



# ANTIPODES

GLOBAL INVESTMENT COMPANY

# Antipodes Global Investment Company (ASX:APL)

## Full year results FY2018

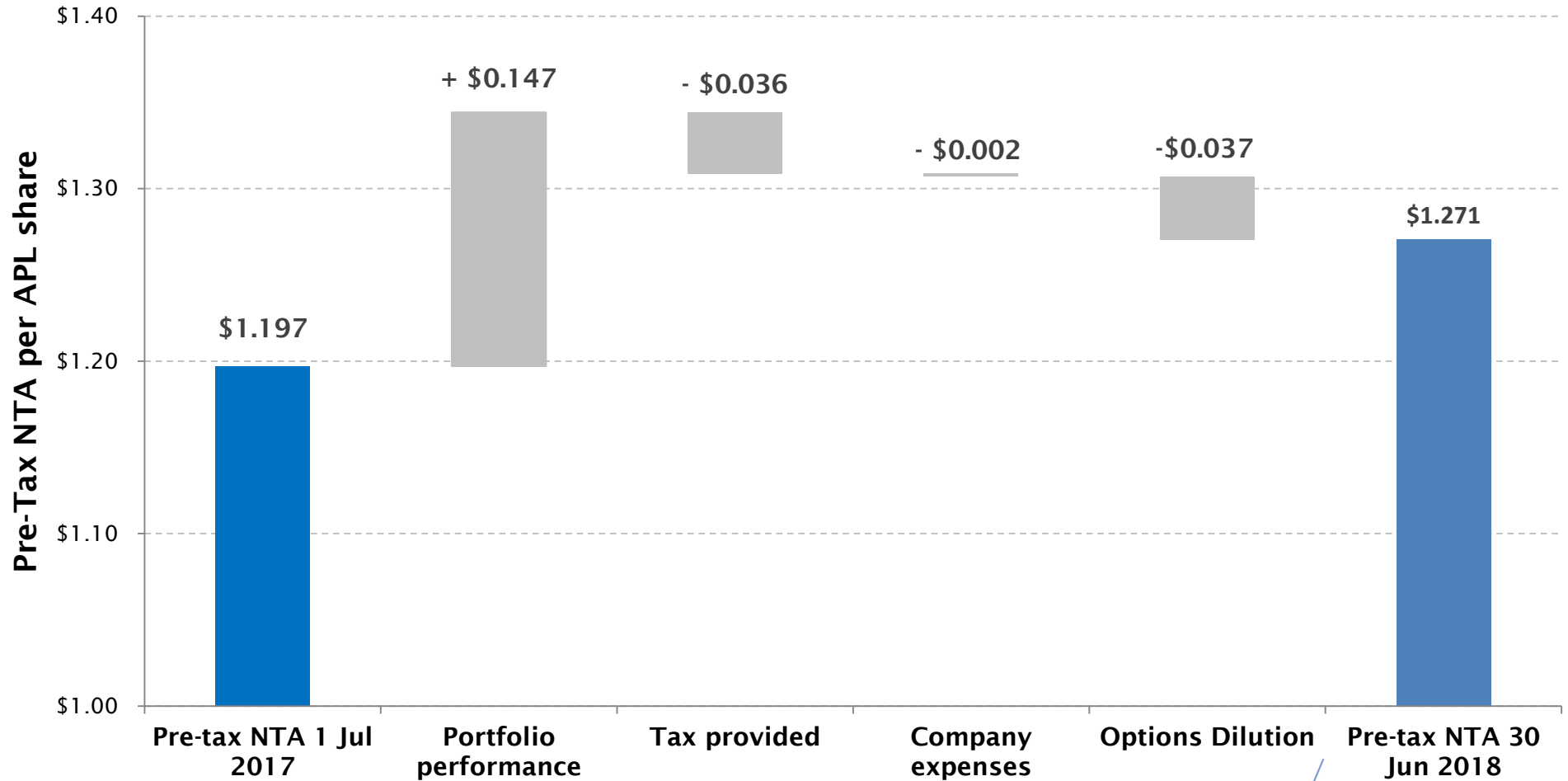
FY2018 profit	Portfolio performance
\$34m	+12.3%

