Antipodes Partners Quarterly Report

INVESTMENT FUNDS - 30 SEPTEMBER, 2017

Fund	APIR	ARSN
Antipodes Global Fund - Long Only	WHT0057AU	118 075 764
Antipodes Global Fund	IOF0045AU	087 719 515
Antipodes Asia Fund	IOF0203AU	096 451 393

Contents

Introducing Antipodes Partners

Dear investor,

I founded Antipodes Partners with a number of former colleagues and like-minded value investors with the shared ambition of creating an owner-managed culture of long-term thinking and alignment with client outcomes.

We aspire to grow your wealth over the long-term by generating absolute returns in excess of the benchmark, at below market levels of risk. The Antipodes' investment team seeks 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.

We also commit to a process of clear communication which will focus on the rationale behind the funds' major holdings within the context of our overall investment philosophy and approach. To learn more, please contact us on 1300 010 311, at invest@antipodespartners.com or refer to our website antipodespartners.com.

On behalf of Antipodes Partners, I would like to also thank those investors that have entrusted us with their savings and broadly supported our early growth.

Yours sincerely,

Jacob Mitchell
Managing Director and Chief Investment Officer
October 2017

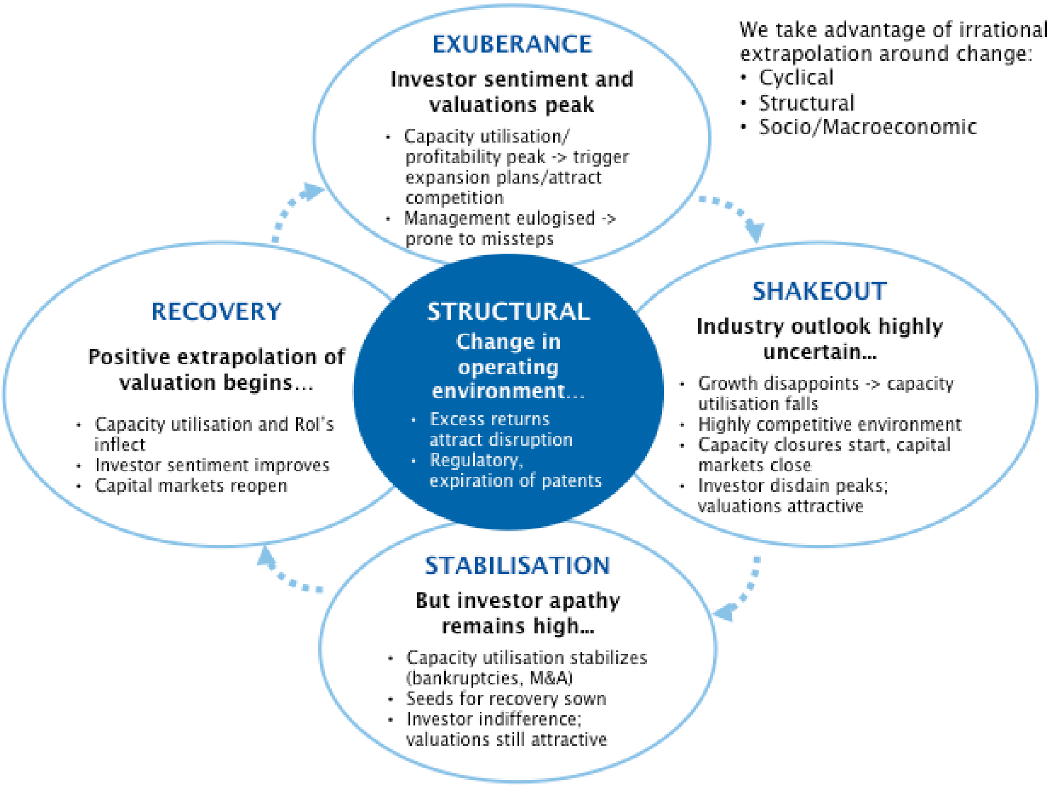
About Antipodes Partners

- Pragmatic value manager of global equities
- Structured to reinforce alignment between investors and the investment team

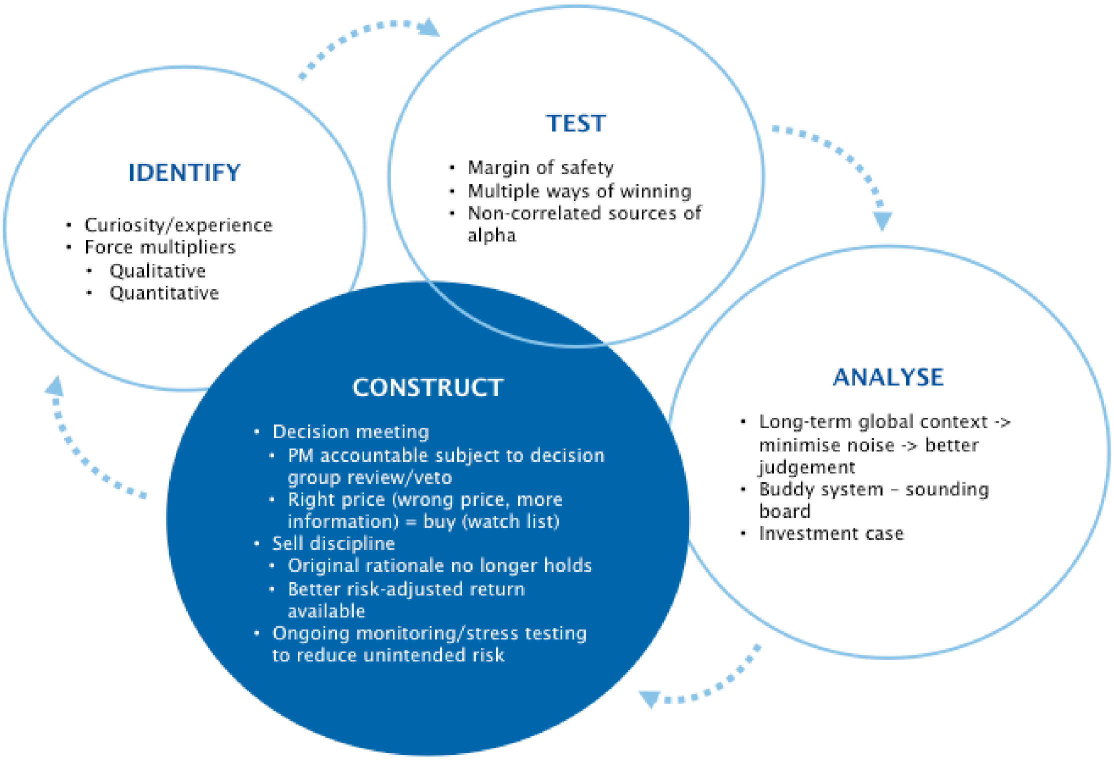
HOW WE INVEST

Opportunity	We 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
Approach	• ***Holistic*** consideration of ***cyclical***, ***structural*** and ***macro*** change factors to ***avoid "value traps"*** • Combined ***qualitative*** and ***quantitative*** tools • Where permitted, ***shorts***, ***currency*** and other derivative positions to drive alpha, offset unwanted risks and protect from tail risk • ***Focused*** product offering and strong client ***alignment*** resulting in a ***scalable*** process
Goal	Grow client wealth over the long-term by generating ***absolute returns*** in excess of the benchmark at ***below market levels of risk***

Antipodes Capital Lifecycle Model©



Investment Process



Market Commentary

Global equities rose +5.2% (USD terms, +2.9% in AUD) over the quarter, buoyed by improving macroeconomic and earnings momentum. China (+8.2%), Emerging Markets (EM, +7.9%) and Europe (+6.4%) were particularly strong, whilst India (+2.9%) and Korea (+2.7%) lagged.

Having failed to achieve traction on healthcare reform, the Trump administration set its sights on tax as the next phase of its legislative agenda. Despite controlling Congress, deep divisions within the Republican Party are likely to obscure the path towards tax reform, though bipartisan support for a repatriation deal could see as much as US$2.6trn in offshore funds returned home for reinvestment. Undeterred by the ongoing legislative uncertainty and North Korea's high-stakes brinkmanship, investors took comfort in improving bottom-up fundamentals and benign credit conditions, sending U.S. equities (+4.3%) higher.

For a third consecutive quarter the U.S. trade weighted dollar (-2.7%) fell as the market grew cautious around the pace of further interest rates hikes from the Federal Reserve (Fed). Whilst broad indicators are suggestive of strengthening global demand, pockets of weakness persist in the U.S. economy and inflation has remained below target. This set the scene for a strong rally in EM (+7.9%), commodities (+2.2%) and gold (+3.3%). Latin America (+14.6%) was the standout, led by Brazil, where persistently high inflation has begun to recede paving the way for a relaxation of policy.

Global Cyclicals (+7.8%, Figure 2) rallied broadly across regions, supported by improving global manufacturing activity (the global Purchasing Managers' Index reached its highest level since 2011) and mounting evidence of an investment-led demand cycle. Global real fixed asset investment growth declined from ~6.5% YoY in 2011 to ~2.5% in 2016, with deleveraging, excess capacity, an end to the commodity super-cycle and weak residential investment all contributing. Corporates have preferred to either hoard cash or distribute it to shareholders, resulting in low and possibly unsustainable capital investment.

Korean equities (+2.7%) posted reasonable returns despite growing concerns over North Korea's nuclear ambitions. International condemnation after a series of missile and nuclear tests has done little to deter the regime, whilst stepped-up sanctions will take time to impact domestic conditions. Korea's exposure to global growth and a reflating domestic economy, set against modest valuations, has seen foreign investors revisit opportunities in this market. Japan saw a series of positive growth surprises with second quarter GDP expanding at an annualised rate of 4.0%. Domestic demand was the main driver of the surprise GDP report, continuing the trend of acceleration over recent quarters. Under the weight of world's largest quantitative easing program, 10Y Japanese Government Bond (JGB) yields ended the quarter at just 0.06% (-2.3bps), whilst the Japanese Yen (-0.2%) remained steady.

Chinese equity returns were broad based with only Domestic Defensives (+2.7%) lagging. Both Global Cyclicals (+11.0%) and Global Defensives (+6.5%) posted solid returns, supported by strong corporate earnings. Chinese inflation edged higher with producer prices posting the fastest pace of growth since 2011, led by a rebound in raw materials prices. Policy conditions remain conducive to measured growth, though recent tightening and strengthened financial supervision has slowed overall credit growth.

A continuation of positive economic surprises provided a solid backdrop for European equity returns. Investor focus is now on the European Central Bank's (ECB) bond buying program which looks set to be unwound in light of growing evidence of a self-sustaining recovery, with the Euro (+3.7%) rallying in anticipation of this policy pivot. In politics, the German electorate delivered a predictable swing against Chancellor Angela Merkel's Christian Democratic Union with the far right Alternative for Germany (AfD) party winning 13% of the vote. However amidst these cross-currents, German 10Y Bunds were stable and French 10Y yields (-7bps) tightened against Bunds.

Growing inflationary forces in the U.K. have turned the tide on interest rate expectations, and with it the performance of Sterling (+3.3%). U.K. 10Y yields (+10bps) moved higher as the market digested stronger inflation prints and hawkish commentary from the Bank of England (BOE). However, the growing complexity of Britain's departure from the E.U. is likely to restrain business investment and consumer confidence whilst inflationary forces crimp real wage growth.

Global sector-wise, Energy (+9.4%), Materials (+9.1%) and Technology (+8.9%) outperformed whilst Consumer Staples (-0.2%), Healthcare (+2.4%) and Utilities (+3.3%) lagged. Global factor-wise, stocks with low multiples, cash covered yield and small caps outperformed those with high Profitability/Growth and Low Volatility characteristics.

