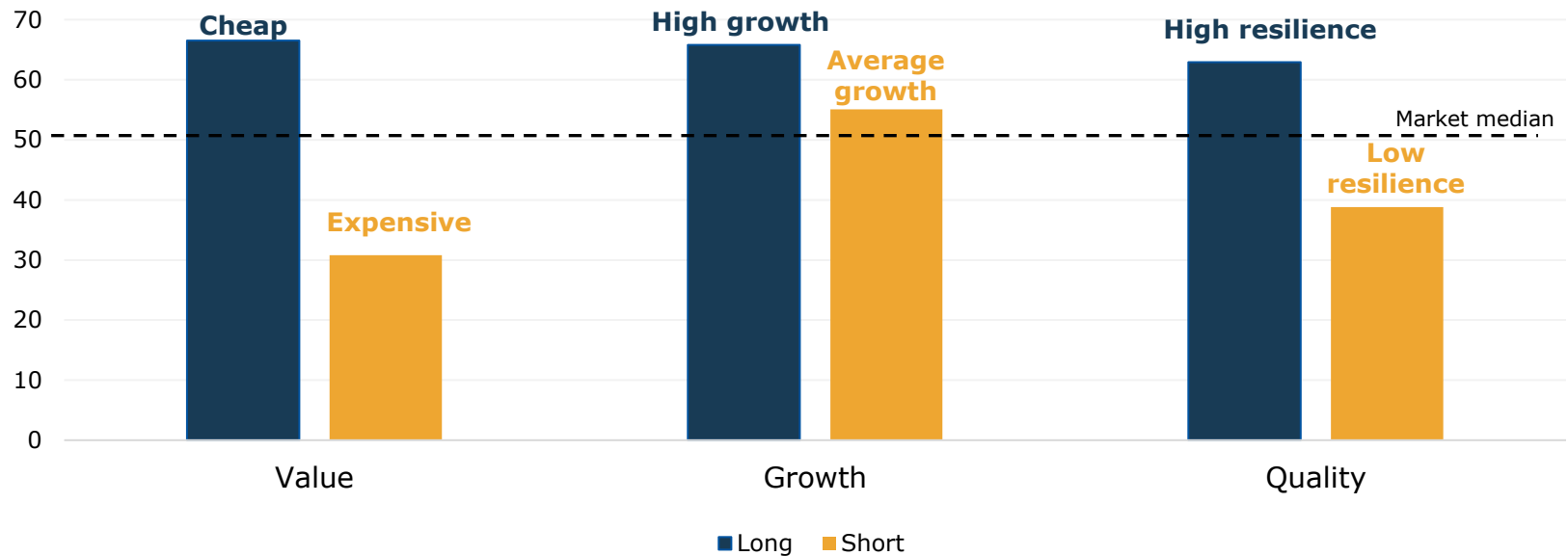


Scores computed against global universe, MCAP > US$1.5b. A percentile score of 100 represents the highest Growth/Resilience/Value (cheap) characteristics relative to the market.
Source: Antipodes Partners

# Disclaimer

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