	Dividend	Dividend yield*
Cash	5.0c	4.4%
Franking (50%)	1.1c	
Grossed-up	6.1c	5.3%

\* Share price as at 22 August 2018 of \$1.145



# NTA performance breakdown for FY2018



# Dividend and option details

## Dividend (ASX:APL) timetable

Declaration date	Dividend ex-date	Record date	Payment date
23 August 2018	19 October 2018	22 October 2018	31 October 2018

- Shares outstanding 385,562,490<sup>1</sup>
- Price \$1.165<sup>1</sup>
- Market capitalisation \$449m

## Options (ASX:APLO) timetable

Last date to trade	Last date to exercise (expiry date)
9 October 2018	15 October 2018

- No underwriting for unexercised options
- Options outstanding 184,103,419<sup>1</sup> (35.4% exercised)
- Price \$0.052<sup>1</sup>
- Strike price \$1.10

<sup>1</sup> As at 24 August 2018

# Performance

Performance (to 31 July 2018)	Company <sup>1</sup>	APL portfolio <sup>2</sup>	Benchmark <sup>3</sup>
1 year	11.0%	14.5%	19.2%
Inception <sup>4</sup>	23.5%	28.2%	32.0%
<b>Inception<sup>4</sup> p.a.</b>	<b>12.4%</b>	<b>14.8%</b>	<b>16.7%</b>
Up-market capture		91	
Down-market capture		73	
Net equity exposure – current		64%	

Past performance is not a reliable indicator of future performance.

<sup>1</sup> Movement in NTA before all taxes for the period which makes the result comparable to an unlisted managed fund. This figure incorporates the net portfolio performance less costs of managing/administering the Company and any dilution caused by options being exercised

<sup>2</sup> Net of portfolio related fees and costs

<sup>3</sup> MSCI All Country World Net Index in AUD

<sup>4</sup> Since inception, 11 Oct 2016



# Antipodes Partners – the Investment Manager

## Organisation

- Award-winning global manager with over \$7.5 billion AUM
- Founded 2015 by Jacob Mitchell, formerly Deputy CIO of Platinum
- Majority-owned by 20-strong investment team located in Sydney and London

## Investment approach

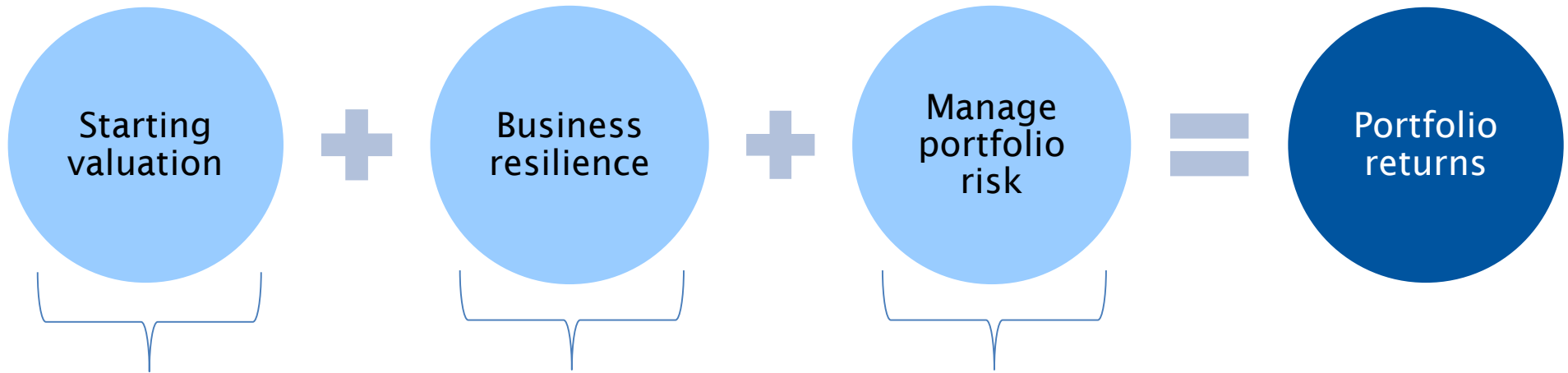
- Fundamental, value-focused manager
- Eclectic portfolio of high-conviction ideas across 8-12 “clusters” of opportunity