TABLE 1: USD P.A. RETURNS TO 30 SEPTEMBER 2017

	1M	3M	IY	3Y	5Y	10Y
Regional equities (MSCI)						
AC World	1.9%	5.2%	18.6%	7.4%	10.2%	3.9%
USA	2.0%	4.3%	17.8%	10.0%	13.5%	6.8%
Europe	3.3%	6.4%	22.3%	4.4%	8.4%	1.1%
Japan	2.0%	4.0%	14.1%	7.7%	10.6%	1.7%
Korea	2.1%	2.7%	24.8%	7.3%	5.4%	2.1%
AC Asia ex JP	-0.1%	6.6%	22.7%	7.9%	7.4%	3.1%
China A + B + H	-0.1%	8.2%	15.3%	9.9%	9.4%	-0.9%
EM ex Asia	-1.4%	10.3%	18.9%	-1.0%	-2.1%	-1.5%
Global sectors (MSCI AC World)						
Consumer Discretionary	2.1%	3.5%	17.1%	9.6%	13.2%	7.1%
Consumer Staples	-0.9%	-0.2%	4.5%	6.9%	8.6%	7.5%
Energy	8.1%	9.4%	7.4%	-5.7%	-0.8%	-1.1%
Financials	3.0%	5.6%	31.3%	8.0%	11.2%	0.0%
Health Care	1.4%	2.4%	12.2%	6.6%	13.7%	8.7%
Industrials	3.6%	5.3%	21.1%	9.3%	12.1%	4.0%
Information Technology	1.2%	8.9%	30.0%	16.4%	16.7%	8.8%
Materials	1.2%	9.1%	23.8%	5.5%	3.7%	-0.3%
Telecommunication Services	0.1%	3.7%	3.1%	1.7%	4.9%	2.0%
Utilities	-2.2%	3.3%	10.2%	4.6%	6.8%	1.1%
Commodities						
Crude Oil Brent	7.4%	16.4%	13.2%	-15.7%	-12.8%	-3.3%
Gold	-2.2%	3.3%	-3.0%	1.8%	-6.3%	5.6%
Bloomberg Commodity Index	-0.2%	2.2%	-1.0%	-10.7%	-10.7%	-7.2%
Bonds						
BofAML Global Government	-1.3%	1.5%	-3.7%	1.1%	-0.3%	3.1%
BofAML Global Large Cap Corporate	-0.2%	2.4%	3.2%	2.5%	2.8%	4.2%
BofAML Global High Yield	0.8%	2.9%	9.8%	5.5%	6.3%	7.7%
Currency						
AUD	-1.1%	2.3%	2.5%	-3.6%	-5.5%	-1.2%
EUR	-0.6%	3.7%	5.2%	-2.2%	-1.7%	-1.8%
JPY	-2.2%	-0.2%	-10.0%	-0.9%	-7.1%	0.2%
CNY	-0.7%	2.1%	0.4%	-2.6%	-1.1%	1.2%

Source: Antipodes Partners

Performance Analysis

Against this backdrop, for the quarter, the Antipodes Global Fund – Long Only and Antipodes Global Fund outperformed its benchmark whilst the Antipodes Asia Fund underperformed. All three Funds posted solid absolute returns, reflecting gains in our EM Consumer, Online Services, European Recovery, Natural Gas and Low Cost Oil exposures.

Since inception, through volatile market conditions, all three Funds have outperformed their respective benchmarks whilst also delivering solid absolute returns – our goal over the investment cycle (typically 3-5 years). Encouragingly, in the case of the Antipodes Global Fund, our 6.1% p.a. outperformance has been achieved with an average net equity exposure of 58% in a rising global market. Our longs and currency management have contributed to this outperformance, whilst shorts detracted.

TABLE 2: AUD RETURNS AS AT 30 SEPTEMBER 2017

Absolute Performance (%)	1 month	3 months	Inception*	Inception* p.a.
Antipodes Global Fund – Long Only	**3.9**	**4.9**	**33.7**	**13.8**
Antipodes Global Fund	**3.3**	**3.3**	**33.5**	**13.7**
MSCI AC World Net Index	*3.0*	*2.8*	*17.8*	*7.6*
Antipodes Asia Fund	**2.5**	**3.4**	**25.2**	**10.5**
MSCI AC Asia x Japan Net Index	*1.0*	*4.2*	*16.5*	*7.0*
Outperformance (%)				
Antipodes Global Fund – Long Only	**0.9**	**2.1**	**15.9**	**6.2**
Antipodes Global Fund	**0.3**	**0.5**	**15.7**	**6.1**
Antipodes Asia Fund	**1.5**	**-0.8**	**8.7**	**3.5**

All returns are net of fees and in AUD terms. Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding taxation. Past performance is not a reliable indicator of future performance. *1 July 2015, when the current investment strategy was adopted.

Antipodes Global Fund – Long Only

Note: The term "cluster" or "exposure" is used herein to reference a collection of positions which exhibit similarities in their risk-return profile including operational, end-market, style and macro characteristics.

Key quarterly *contributors* included:

- EM Consumer exposures such as **Ping An Insurance** where inherent strength of the life insurance product offering became apparent; **Hengan International** showed margin improvement following recent productivity investments and a growing mix of online sales; similarly Chinese branded noodle maker **Tingyi** displayed revenue stabilisation and margin recovery and; Chinese liquor company **Jiangsu Yanghe Brewery** posted strong results with accelerating revenues and operating leverage.
- Online Services exposures such as **Baidu** where revenue growth expectations increased as regulatory headwinds abated.
- European Recovery exposures as the region's economic upturn broadened and anxieties around the future of the E.U. receded, highlighting just how cheap domestic exposures had become. Examples of this included Italian bank **Unicredit** with an extensive continent-wide network and **ING Groep,** buoyed by an improving outlook for its corporate loan book.
- European Power Generation with French utility **Electricite de France (EDF)** and Germany utility **Uniper** benefiting from a small rebound in electricity prices and growing realisation that lower-carbon generation (nuclear, hydro and natural gas) remains a valuable asset (Feature, page 12).
- Low Cost Natural Gas/Oil with **Inpex** and **CNOOC** both supported by rising oil prices (Brent Crude +16.4%) and, in the former's case, anticipation of the long awaited Ichthys project commencing production in early 2018 (Feature, page 12).

Key *detractors* included:

- Korean Recovery names such **Hyundai Motor** which traded lower with its business negatively impacted by Chinese-Korean political uncertainties.
- Consumer Incumbent **Office Depot** fell sharply this quarter after posting soft results and announcing a seemingly expensive and less than complementary acquisition, a timely reminder of the management agency risk faced by all minority equity investors.

Antipodes Global Fund

In addition to the long exposures above (common to both global funds), short exposures *detracted* from Antipodes Global Fund performance.

Antipodes Asia Fund

In addition to the EM Consumer and Low Cost Oil exposures above, key *contributors* included cyclicals such as **Japan Steel Works** as cost cutting measures implemented in the steel forging business bore fruit and the machinery business continued to benefit from strong demand for plastic injection molding and battery related capital equipment.

In addition to our Korean Recovery cluster above, short exposures *detracted* from the Antipodes Asia Fund performance.

Portfolio Positioning

Key changes across portfolios included:

- A further increase in Software Incumbent exposures,
- Growing exposure to Retail/Consumer Incumbents as the sector continued to de-rate, especially in the U.S., on intensifying fears regarding online disruption,
- Growing exposure to Telecommunications Incumbents where we see a combination of attractive valuation and accelerating free cash-flow generation as demands for network densification capital spending decline,
- Reduced exposure to Global Cyclicals and EM Consumer exposures after strong recent performance,
- A moderate decrease in short exposures.

In summary, long clusters include:

- Software and networking incumbents such as **Microsoft**, **Cisco Systems**[1] and **NetApp.** To learn more about our technology exposures, see our webinar "A Deeper Dive into Antipodes Partners' Technology Exposures" at youtu.be/antpWUyqNvk.
- EM Consumer exposures such as **Ping An Insurance**, **Jiangsu Yanghe Brewery**[2], **ICICI Bank**, **Baidu**[3] and **JD.com.** To learn more about our consumer exposures, see our webinar "Shopping Global Consumer Opportunities" at youtu.be/13PX253lbN4.
- Global Cyclicals that exhibit strong market positions and recovering business fundamentals including **Samsung Electronics**, **Hyundai Motor** and **Panasonic.**
- Natural Gas and European Power Generation correlated exposures such as **Inpex** and **EDF** (Feature, page 12).
- Selective investments in Low Cost Oil such as **ENI** and **CNOOC** with a preference for asset duration, operational quality and improving attitude to capital allocation. In a sector where debt has ballooned from $1.0tn in 2006 to $2.5tn today it remains vulnerable to future credit rationing, particularly the over-levered and/or high cost producers. US exploration and production (E&P) companies are the worst offenders, where true returns on shale oil investment are well below what promoters suggest. Whilst capital markets remain open to perceived winners, they are becoming more selective overall. As capital withdraws, and supply corrects relative to demand, the seeds for the next up-cycle are sown. To learn more about our Oil and Natural Gas thesis, see our webinar "Long/short opportunities in the global energy sector" at youtu.be/DI1-m9oEqIU.
- Telecommunications Incumbents such as **KT** and **Telecom Italia** where we see a combination of attractive valuation and accelerating free cash-flow generation as demands for network densification capital spending decline.
- Retail/Consumer Incumbents, such as **Michael Kors** and **Office Depot**, where the market is underappreciating the brand equity and/or overlooking a successful adaptation to an online reality in its fervor to believe that Amazon truly is the "*the everything store*".
- European Domestic Recovery opportunities such as **EDF**, **ING Groep**[4] and **Unicredit**. To learn more about European opportunities, see our webinar "Europe – Selective domestic opportunities" at youtu.be/ynW3zpnstw4 and for low bank valuations generally, see our webinar "Bond like equities, be careful what you wish for!" at youtu.be/24_OpnCDd_8.
- South Korean opportunities such as **KT**, **KB Financial**[5] and **Hyundai Motor** are very cheap (see Figure 3, Antipodes Partners Region-Sector Valuation Heat-map) and the market narrative highly reminiscent of Japan during the period of persistent Yen strength and investor neglect (2010-12) with "macro" generalisations (government policy stasis, poor corporate governance, highly exposed to China, etc.) drowning out the stock specific discussion. Set against a backdrop of newly elected President Moon Jae-In driving government and corporate reform, generational wealth transfers at the large chaebols (family owned conglomerates) are driving higher shareholder returns via buy-backs and rising dividend payouts. Whilst we have labelled Korea the "Bermuda Triangle" of value investing, we have typically found this type of market highly prospective for absolute returns. To learn more about Korea, see our webinar "South Korea: From neglect to respect" at youtu.be/kvzxfHQY0qA.

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1 See our blog post "Cisco Systems Rides Again: A legacy enterprise software vendor willing to evolve" at antipodespartners.com/cisco

2 See our blog post "Jiangsu Yanghe Brewery" at antipodespartners.com/yanghe

3 See our blog post "Forget China's macro outlook, we like 'China's Google' Baidu" at antipodespartners.com/baidu

4 See our blog post "ING Groep - A Leader In Digital Distribution" at antipodespartners.com/ing

5 See our blog post "KB Financial" at antipodespartners.com/kb

Short exposures include:

- The extreme thirst for yield has pushed the U.S. high yield corporate debt (non-investment grade or "junk") cycle into uncharted territory with the stock of debt outstanding (Chart 11) and the average leverage ratio expanding significantly beyond the previous 2007 profit cycle peak. The cycle is approaching the shakeout phase. Specific shorts include high yield debt beneficiaries[6], including companies that exhibit:
  - Application of extreme leverage to fund M&A and buybacks combined with declining marginal returns on capital employed,
  - US over-leveraged domestic cyclicals approaching the shake-out phase,
  - Over-hyped, thematic "disruptors" (cloud, social, etc.) that are just weak imitators with deteriorating fundamentals,
  - Low volatility, bond proxies favoured by passive strategies that confuse momentum with value and low volatility with quality, e.g. mobile telecom tower companies priced for the illusion of duration.