## Track record

- Global strategies delivered over 13% net annualised returns since inception
- CIO has exceptional track record running global and Asian strategies since 2007

# Investment philosophy

## A pragmatic value approach



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

Seek 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

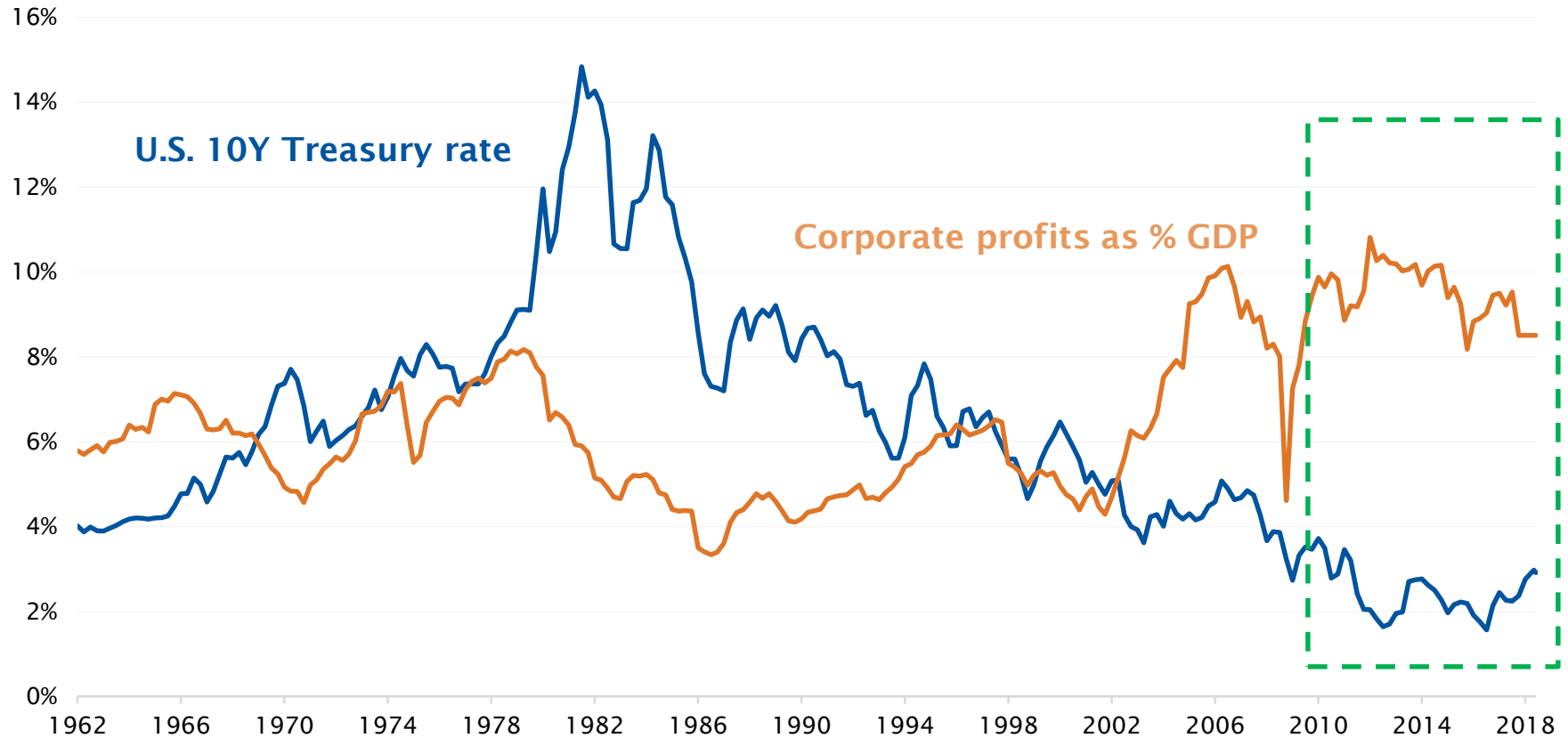
**Absolute returns in excess**  
**of the benchmark over the**  
investment cycle at **below**  
**market levels of risk**

# Market observations and portfolio positioning





# As good as it gets?



Source: Bloomberg

# What are the risks today?

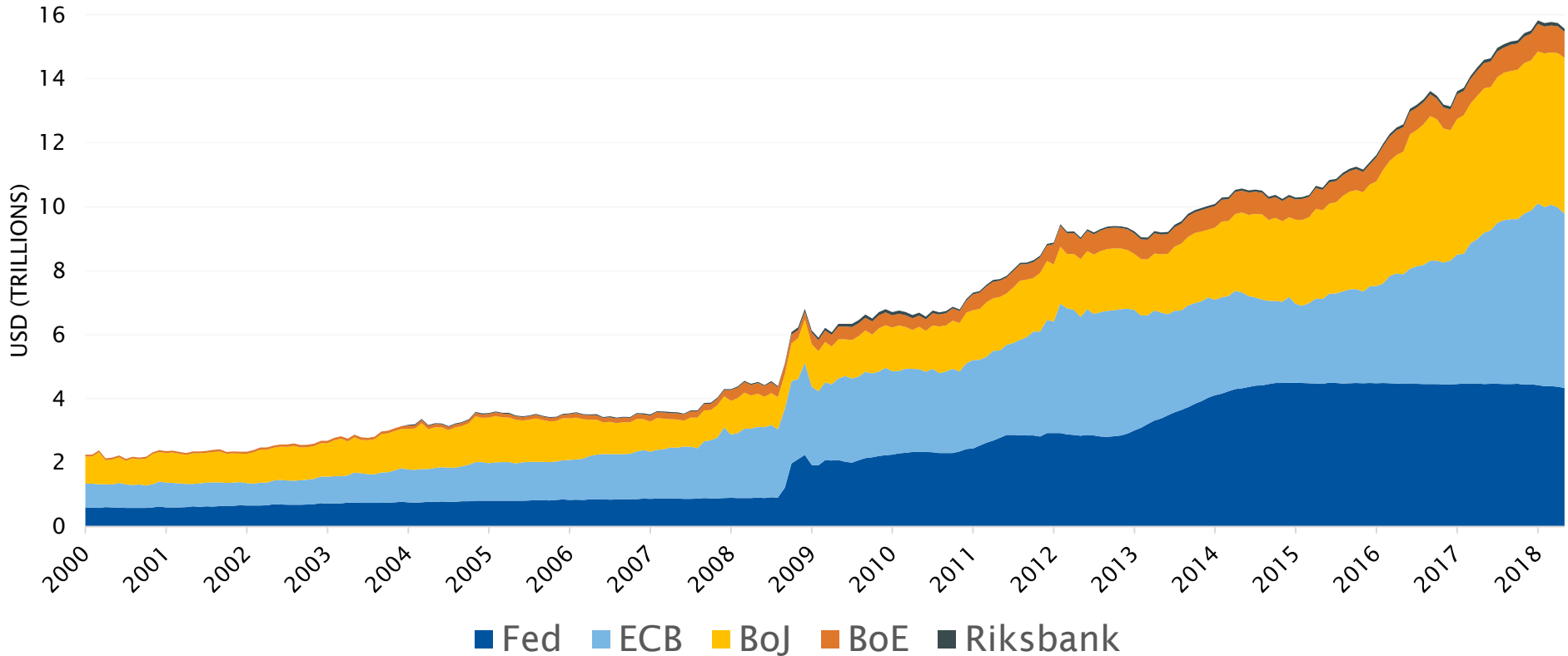
## Central bank purchases



Source: Citi  
Data represents aggregate purchases by Fed, ECB, BoJ, BoE and Riksbank