Currency positions include:

- A short position in the Singapore Dollar (SGD), one of the world's most expensive currencies based on our fundamental analysis, with fragility emerging in the country's political system and hedge on any negative geopolitical developments in the region.
- Against significant underlying exposure to Korean stocks, a partial reduction in the Korean Won (KRW) exposure as a hedge on any negative geopolitical developments in the region.
- The long side of these hedges are shared across the U.S. Dollar (USD), Australian Dollar (AUD) and Norwegian Krone[7] (NOK). Given Norway's fortress like balance sheet and emerging inflation, we expect a currency supportive tightening cycle to break the NOK-Oil (the Country's key export) price nexus.

6 To learn more about our high yield thesis, see our research note "The Global Corporate Debt Unwind" at antipodespartners.com/wp-content/uploads/The-corporate-debt-unwind.pdf or webinar "Macro matters, but so do stocks" at youtu.be/rS9k9zFA7Mw

7 See our blog post "NOW THAT'S A COMMODITY DIVIDEND" at antipodespartners.com/now-that's-commodity-dividend/

TABLE 3: MAJOR LONG CLUSTERS AS AT 30 SEPTEMBER 2017 (%)

	Global Cyclical	Global Defensive	Domestic Cyclical	Domestic Defensive	Financials	DM	EM	Total
Antipodes Global Fund – Long Only	**22.4**	**25.4**	**10.8**	**10.1**	**16.9**	**69.6**	**20.6**	**90.2**
Consumer Incumbent		7.0	7.0		6.3	6.5	13.6	20.2
Global[1]	12.0	2.6				14.6		14.6
Domestic Recovery[2]	1.2	0.7	0.5		10.7	13.0		13.0
Online Services		6.4	3.4			6.4	3.4	9.8
Natural Gas[2]	5.1			4.5		9.5	0.2	9.7
Software Incumbent		8.7				8.7		8.7
Telco. Incumbent[1,2]				5.5		3.5	2.1	5.5
Gold						4.6		4.6
Low Cost Oil	4.1					2.7	1.3	4.1
[1]Includes 7.5% in Korean Governance Change exposures across these major clusters *[2]Includes 14.8% in European Recovery exposures across these major clusters*								
Antipodes Global Fund	**25.6**	**26.5**	**10.9**	**11.5**	**17.7**	**74.0**	**21.8**	**95.8**
Consumer Incumbent	0.2	7.3	6.8		6.6	7.0	13.9	21.0
Global[3]	12.6	2.7				15.2		15.3
Domestic Recovery[4]	1.4	0.7	0.4		11.2	13.7		13.7
Natural Gas[4]	6.9			4.9		11.6	0.3	11.8
Online Services		6.8	3.6			6.9	3.5	10.4
Software Incumbent		9.1				9.1		9.1
Telco. Incumbent[3,4]				6.6		3.9	2.7	6.6
Low Cost Oil	4.4					3.1	1.4	4.4
Gold						3.6		3.6
[3]Includes 7.8% in Korean Governance Change exposures across these major clusters *[4]Includes 15.7% in European Recovery exposures across these major clusters*								
Antipodes Asia Fund	**22.2**	**27.1**	**10.2**	**13.4**	**16.2**	**42.1**	**50.6**	**92.7**
Consumer Incumbent	1.7	13.8	6.8	2.7	11.5	2.5	33.9	36.4
Global[5]	14.7	1.4				16.1		16.1
Domestic Recovery		1.6	3.4	2.2	4.7	9.7	2.2	11.9
Online Services		10.3				3.7	6.6	10.3
Telco. Incumbent[5]				8.1		3.1	5.0	8.1
Natural Gas	3.4			0.5		3.4	0.5	3.8
Gold						3.6		3.6
Low Cost Oil	2.5						2.5	2.5
[5]Includes 10.2% in Korean Governance Change exposures across these major clusters								

Source: Antipodes Partners

Feature: Cooking with gas - Global energy opportunities

Introduction

Europe's power generation market is undergoing a major transition that shares many similarities to our local Australian experience. At the same time, China's gas demand growth is accelerating. In a world of perceived energy oversupply, investors have become too complacent - look for asymmetrical risk-reward exposures to higher electricity and Natural Gas prices.

Many investors think that the "new world" (i.e. renewables, batteries and smart grids) is going to wipe out the "old world" (i.e. centralised baseload generated from nuclear and fossil fuels). Whilst we do accept that there will be a transition we are cognisant that there are serious financial, political and practical factors that will keep low cost "old world" assets in demand for the foreseeable future. For the lights to stay on, supply and demand must be actively balanced 24/7, and renewables simply can't do that yet. Therefore, until affordable storage of TWhs of energy is feasible, electricity will remain a mission critical service, not a commodity.

The workings of electricity markets in Europe are complex and somewhat poorly understood, largely due to an interplay of national and E.U. level policies. However, what is abundantly clear is that the German policy of subsidising renewables has had the unintended consequence of knocking cleaner burning natural gas out of the supply stack in favour of cheaper hard coal (power is dispatched according to short run marginal cost of fuel). As high cost gas plants were removed from their price setting position and increasingly sat idle, vital "peak pricing" gradually disappeared. Depressed gas prices over the past 12 months has further cut into peak price volatility. Thanks to E.U. led market coupling, this power price malaise spread to France and other parts of the continent.

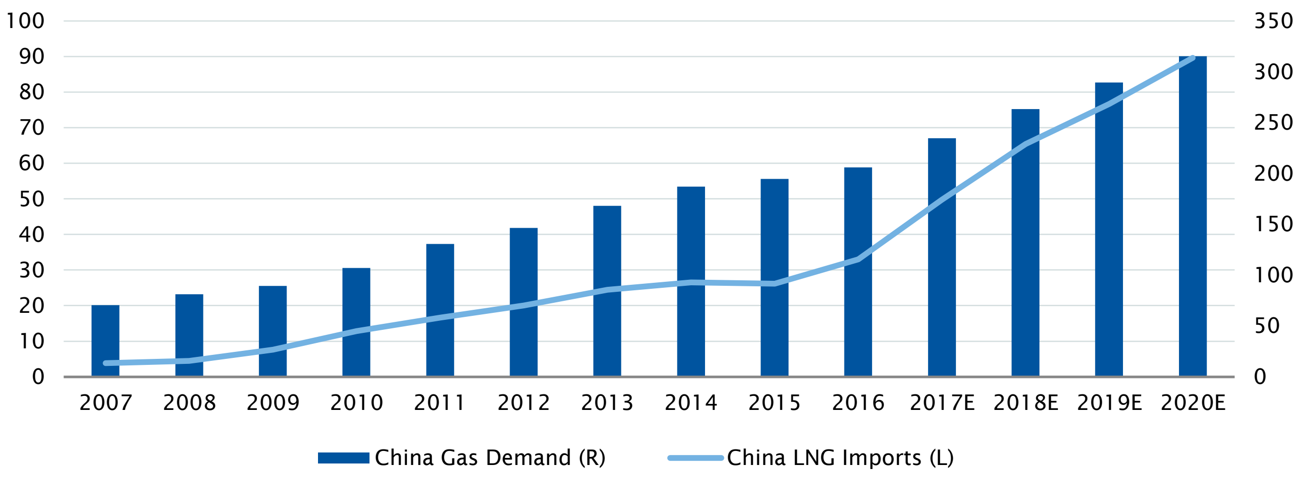
Without the earnings that flow from "peak pricing" both hard coal and gas generators in Germany have failed to recover their all-in costs for a number of years. As a consequence, 15% of hard coal and 23% of gas/oil plants have already declared decommissioning plans. When combined with the forced shutdown of nuclear and lignite plants we estimate that 30% of the total required capacity is set to leave the market by 2023. Whilst renewables will fill some of this gap, gas fired generation will play a much greater role leading to a large pick-up in gas demand as well as a significant increase in power prices. As the U.K. market has recently shown, a properly functioning carbon market would significantly accelerate that shift.

Although not immediately obvious, there are a number of linkages between global gas prices and European electricity prices, with much of the analysis we have done on the North American and global liquefied natural gas (LNG) market helping to inform our views on the European generation market.

The current consensus view is that the wave of new LNG projects from the U.S. and Australia will result in a global oversupply of LNG. Given Europe's deep spot market liquidity, well connected infrastructure and price sensitive power generation demand, it will become the dumping ground for this "excess" LNG, putting downward pressure on European gas prices and by extension, European electricity prices for a number of years.

We tend to disagree for two major reasons. Firstly, the market is too focused on the supply side of the LNG equation, missing the significant growth in demand from new gas markets such as China. Secondly, we question whether there will actually be sufficient gas production in Australia and the U.S. to meet the future volume commitments of these LNG plants. Whilst talk of gas shortages is now mainstream media in Australia, such an outcome is seen as impossible in North America even though production growth has stagnated in the last 3 years.

CHART 1: CHINESE GAS DEMAND AND LNG IMPORTS (BILLION CUBIC METRES, 2007 – 2020E)



Source: BP, Antipodes Partners

Over the next three years, annual global LNG capacity is set to increase by around 100 billion cubic metres (bcm). Set against current LNG demand of 350 bcm, this growth in output is considerable. However in the context of global gas consumption of 3,600 bcm it does appear somewhat insignificant, especially when one considers Chinese demand potential.

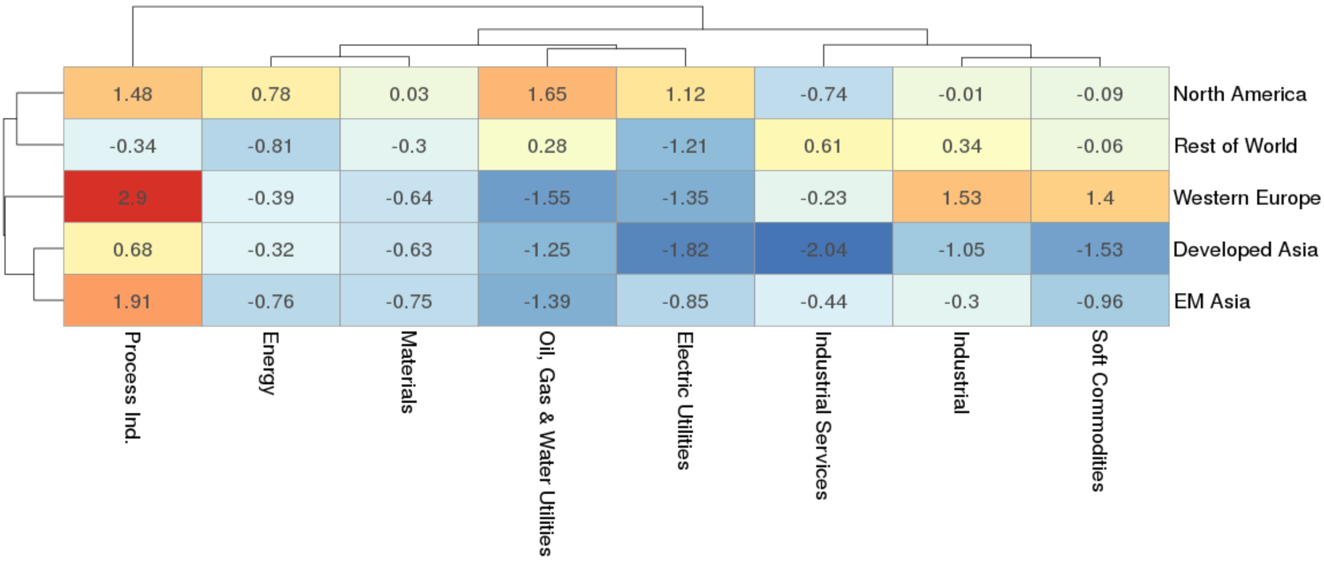
Over the last 10 years, Chinese gas demand has grown at 13% p.a., with consumption this year set to come in at 235 bcm, up +15% year on year. Despite this growth, gas still accounts for less than 7% of the energy mix, well short of the Government's 10% target set for 2020 as part of its clean energy policy.