# What are the risks today?

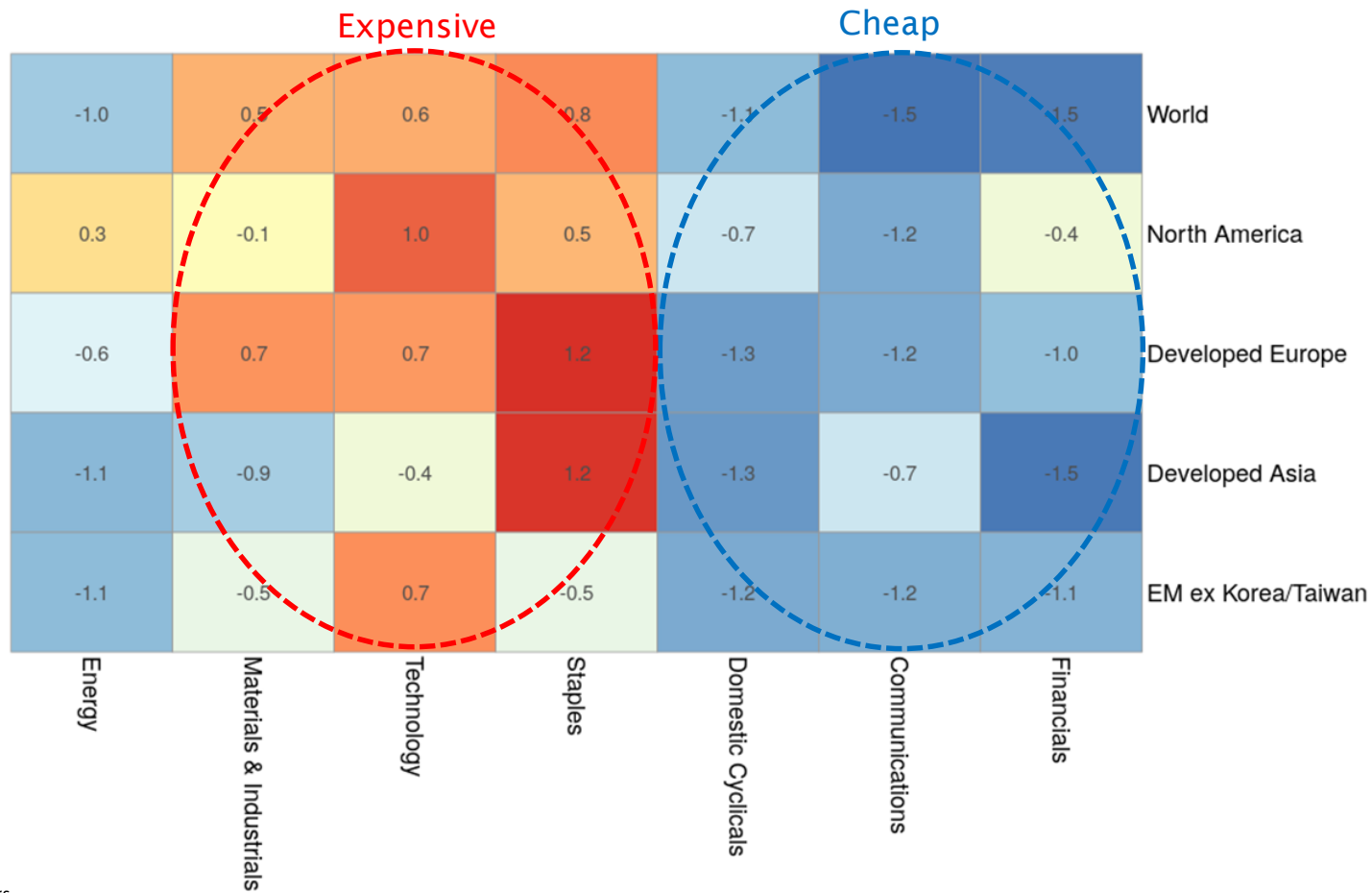
## Central bank balance sheets



Source: Citi

# Global valuation clustering

## Sector value relative to the World



Source: Antipodes Partners

Valuations represented as Z score of current sector EV/Sales v current world EV/Sales against the 20 year historic values

# Diversified alpha clusters

Long clusters	Weight	Examples
Consumer Incumbent	14.9%	Jiangsu Yanghe, Yamato, Tapestry
Domestic Cyclical Recovery	11.4%	KB Financial, Unicredit, ING
Natural Gas	10.1%	EDF, Inpex
Online Services	9.8%	Baidu, Alphabet, LINE
Global Cyclical	9.6%	GE, Samsung Electronics, Honda Motor
Telco. Incumbent	8.9%	KT, Telecom Italia, China Mobile
Software Incumbent	8.0%	Cisco, Microsoft
Low Cost Oil	6.0%	Saipem, TechnipFMC, Eni
Connectivity	4.4%	Qualcomm, TDK, Nokia
Healthcare	2.7%	Gilead Sciences
Battery	2.1%	Japan Steel Works
Gold	1.9%	Barrick Gold, Newcrest Mining
<b>Total</b>	<b>89.8%</b>	
Short clusters	Weight	
Global Cyclical Shakeout	-9.4%	
Overhyped Growth	-7.7%	
Bond Proxy	-4.4%	
Domestic Cyclical Shakeout	-2.6%	
High Cost Oil	-1.9%	
Domestic Defensive Shakeout	-1.2%	
Global Defensive Shakeout	0.8%	
<b>Total</b>	<b>-27.9%</b>	