With domestic production growth estimates largely dependent on unproven shale reservoirs, LNG is likely to supply the bulk of this additional demand. So far this is proving to be the case with Chinese LNG imports surging 50% this year. When combined with robust demand from new market such as Pakistan, Jordan and Thailand as well as increased gas fired power generation demand in Europe, we question whether there will be any LNG surplus at all. With LNG spot prices currently trading at premium to long term oil linked contracts, we feel somewhat vindicated in our view.

CORRELATION CLUSTER

The Antipodes Partners Industrials, Commodities and Utilities Valuation Heat-map provides a more granular illustration of valuation clustering across sectors and regions. Cell colouring indicates the degree to which a sectors' enterprise value to sales multiple relative to the world is above or below its 21 year trend (expressed as a Z-Score, the number of standard deviations from the mean). The warmer the colour, the greater the relative multiple versus history; vice versa for the cooler blues, with extremes highlighted by the boldest of colours.

FIGURE 1: ANTIPODES PARTNERS INDUSTRIALS, COMMODITIES AND UTILITIES VALUATION HEAT-MAP



Source: Antipodes Partners

Our holdings in EDF and Inpex are well positioned to benefit from this forecast rise in gas and electricity prices and across portfolios we have up to approximately 10% exposure to stocks offering a similar opportunity. Whilst these stocks are correlated, they are also broadly differentiated by activity and regional end-market including resource owners, energy services, European electricity generators and Chinese town gas distributors. Also, as is evident in Figure 1, whilst the global Energy and Electric/Gas Utility sectors appear cheap in most regions of the world, in the current environment of high valuation dispersion, there are also cheap ways to hedge some of the commodity price exposure via shorts. In particular, the North American "shale patch", where the market is still extrapolating growth with very little focus on returns, still appears significantly over-valued, as do the North American utilities that have been broadly re-rated as bond proxies.

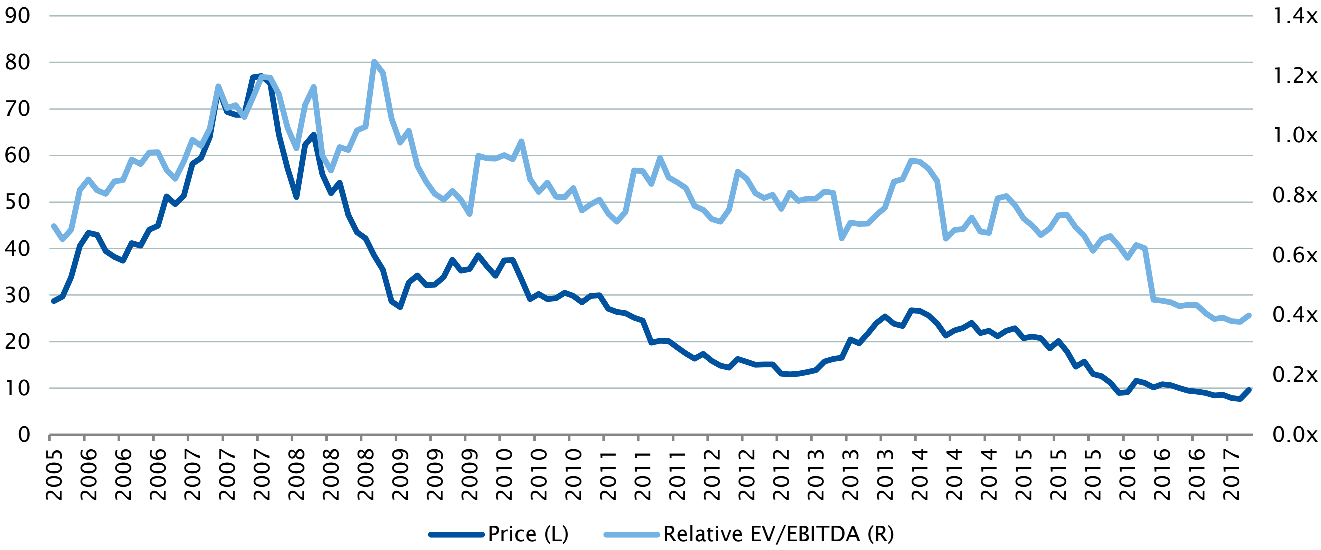
Electricite De France (EDF)

EDF is the owner of the largest nuclear fleet in Europe, supplying 80% of French electricity demand. We think it has been unduly punished by the European regulators and investors alike, who have failed to recognise the systematic importance of this asset.

IRRATIONAL EXTRAPOLATION

The power price malaise that spread from Germany to France has depressed French prices to levels EDF's regulators had never envisioned. Investors are extrapolating these conditions into perpetuity, not recognising the inevitable transition to a more sustainable state of affairs.

CHART 2: EDF RELATIVE EV/EBITDA TO WORLD (2005 – 2017)



Source: Factset

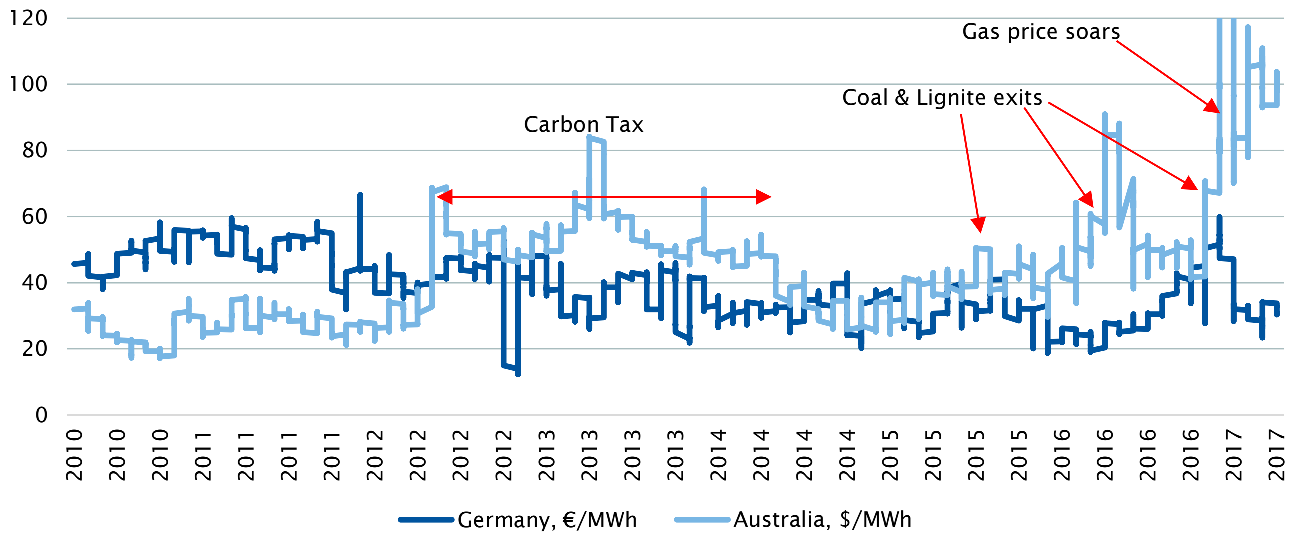
MULTIPLE WAYS OF WINNING

As the largest producer of carbon-free energy in Europe, EDF is system critical not only to France, but to the entire continent. All-in cash cost on EDF's fleet, even in the middle of a very heavy maintenance cycle, is still cheaper than a comparable cost measure for gas or hard coal (at currently depressed carbon and gas prices).

Energy demand is bound to increase with the economic recovery, at the same time capacity is being withdrawn at a record pace. Electric vehicles (EVs) have potential to further increase energy demand by around 0.7% for every 5% of EV adoption rate.

As marginal fuel shifts from coal to gas, Europe may find itself in a "power price" super-cycle similar to Australia (Chart 3). Poor economics and tighter environmental policies will eventually drive hard coal out of the market and gas burn will increase substantially, pushing gas and electricity prices even higher.

CHART 3: AUSTRALIAN ELECTRICITY PRICE CASE STUDY (2010 – 2017)



Source: Bloomberg

MARGIN OF SAFETY

Despite the 40% rally off the lows, the shares trade at a fraction of the replacement cost of the assets, reflecting a long streak of operational, governance and regulatory mishaps. The 63GW strong nuclear fleet - once an earnings powerhouse of the Group - will likely return a cash break-even result this year. We appraise that the market is valuing this at a negative €20bn equity value.

The French government owns 80% of the company and it has already implemented a number of important regulatory initiatives to bolster the earnings of the French fleet. After funding this year's €3bn equity injection and multiple foregone dividends, the government is highly incentivised to make the company work again. An extra 10 €/MWh in power prices makes a significant difference to EDF's earnings (+€1.8bn), but only represents +6% on the total French retail power bill and the country enjoys a power bill roughly 50% lower than the broader region.

Inpex

Inpex is effectively Japan's national oil company and is best known in this country as the operator and 62% owner of the $38bn Ichthys LNG project. Ichthys is effectively three mega-projects rolled into one, involving some of the largest offshore facilities in the industry, a state-of-the-art onshore LNG processing facility and an 890km pipeline all with an operational life of at least 40 years.

Ichthys is set to begin producing by the end of the year and by the time it reaches plateau production in 2019 it will be generating 8.9 million tonnes of LNG, 1.6 million tonnes of LPG and 36 million barrels of condensate per annum.

For Inpex, this will translate into an additional output of 200,000 barrels of oil equivalent per day (boe/d), increasing its production base by almost 50%. Given the relatively low operating costs and favourable tax structure, the impact on the cashflow statement will be much greater. Yet despite this upcoming inflection, on most metrics Inpex still trades as the cheapest oil and gas producer globally; so what is the market missing?

IRRATIONAL EXTRAPOLATION

Firstly, we believe the market is too focused on what has happened, extrapolating the operational and cost issues that also plagued other Australian LNG developments. Despite having scant tangible evidence to support their claims, the bearish sell-side analysts still forecast significant cost overruns. Whilst we acknowledge that there are residual risks, we take comfort in the fact that the offshore facilities have now been installed and the project is over 90% complete.

Admittedly Ichthys hasn't been without issue, with the project forecast to come in around 10% over budget and 15 months behind schedule. However in the grand scheme of Australian LNG projects, that actually ranks as somewhat of a success. Yes, the full cycle economics of the project won't be spectacular but that is largely irrelevant, we are buying the company today when the vast majority of the capital has already been spent and we are now in the position to harvest the cashflow that will be generated.

Secondly, Inpex is also a victim of where it is listed, with most Japanese investors unaccustomed to valuing resource based companies given the lack of local comparisons. Consequently, most tend to value Inpex on shorthand multiples of earnings which fails to capture the asset duration of the portfolio. In addition, by looking at earnings after depreciation we are over-emphasising the cash that has gone in, whilst largely ignoring the significant cash that is set to come out.

MULTIPLE WAYS OF WINNING

Whilst few would argue that the successful ramp-up of Ichthys is crucial to Inpex, we do believe the market is underestimating just how great the cash inflection will be. As stated earlier, the upfront investment of Ichthys has been massive, however the ongoing capex requirements will be no more than $2/boe. Combined with operating cost of $12/boe and minimal tax obligations the project will deliver almost $35/boe of cash flow assuming oil prices of $50. After considering interest and principal repayment, that should result a $2bn uplift in free cash flow for Inpex. When compared to an Enterprise Value of $16.5bn, the significance is stark.

Whilst Ichthys will always dominate the investment debate with Inpex, there is much more to this company than this one project. Indeed the market seems to underestimate just how significant a period of investment the company is now emerging from, with next year also seeing the benefit of the start of the Prelude floating LNG development. This comes on the heel of the successful ramp up of Kashagan with these two projects contributing a further $700m of FCF to Inpex.

MARGIN OF SAFETY

One way to consider the valuation is simply to look at Enterprise Value to Proven Reserves. On this metric, Inpex trades on an Enterprise Value of $5/boe compared to the average global sector multiple of $11/boe. However, we are mindful that no barrel is created equal, with variations in realisations, operating costs and taxation rendering the metric somewhat flawed.

For a more objective assessment of valuation we can consider the net present value of its proven reserves, which at the current oil price we estimate to be worth $20bn compared with the Enterprise Value of $16.5bn. Bear in mind this is only proven reserves; no credit is given for possible reserves or future exploration success. Effectively we are buying the business today at a significant discount to the run-off value.

As a sense check, by the time Ichthys has fully ramped up in 2019, Inpex will be on an EV FCF yield of 15% assuming oil prices of $50/boe.

Outlook

Socio-Macroeconomic Overview

Following on from the June quarter, the September quarter offered a series of vignettes relevant to the longer-term macro discourse, including:

- The overarching appetite for change, stemming from rising inequality (principally driven by a lack of minority rights, government deficits, regressive tax systems, privatisation of essential services, labour and capital market deregulation) and exacerbated by declining real wages.
- Related to this, the rise of the far right Alternative for Germany (AfD) party, winning 13% of Germany's national vote in recent elections, along with the growing voice of Catalonia's secessionist movement, is a further evidence of the growing polarisation of the Western political environment.
- The increasingly uncertain relationship between China and the US over the management of North Korea's nuclear arms ambitions with serious potential negative implications for global trade.
- A growing rift in post-war alliances, with the E.U., U.K. and U.S. looking increasing inwards as China looks to expand its geo-political footprint.

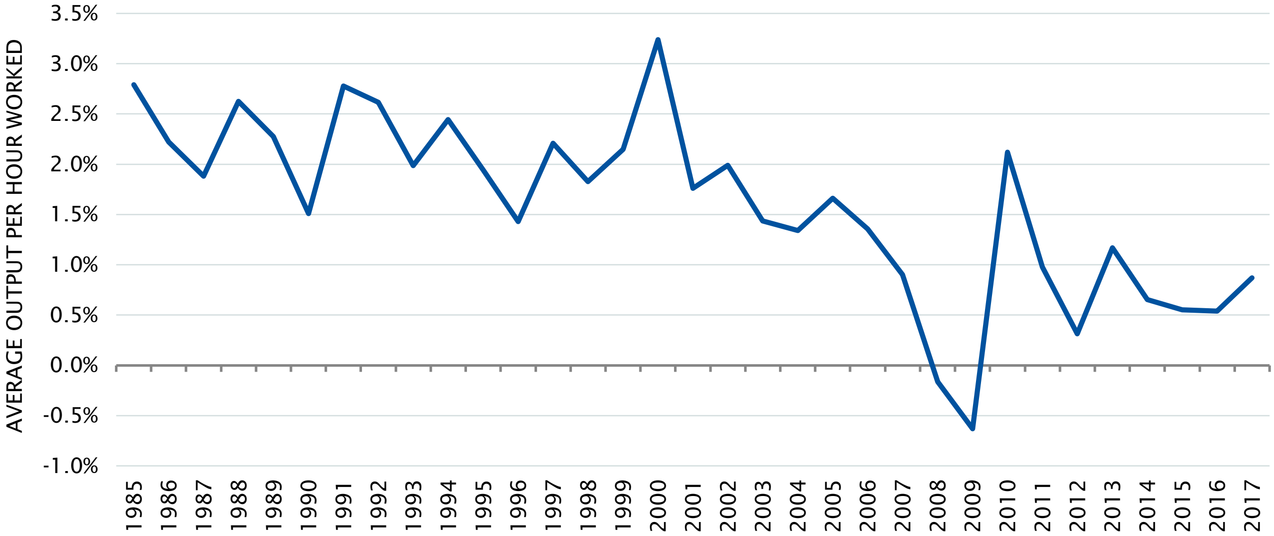
FIGURE 2: SEPTEMBER QUARTER PRICE PERFORMANCE (USD, MARKET CAP WEIGHTED)

	All	Global Cyclical	Global Defensive	Precious	Domestic Cyclical	Domestic Defensive	Financials
World	4.93	7.84	3.58	5.65	3.58	2.31	5.16
North America	4.35	6.91	3.57	5.98	2.88	1.14	5.58
Western Europe	6.4	10.86	3.27	-0.59	4.35	5.7	7.42
Developed Asia	2.4	5.7	0.79		1.34	-2.56	-2.09
Oceania	1.74	7.64	2.55	4.9	0.68	-1.99	1.45
EM Asia	5.75	8.31	6.08	8.35	5.49	2.39	4.11
LATAM	14.31	17.8	11.33	0.85	10.95	10.08	19.02
EEMEA	3.16	6.45	-10.62	10.07	0.7	3.13	3.55

Source: Antipodes Partners

Figure 2 above highlights the uniformity of Global Cyclicals outperformance across all regions and coincides with manufacturing Purchasing Managers' Index posting multi-year highs, record setting stock market indices and continued benign financial conditions. Headline inflation remains subdued against a backdrop of growth surprises.

CHART 4: G7 PRODUCTIVITY TREND (1985 – 2017)

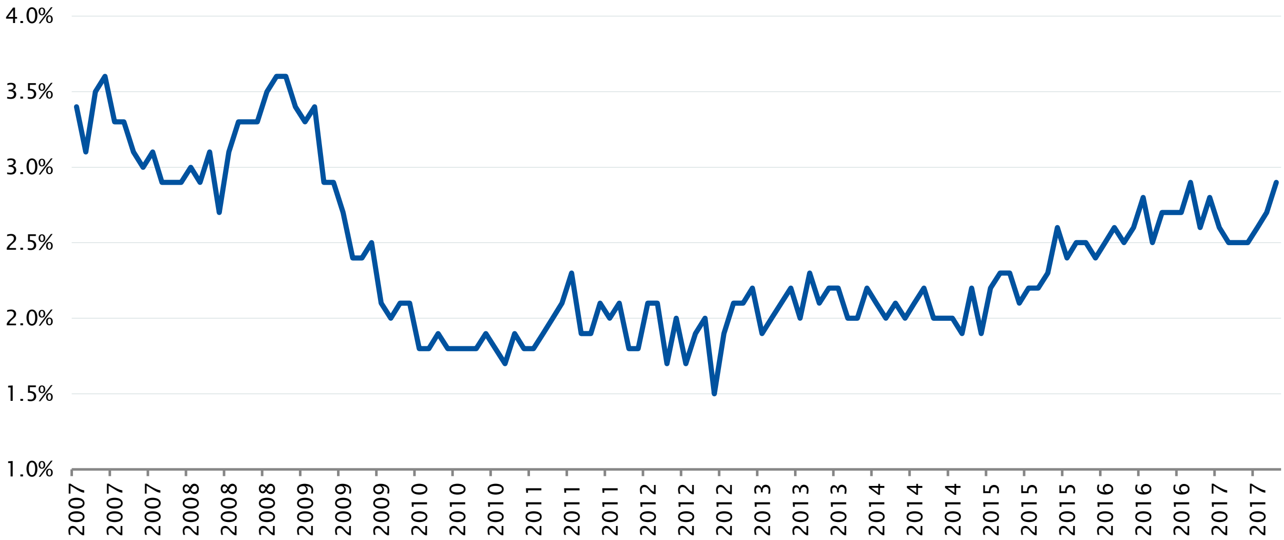


Source: Conference Board

Sustained inflation has proven elusive in developed economies throughout this cycle, but with developed economy productivity gains having persistently decelerated in recent years (Chart 4), output gaps or excess capacity may be significantly lower than that typically modelled. In a recent trip, the common refrain amongst Japanese corporates we met was the severe shortage of skilled workers available to satisfy their requirements, perhaps signaling building wage pressure.

With employment indicators in most developed economies approaching the peaks of 2007, combined with the upsurge of nationalism and related cries to roll-back decades of trade liberalistion, upward wage pressure across developed economies appear to be building. U.S. average hourly earnings grew at their fastest pace in three years in September (Chart 5) and the August Consumer Price Index reading accelerated to 2.5% annualised.

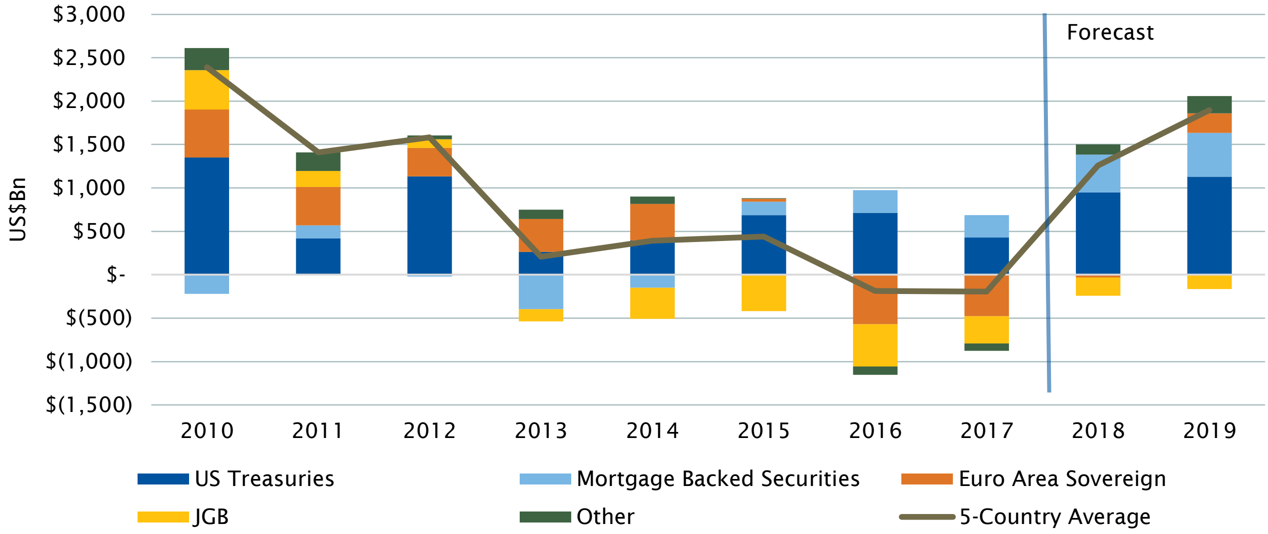
CHART 5: U.S. AVERAGE HOURLY EARNINGS (YOY, 2007 – 2017)



Source: U.S. Bureau of Labor Statistics, Bloomberg

Against this backdrop of growth surprises, developed economy monetary policy remains remarkably loose. Constant doses of liquidity (asset purchase programs) have swelled central bank balance sheets such that the combined balance sheets of the Bank of Japan (BoJ), ECB and Federal Reserve now approximate U.S. GDP in size. Though the Federal Reserve's formal QE program has ceased, the ECB and BoJ programs have more than offset this impact. Chart 6 below demonstrates the likely impact on the net supply of the instruments targeted by central bank purchase programs, as policy settings are normalised. As outlined in our June report, these purchase program have been concentrated in the 8-9yr maturity range with the BoJ for instance now own more than 60% of Japanese Government bonds maturing in 2025-26. Aggregating the five instruments on Chart 6, net issuance will turn from having been negative in 2016-17, that is more than 100% of issuance has been absorbed by purchase programs, to significant net supply in 2018-19. As a consequence traditional price discovery mechanisms may be re-instated, with implications for long-dated yields.