As at June 2018

# Consumer incumbents: Ping An

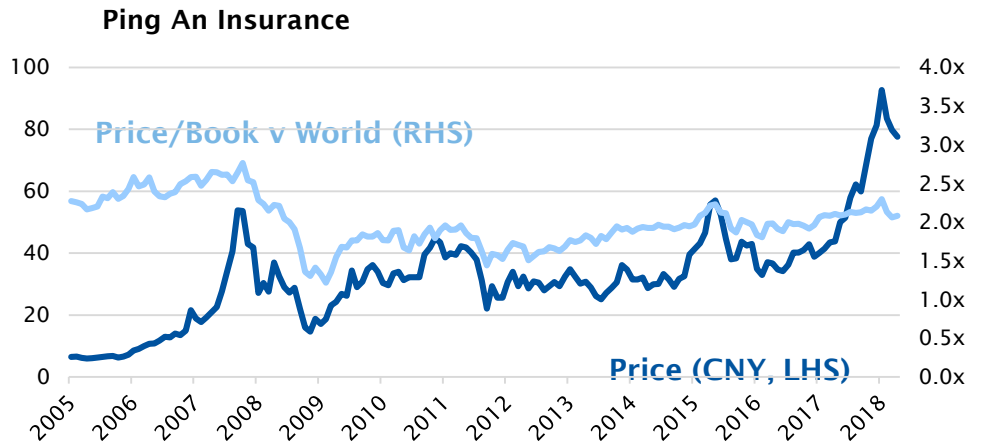
## Life insurance powerhouse

### Multiple ways of winning

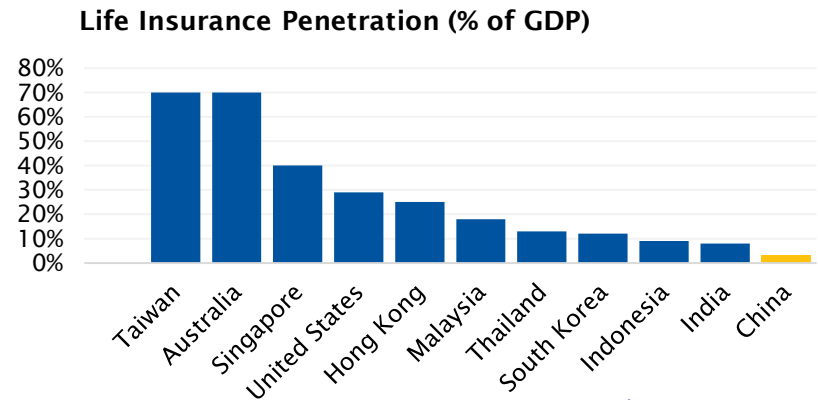
- **Product cycle:** life insurance is the safety net; under-penetrated market; protection innovator
- **Competitive dynamics:** leading tech & data on +750m Chinese leads to competitive advantages including effective cross-selling
- **Regulatory:** well positioned for desired shift away from savings towards protection products
- **Management:** industry leading

### Margin of safety

- 14x P/E, growing earnings at 20% p.a. with RoCE of +30%
- Investment portfolio worth 15% market capitalisation



Source: Factset



Source: Swiss Re

# Telco incumbents: KT Corp

## Cheap essential infrastructure

### Multiple ways of winning

- **Low capex risk:** fibre network near complete
- **Hidden value in real estate:** potentially 100% of market cap
- **Capital management target:** Telco valuations highly correlated to payout ratio