CHART 6: NET SUPPLY AFTER SUBTRACTING CENTRAL BANK NET PURCHASES (2010 – 2019)



Source: Citi Research

The market's sponsorship in recent years of bond proxies, leveraged roll-ups, and other long duration asset exposures have, by our assessment, reached extremes. Low volatility strategies have also been a major beneficiary of central bank purchase programs, with such interventions possibly reinforcing the belief that "low vol" should be equated with low risk. In a July research report[8] we pondered a potential scenario associated with a global growth surprise leading to an accelerated normalisation of central bank policy settings. Macroeconomic data over recent months seems to confirm this prospect, as do equity market moves. However as noted in our market commentary, long dated yields (with a small number of exceptions) are yet to reflect what equity markets are now embracing. As in the forest fire analogy, Antipodes is more inclined to believe that extended periods of low volatility are likely to be associated with building risk, but with the timing of its manifestation inevitably difficult to predict. We therefore continue short the most egregious examples of this excess as part of our overall portfolio positioning.

Table 4, Figures 1, 2 & 3, Charts 7 & 8 apply our proprietary quantitative tools to determine the broad geographic sector and factor exposures that are *most* or *least* prospective for future returns. We use these as a contextual framework (or peripheral vision) rather than a deterministic tool for allocating team resource. Furthermore, if valuation dispersion is high across sectors or factors, as it is today, a competent stock picker will find attractive investment opportunities regardless as to whether the broader group appears expensive. Above all, the analyst will have the benefit of the broader contextual thinking of the CAPE analysis, sector/factor heat-maps and industry/company level screening before commencing any deep dive analysis.

To the extent that we describe a sector or factor as cheap/attractive or expensive/unattractive we're referring to a historical mean reversion relationship. Clearly, there are limitations to such a framework, i.e. this is not a statement regarding absolute value as this can only be made after performing our industry/stock level analysis. However, at a large sample size and in the right hands, such a framework still has merit.

8 See our blog post "Volatility: Dead or in Hibernation?" at antipodespartners.com/volatility-dead-or-in-hibernation

Geographic Sector Valuations

Note: Cyclically Adjusted PE, Sector and Factor definitions can be found in the Glossary

TABLE 4: FUTURE EXPECTED SECTOR AND GEOGRAPHIC RETURNS (2017)

	North America					Western Europe					Developed Asia					Emerging Asia				
	% of ACWI	PE NTM	CAPE Cur.	CAPE median	**EMR ann.**	% of ACWI	PE NTM	CAPE Cur.	CAPE median	**EMR ann.**	% of ACWI	PE NTM	CAPE Cur.	CAPE median	**EMR ann.**	% of ACWI	PE NTM	CAPE Cur.	CAPE median	**EMR ann.**
Global Sectors																				
Global Cyclical	14.4%	21.0x	25.3x	22.8x	**2%**	5.1%	20.0x	24.5x	19.1x	**-4%**	5.7%	15.3x	19.5x	25.3x	**17%**	0.8%	23.0x	19.9x	12.0x	**-18%**
Global Defensive	16.4%	24.5x	31.1x	27.2x	**-2%**	6.5%	24.6x	28.6x	22.5x	**-2%**	1.6%	25.2x	30.7x	28.0x	**2%**	0.8%	29.0x	29.1x	30.4x	**2%**
Precious	0.3%	33.9x	46.1x	66.3x	**-1%**	0.1%	22.6x	28.7x	27.9x	**-2%**							34.2x	40.4x	28.9x	**-12%**
Domestic Sectors																				
Domestic Cyclical	7.9%	19.8x	24.0x	22.0x	**3%**	2.3%	19.0x	21.8x	19.7x	**1%**	0.7%	18.4x	24.2x	25.2x	**9%**	0.5%	21.2x	18.0x	16.6x	**-1%**
Domestic Defensive	5.6%	23.2x	31.6x	20.5x	**-4%**	1.9%	15.2x	15.2x	20.0x	**8%**	1.0%	18.2x	21.0x	25.1x	**8%**	1.1%	17.0x	15.8x	17.4x	**4%**
Financials	10.8%	16.6x	21.4x	20.0x	**6%**	4.5%	13.9x	16.5x	20.5x	**14%**	1.4%	11.4x	13.8x	20.0x	**20%**	1.5%	15.2x	14.3x	20.5x	**14%**

See Glossary for CAPE, EMR and Sector definitions. Source: Antipodes Partners

In terms of the broader outlook for equity markets, we find it useful to examine the long-term empirical data in terms of what starting multiples imply for expected future returns. Given broad differences in the timing of earnings cycles across both regions and sectors, we prefer to measure broader expectations for future returns based on "Cyclically Adjusted PE" (CAPE) based valuations. On this basis, the more attractive broad sectors are Developed Asia Global Cyclicals, Financials and Domestic Defensives in all markets outside of North America. The least attractive areas are dominated by the very large Global Defensive sector (~25% of global market capitalisation), Emerging Asia Global Cyclicals and North American Domestic Defensives.

Our Region-Sector Heat-map (Figure 2) further extends this analysis and we broadly observe:

- Consumer Staples enamored for their perceived Profitability and Growth characteristics (Chart 7), though having underperformed over the past 12 months, still remain one of the most expensive Developed Market sectors.
- Healthcare has underperformed to the point now that relative value has appeared.
- Interestingly, in a market paying-up for yield (Chart 8) and Global Defensive exposures, Domestic Defensives including traditional yield sectors such as Infrastructure (outside of North America) and Telecommunications have become very cheap, coinciding with the apparent value of Good Yield (funded through cash-flow); within the Global Funds we have taken advantage of this primarily within our European Recovery exposure.
- Financials though having significantly outperformed over the past 12 months remain one of the cheapest sectors globally with sentiment and profitability expectations weighed down by macro-concerns, low rates and yield curve compression.
- As the broad relief rally in China growth sensitive equities has played out over the past 12-18 months, Materials have outperformed, though Energy has lagged and remains one of the most de-rated sectors by historical standards.

Factor Valuations

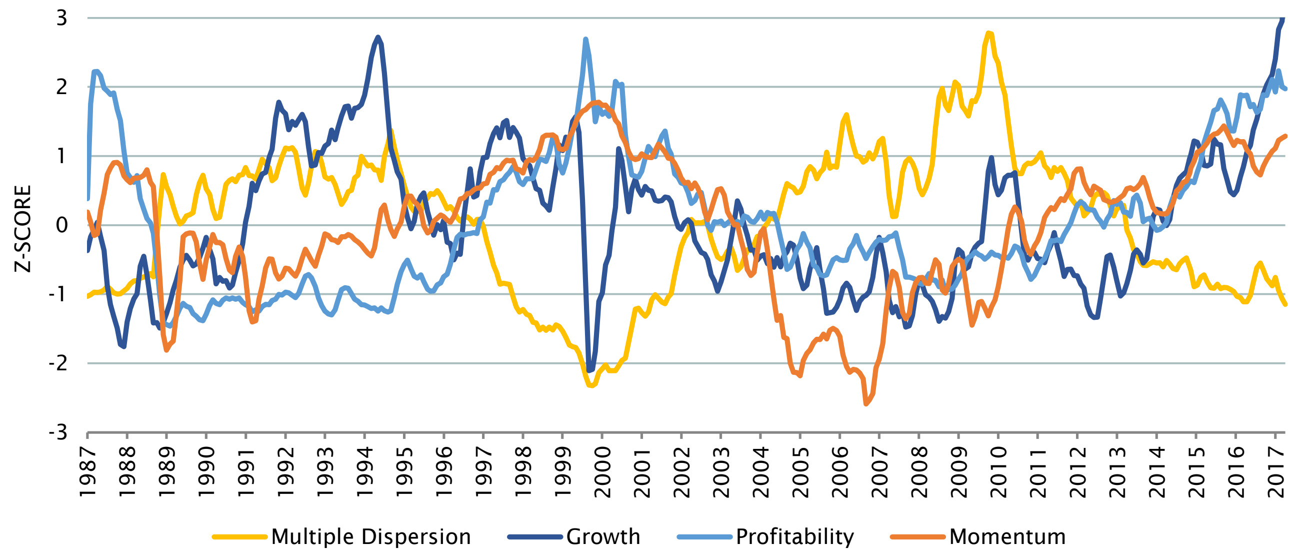
Most quantitative strategies would measure the attraction of a certain "factor" exposure on the basis of its price momentum. These same systematic strategies see Value as a separate factor, by which they mean low multiple stocks, but will only buy Value if it exhibits momentum. At Antipodes Partners, we worry that factors favoured by systematic strategies will eventually become overvalued (a symptom of crowding), offering little margin of safety at the stock level and exposure to "regime change" style draw-down risk at the portfolio level. Hence, we value a range of factors (e.g. Profitability, Growth, Resilience, Multiple Dispersion, Good Yield, Volatility and Momentum, etc., Charts 7 & 8) rather than Value in isolation (we prefer to label Value as Multiple Dispersion to make a clear statement that the starting multiple is meaningless without the context of growth).

Keeping with our philosophy of finding investments with multiple ways of winning, another way we can win is by gaining:

- Cheap exposure to an expensive factor, e.g. Cisco Systems, a very cheap "Profitability" exposure at a PE of 13x where an equivalent exposure would cost on average +20x PE.
- An exposure to an out of favour factor based on the view that the market view may change, e.g. "Good Yield" (cash-flow funded) is offered cheaply by many Utility and Telecommunication stocks, as opposed to the expensive "Bad Yield" (capital market funded) offered by many Infrastructure stocks.

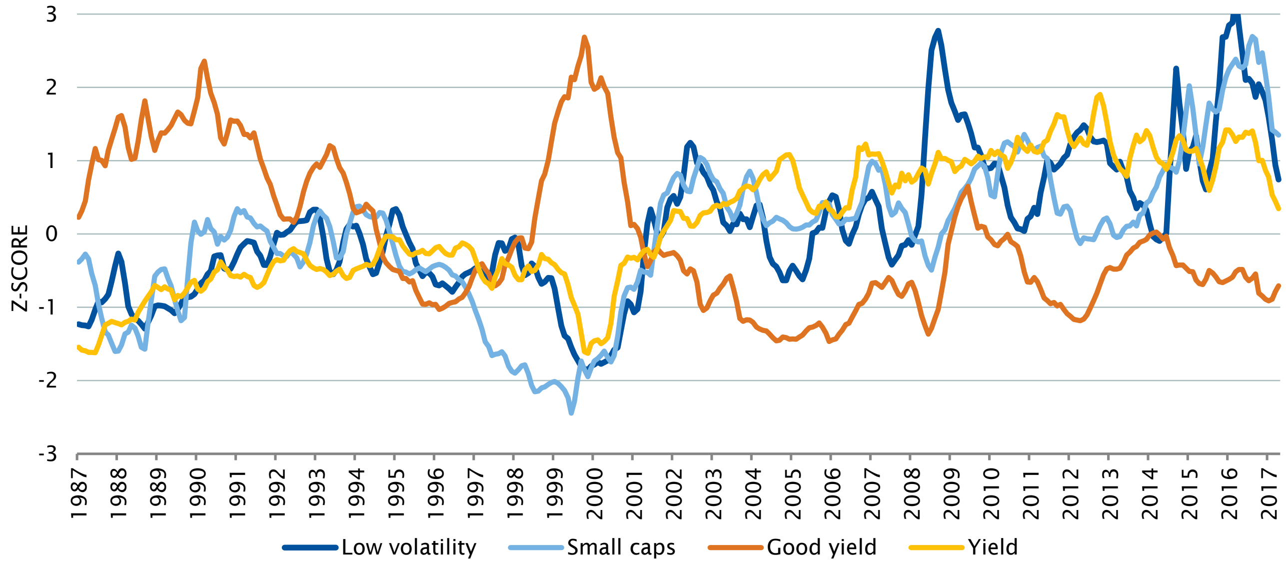
Accordingly, Charts 7 & 8 apply our proprietary quantitative tools to determine how expensive various factors have become relative to the last 30 years (expressed as a Z-Score) by comparing the valuation of the **most profitable** (*highest growth/momentum* or *lowest multiple*) stocks to the **least profitable** (*lowest growth/momentum* or *highest multiple*) stocks.

CHART 7: Z-SCORE (MEDIAN EV/CE OF UPPER QUINTILE RELATIVE TO LOWER QUINTILE 1987 - 2017)



See Glossary for factor definitions. Source: Antipodes Partners

CHART 8: Z-SCORE (MEDIAN EV/CE OF UPPER QUINTILE RELATIVE TO LOWER QUINTILE 1987 - 2017)



See Glossary for factor definitions. Source: Antipodes Partners

With reference to Charts 7 and 8:

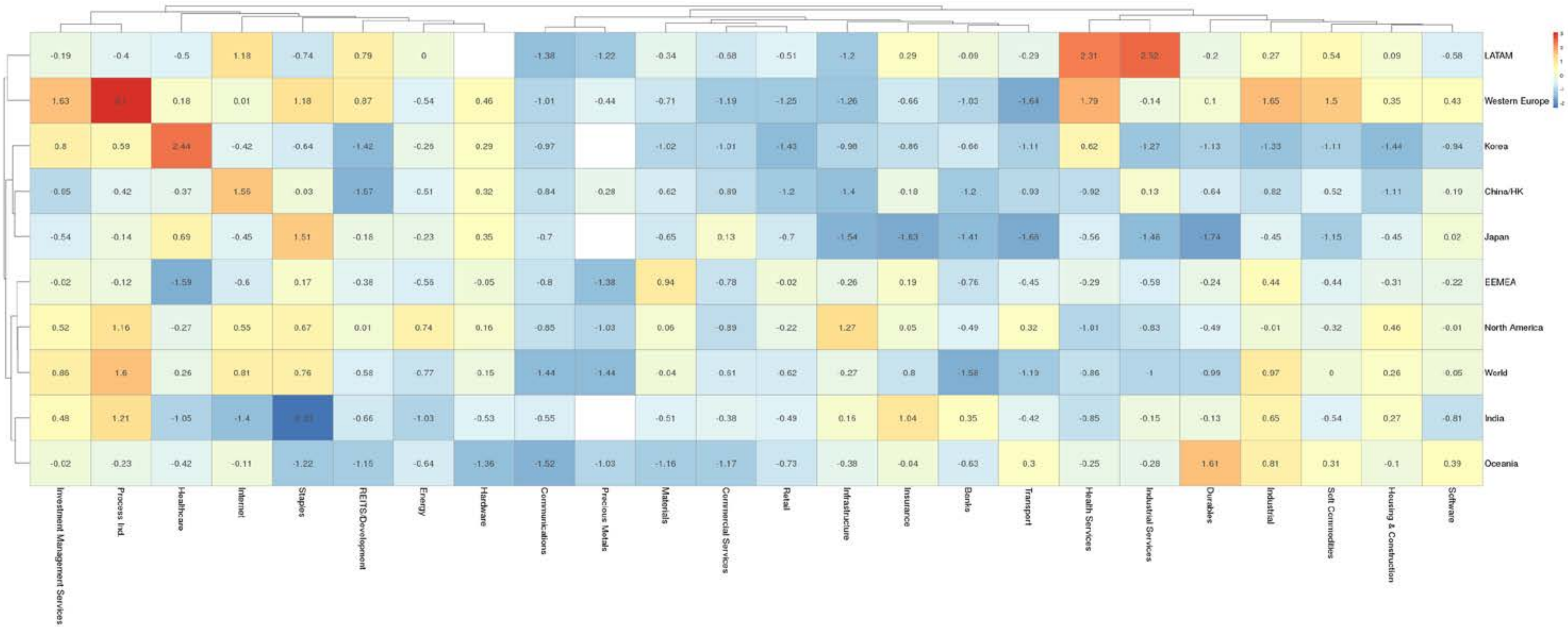
- The market is celebrating stocks that display high Profitability, Growth and Momentum independently of starting multiple. Further, it's noteworthy that the market's willingness to pay-up for Growth, Profitability and Momentum is approaching the heady days of the late 1990's tech bubble. One can also observe the subsequent derating that occurred as high Growth and Profitability attracted competition and these stocks lost their allure, a clear example of how a high starting multiple was predictive of future sub-par returns.
- The market's love affair with low volatility appears to be waning with a notable retreat in the valuation of this factor from the extremes of mid-year.
- Momentum is simply the outcome of the market's obsession with an ever narrowing group of stocks selected on a systematic preference for high Growth and Profitability. Whilst clearly Growth and Profitability matter, for Antipodes Partners these descriptors only offer real meaning in the context of valuation rather than momentum.

- A global preference for small-mid caps over large caps, especially in North America, with Asia Ex-Japan the major exception; in many ways an extrapolation of the valuation dispersion observed between hyper and mature growth businesses.
- Extreme thirst for equities with bond like characteristics, i.e. Yield and Low Volatility, without concern as to the inherent risk equities represent. Interestingly, the market fails to pay a premium for Good Yield over Bad Yield.
- Encouragingly, Multiple Dispersion is evident across all regions.

More specifically, extreme policy settings in Europe/Developed Asia have led to severe investor herding, evidenced by the extreme overvaluation of Profitability and Growth in these regions. Ironically, investors have the cheapest opportunity to buy balance sheet Resilience and cash covered dividends (Good Yield), even when macro concerns are heightened!

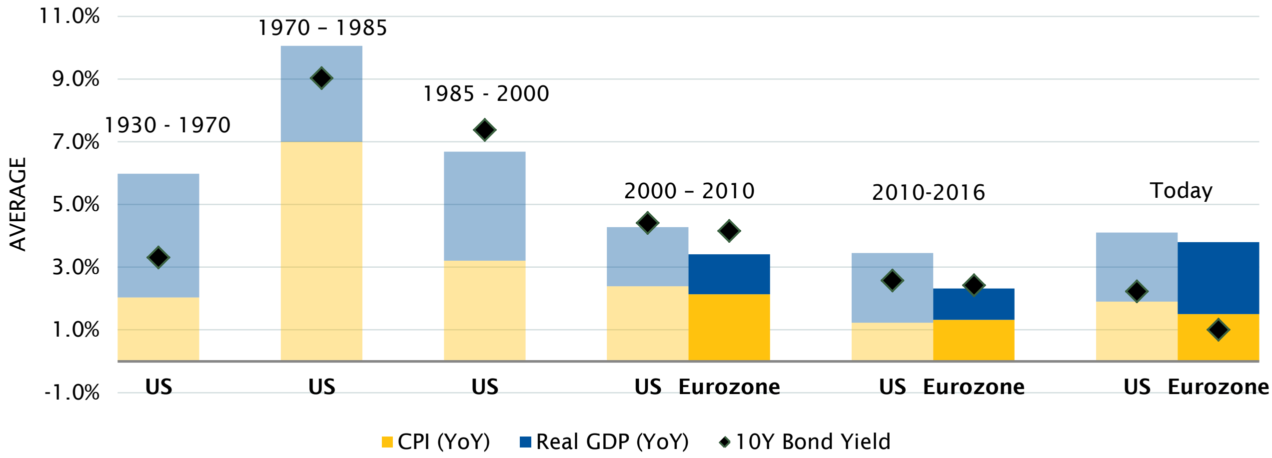
FIGURE 3: ANTIPODES PARTNERS REGION-SECTOR VALUATION HEAT-MAP

The Antipodes Partners Region-Sector Valuation Heat-map provides a more granular illustration of valuation clustering across sectors and regions. Cell colouring indicates the degree to which a sectors' enterprise value to sales multiple (price to book for financial sectors) relative to the world is above or below its 21 year relative trend (expressed as a Z-Score, the number of standard deviations from the mean). The warmer the colour, the greater the relative multiple versus history; vice versa for the cooler blues, with extremes highlighted by the boldest of colours.



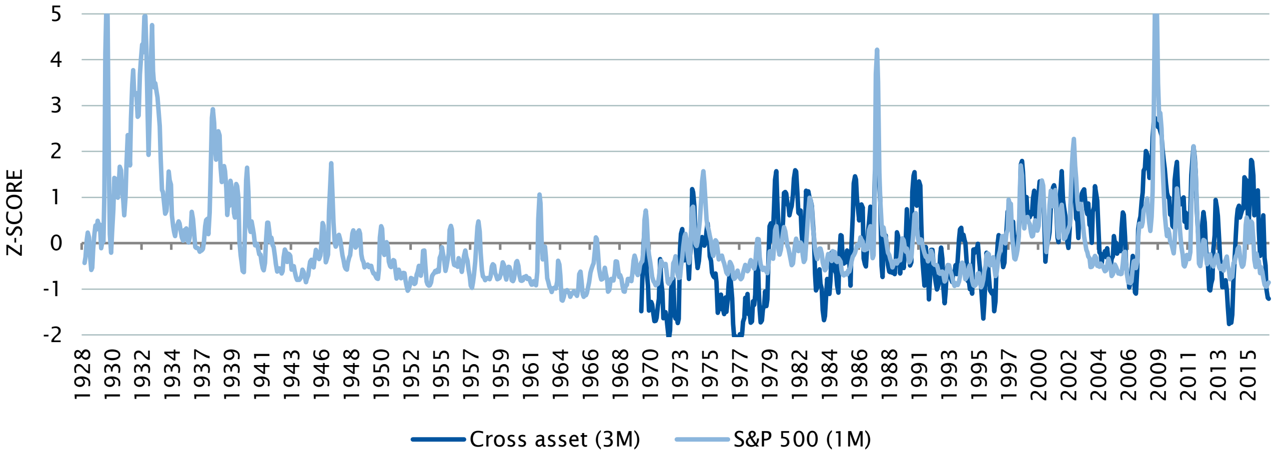
ADDITIONAL CHARTS

CHART 9: EUROZONE BONDS ARE DISCOUNTING A STEEEP DECELERATION IN GROWTH (1930 – 2017)



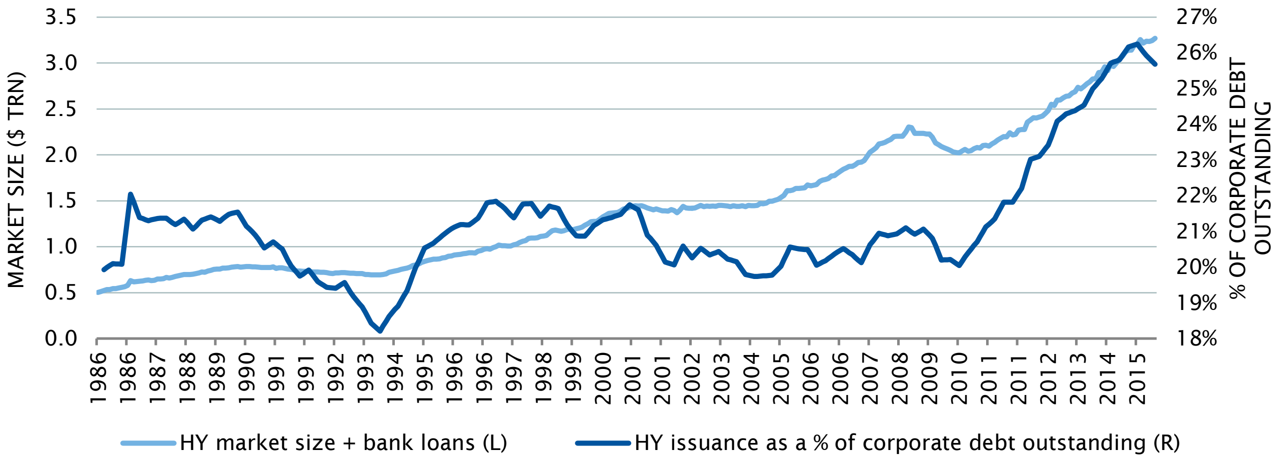
Source: Factset, BLS, BIS

CHART 10: REALISED CROSS ASSET AND S&P 500 VOLATILITY (1928 – 2017)



Source: Goldman Sachs Global Investment Research

CHART 11: HIGH YIELD DEBT OUTSTANDING (1986 - 2017)



Source: Deutsch Bank

Glossary

ACWI

MSCI All Country World Net Index in AUD.