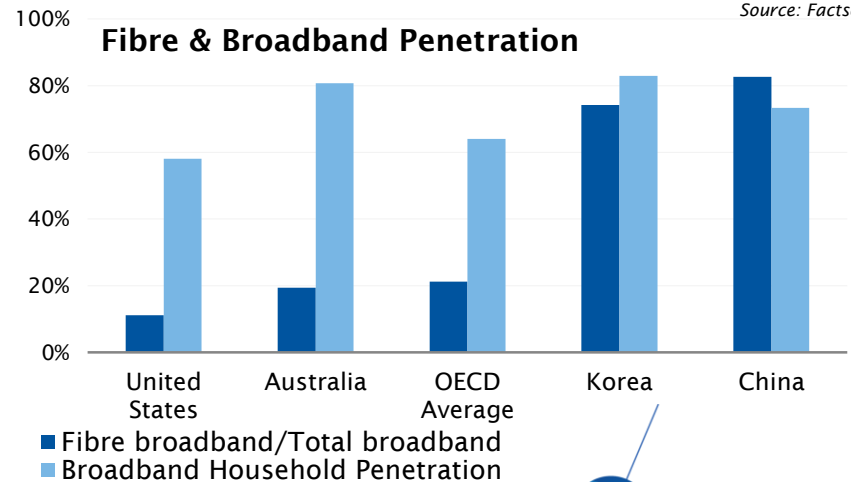
### Margin of safety

- Global telco sector cheap, but be selective
- **2.6x EV/EBITDA, 0.5x EV/Sales, 16% FCF Yield**
- Any rise in low ~36% payout ratio would drive re-rating

KT Corporation v Australian telco

USD (Bn)	KT Corp	Telstra	NBN Co
Population (mn)	50	25	25
USD GDP / Capita	27,000	50,000	50,000
FTTP Household Coverage	> 90%	0%	< 25%
Property Rental Income 2020	0.7	0	0
Market Cap	6.5	25	50
Equity FCF Yield	16%	9.50%	-
PE 2019	10.3x	14.2x	-
Revenue	21	20	1

Source: Factset



Source: OECD December 2016 "Broadband Statistics" report

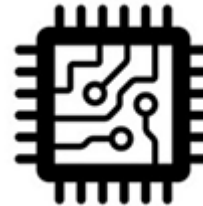


# Short the expensive equity beneficiaries of this exuberance...

Leveraged cyclical businesses



Over-hyped disruptors



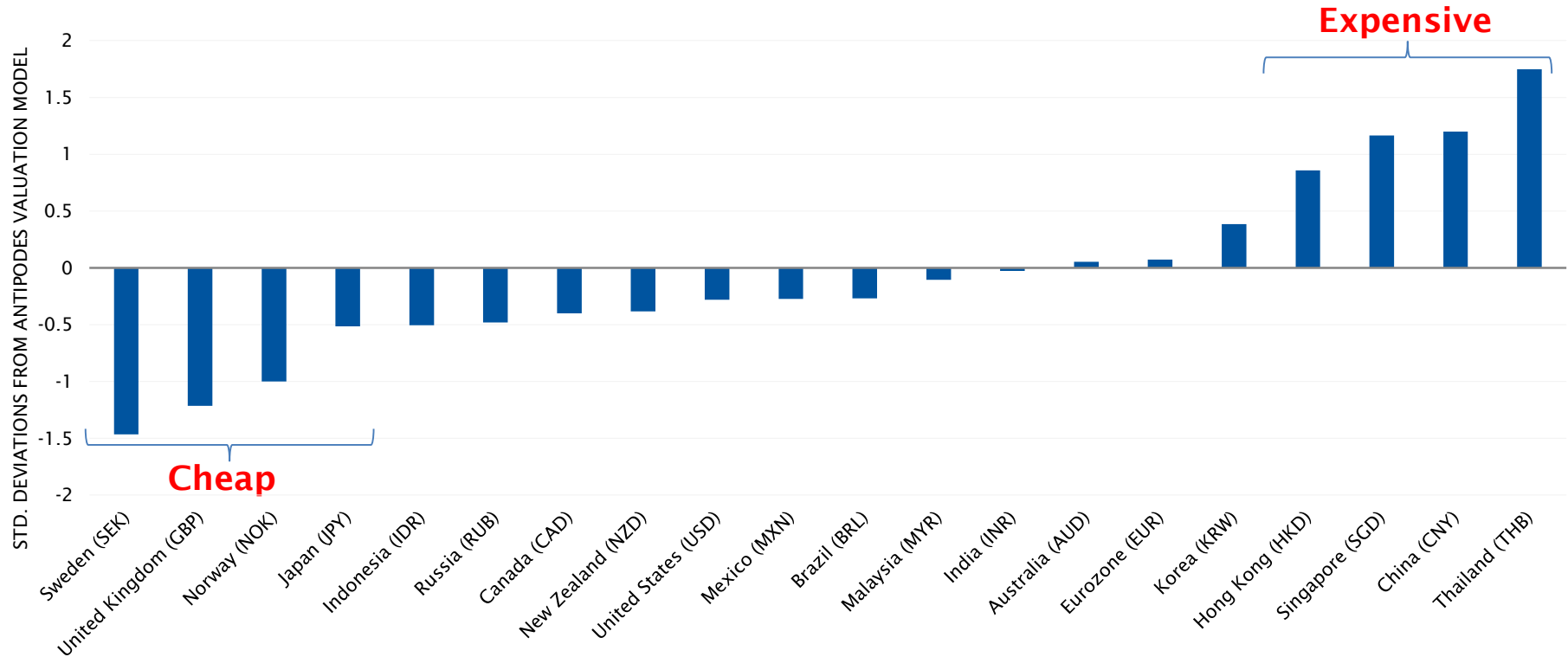
Low volatility, bond proxies





# Currency – risk to be managed AND profit opportunity

## Combine quantitative and qualitative understanding



Source: Antipodes Partners

- Renminbi (CNY) has appreciated by 50% against trading partners on a real basis over 10yrs; risks to Chinese/global growth can be expressed through Asian currencies more broadly
- Norwegian Kroner (NOK) oil exposed, but saved the commodity dividend - strong “balance sheet” and building inflation presents catalyst

# Portfolio positioning

Asset allocation	Long		Short	
	Equities	Other <sup>1</sup>	Equities	Other <sup>1</sup>
Weight (% NAV)	89.8	-	-26.3	-1.6
Count	61	-	46	2
Avg. security weight	1.5	-	-0.6	-0.8
Top 10 (% NAV)	25.9	-	-9.1	-
Top 30 (% NAV)	63.2	-	-21.5	-

Sector exposure <sup>2</sup> (%)	Long	Short	Net
Banks	10.6	-2.9	7.7
Communications	8.9	-0.8	8.1
Internet	8.6	-0.4	8.2
Energy	8.1	-1.9	6.2
Software	8.0	-2.4	5.7
Hardware	6.9	-3.6	3.3
Staples	6.2	-1.2	5.0
Retail	4.5	-0.8	3.7
Industrials	4.5	0.0	4.5
Other	23.6	-14.0	9.5

As at Jun 2018

Top 10 long stock positions	Country	Weight (%)
EDF	France	2.8
Baidu	China/HK	2.7
Gilead Sciences	United States	2.7
KT Corporation	Korea	2.7
Cisco Systems	United States	2.7
Samsung Electronics	Korea	2.5
INPEX	Japan	2.5
KB Financial Corporation	Korea	2.5
Ping An Insurance Corporation	China/HK	2.4
Microsoft	United States	2.4
<b>Total</b>		<b>25.9</b>

Market cap exposure (%)	Long	Short	Net
Mega (>\$100b)	20.6	-3.5	17.1
Large (\$25b-\$100b)	27.6	-9.8	17.9
Medium (\$5b-\$25b)	32.2	-11.3	20.9
Small (<\$5b)	9.4	-3.3	6.1

<sup>1</sup> Index futures and other non-single stock derivatives

<sup>2</sup> Antipodes Partners classification



# Investment summary

Investors are overpaying for structural growth

Look for the next crop of winners in neglected areas

Multiple dispersion is high, asymmetrical opportunities abound

	APL portfolio
Return after fees (p.a.)	14.8%
Up-market capture	91
Down-market capture	73

Past performance is not a reliable indicator of future performance. Performance based on net returns, to Jul-18.

<sup>1</sup>MSCI All Country World Net Index in AUD.

# Disclaimer

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