CAPITAL EMPLOYED (CE)

The capital used by a business to earn a return, i.e. net working capital, net property plant and equipment, non-goodwill intangibles (e.g. patents, spectrum licenses) and goodwill.

CLUSTER

A collection of positions which exhibit similarities in their return profile including operational, end-market, style and macro characteristics.

CURRENT ACCOUNT (CA)

The sum of a country's trade balance, income from abroad and net current transfers.

CYCLICALLY ADJUSTED PRICE TO EARNINGS RATIO

Today's price divided by average inflation adjusted earnings (averaged over 7 years to reflect a typical earnings cycle). Median CAPE's uses 25 years of history for developed markets and 20 years for emerging.

ENTERPRISE VALUE

The total cost to acquire a business on market, including all liabilities and obligations.

ENTERPRISE VALUE TO CAPITAL EMPLOYED (EV/CE)

The enterprise value of a company relative to its operating capital employed, including goodwill, but excluding associates and investments.

ENTERPRISE VALUE TO SALES (EV/SALES)

The enterprise value of a company relative to its sales. Sales may be reflect the last 12 months of operations or a future estimate.

EXPECTED MARKET RETURN (EMR)

The annualised expected market return if the 3Y forward CAPE (based on consensus estimates) were to revert to the median through price movements alone (capital gains) plus the long term average total return to shareholder (dividend + buybacks – stock issuance) yield.

EXPOSURE

See *cluster*.

FACTOR

Antipodes Partners defined factors include:

- *Bad Yield*; Yield funded through debt or equity issuance (as opposed to cash-flow), vice versa *Good Yield*
- *Good Yield*; Yield funded through cash-flow (as opposed to debt or equity issuance), vice versa *Bad Yield*
- *Growth*; A composite of short, medium and long term growth rates
- *Momentum*; A composite of short, medium and long term price change in common currency terms
- *Multiple Dispersion* or *"Value"*; A composite of valuation multiples, absolute and vs. world relative history
- *Profitability*; A composite of short, medium and long term profitability ratios
- *Resilience*; A composite of balance sheet quality and earnings stability ratios
- *Size*; Market capitalisation in common currency terms
- *Volatility*; Standard deviation of 180 day local currency price change
- *Yield*; Total yield to shareholders inclusive of net equity issuance

GROSS MERCHANDISING VALUE (GMV)

- Total value of merchandise sold over a period of time on an e-commerce website.

PERIPHERY

- In the context of the Eurozone, countries with a relatively smaller contribution to aggregate GDP than the core (Germany and France).

PRICE TO BOOK (PB)

The share price of a company relative to its book value per share (BPS). BPS may be reflect the last 12 months of operations or a future estimate.

PRICE TO EARNINGS (PE)

The share price of a company relative to its earnings per share (EPS). EPS may be reflect the last 12 months of operations or a future estimate.

REAL EFFECTIVE EXCHANGE RATE (REER)

A weighted average of a country's currency relative to its trading partners, adjusted for the effects of inflation.

SECTOR

Antipodes Partners defined global sectors include:

- *Global Cyclicals*; Energy, Industrial Services, Materials, Soft Commodities, Process Industries, Industrial, Durables and Hardware
- *Global Defensives*; Software, Internet, Healthcare and Staples
- *Precious*; Gold and other Precious Metals

Antipodes Partners defined domestic sectors include:

- *Domestic Cyclicals*; Commercial Services, Health Services, Retail, Transport and Housing & Construction
- *Domestic Defensives*; REITS/Development, Communications and Infrastructure
- *Financials*; Banks, Investment Management Services and Insurance

STYLE

See *factor*.

VOLATILITY

A statistical measure of the dispersion of returns for a given security or market index. Volatility can be measured using the standard deviation or variance between returns from that same security or market index.

Z-SCORE

The number of standard deviations by which a data point differs from the mean, or average. A score greater than 0 suggests a value that is greater than average and vice versa.

Fund Summaries

	Antipodes Global Fund – Long Only	Antipodes Global Fund	Antipodes Asia Fund
Investment Objective	Outperform the benchmark over the investment cycle (typically 3-5 years) at below market levels of risk	Absolute returns in excess of the benchmark over the investment cycle (typically 3-5 years) at below market levels of risk	Absolute returns in excess of the benchmark over the investment cycle (typically 3-5 years) at below market levels of risk
Typical Investment Range	Equity exposure: 75-100% Cash: 0-25%	Net equity exposure: 50-100% Max gross exposure: 150%	Net equity exposure: 50-100% Japan limit: 30%; Oceania & Non-Asian emerging market limit: 15%
Benchmark	MSCI All Country World Net Index in AUD	MSCI All Country World Net Index in AUD	MSCI All Country Asia ex Japan Net Index in AUD
Leverage	Not permitted	Max gross exposure: 150%	Max gross exposure: 150%
Stock Shorting	Not permitted	Permitted	Permitted
Derivatives	Hedging for risk management limited to 10% of NAV[9]	Permitted	Permitted
Currency Management	Hedging for risk management[10]	Permitted	Permitted
Fee Structure	1.20% plus performance fee of 15% of outperformance above benchmark net of base fee	1.20% plus performance fee of 15% of outperformance above benchmark net of base fee	1.20% plus performance fee of 15% of outperformance above benchmark net of base fee
Buy/ sell spread	0.30% / 0.30%	0.30% / 0.30%	0.30% / 0.30%
Distribution frequency	Annual	Annual	Annual
APIR code	WHT0057AU	IOF0045AU	IOF0203AU
ARSN code	118 075 764	087 719 515	096 451 393
Platform availability	Ausmaq First Wrap HUB24 mFund (AGP01)	Aegis AMP Flexible Super AMP North AMP PPS ANZ Grow Wrap Asgard BT Panorama BT Wrap First Wrap HUB24 IOOF – Portfolio Service Macquarie Wrap Macquarie Accumulator MLC Navigator Netwealth PremiumChoice	AMP North BT Panorama BT Wrap HUB24 IOOF – Portfolio Service Linear Macquarie Wrap MLC Navigator Netwealth PremiumChoice

9 By using exchange trade derivatives; currency hedges excluded

10 Hedges would reference underlying stock exposures and a net short position would not be permitted

Antipodes Global Fund

ARSN 087 719 515 APIR IOF0045AU

FUND UPDATE AS AT 30 SEPTEMBER 2017

FUND FACTS

Investment manager	Antipodes Partners
Inception[1] date	1 July 2015
Benchmark	MSCI All Country World 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
Net Asset Value (NAV)	$2,470m
Strategy AUM	$3,626m
Unit redemption price	$1.6567
Changes to key service providers	Nil
Risk profile	High (refer to PDS)

[1] Investment strategy adopted 1 July 2015

ASSET ALLOCATION

	Long		Short	
	Equities	Other[2]	Equities	Other[2]
Weight (% NAV)	91.9	3.9	-18.3	-9.1
Count	59	4	30	6
Avg. weight	1.6	1.0	-0.6	-1.5
Top 10 (% NAV)	27.9	-	-9.7	-
Top 30 (% NAV)	63.3	-	-18.3	-

[2] Index futures and other non-single stock derivatives

SECTOR EXPOSURE[3] (%)

Sector	Long	Short	Net
Banks	14.0	-2.3	11.7
Energy	9.6	-1.6	8.0
Software	9.1	-0.8	8.2
Internet	7.4	-0.3	7.2
Staples	7.3	-0.7	6.7
Retail	7.2	-0.6	6.5
Hardware	6.6	-1.3	5.3
Communications	6.6	-0.3	6.2
Infrastructure	4.9	-1.2	3.7
Other	23.2	-18.2	4.9

[3] Antipodes Partners classification

TOP 10 HOLDINGS

Name	Country	Weight
Baidu	China/HK	3.5
Hyundai Motor	Korea	3.4
Electricite de France	France	3.0
INPEX	Japan	2.8
Gilead Sciences	United States	2.7
Microsoft	United States	2.7
ING Groep	Netherlands	2.5
KB Financial Group	Korea	2.5
Samsung Electronics	Korea	2.4
UniCredit	Italy	2.4

REGIONAL EXPOSURE[3,4] (%)

Region	Long	Short	Net
North America	**25.0**	**-14.5**	**10.6**
Developed Asia	**21.5**	**-2.3**	**19.1**
Korea	10.3	0.0	10.3
Japan	11.1	-2.3	8.8
Developing Asia	**20.3**	**-3.1**	**17.2**
China/Hong Kong	19.0	-2.1	16.9
India	1.3	-0.9	0.3
Western Europe	**22.0**	**-4.6**	**17.5**
Eurozone	19.5	-2.5	17.0
United Kingdom	1.7	-0.3	1.4
Rest Western Europe	0.8	-1.7	-0.9
Australia	**1.2**	**-3.0**	**-1.7**
Rest of World	**1.9**	**0.0**	**1.9**
Total Equities	**91.9**	**-27.4**	**64.6**
Other	**3.9**	**0.0**	**3.9**
Cash	**4.2**	-	-
Total	**100.0**	**-27.4**	**68.4**

[4] Where possible, regions, countries and currencies classified on a look through basis.

MARKET CAP EXPOSURE (%)

Band	Long	Short	Net
Mega (>$100b)	19.5	-10.0	9.5
Large (>$25 <$100b)	28.4	-4.8	23.6
Medium (>$5 <$25b)	38.2	-9.3	28.8
Small (<$5b)	9.7	-3.2	6.6

Antipodes Global Fund – Long Only

ARSN 118 075 764 APIR WHT0057AU

FUND UPDATE AS AT 30 SEPTEMBER 2017

FUND FACTS

Investment manager	Antipodes Partners
Inception[1] date	1 July 2015
Benchmark	MSCI All Country World 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
Net Asset Value (NAV)	$742m
Strategy AUM	$1,285m
Unit redemption price	$1.1235

[1] Investment strategy adopted 1 July 2015

ASSET ALLOCATION

	Long
Weight (% NAV)	90.2
Count	60
Avg. weight	1.5
Top 10 (% NAV)	27.0
Top 30 (% NAV)	60.6

SECTOR EXPOSURE[2] (%)

Sector	Long
Banks	13.5
Software	8.7
Energy	7.7
Internet	7.1
Staples	7.0
Retail	6.6
Hardware	6.4
Communications	5.5
Durables	4.7
Other	22.9

[2] Antipodes Partners classification

TOP 10 HOLDINGS

Name	Country	Weight
Baidu	China/HK	3.4
Hyundai Motor	Korea	3.3
Electricite de France	France	2.9
Gilead Sciences	United States	2.6
INPEX	Japan	2.6
ING Groep	Netherlands	2.5
Samsung Electronics	Korea	2.5
Microsoft	United States	2.4
KB Financial Group	Korea	2.4
Cisco Systems	United States	2.4

REGIONAL EXPOSURE[2,3] (%)

Region	Long
United States	**26.8**
Developed Asia	**20.4**
Korea	10.8
Japan	9.5
Developing Asia	**19.3**
China/Hong Kong	18.0
India	1.3
Western Europe	**20.7**
Eurozone	18.5
United Kingdom	1.5
Rest Western Europe	0.8
Australia	**1.2**
Rest of World	**1.7**
Total Equities	**90.2**
Cash	**9.8**
Total	**100.0**

[3] Where possible, regions, countries and currencies classified on a look through basis

MARKET CAP EXPOSURE (%)

Band	Long
Mega (>$100b)	14.6
Large (>$25 <$100b)	27.3
Medium (>$5 <$25b)	35.0
Small (<$5b)	13.4

Antipodes Asia Fund

ARSN 096 451 393 APIR IOF0203AU

FUND UPDATE AS AT 30 SEPTEMBER 2017

FUND FACTS

Investment manager	Antipodes Partners
Inception[1] 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
Net Asset Value (NAV)	$75m
Unit redemption price	$1.2961
Changes to key service providers	Nil
Risk profile	High (refer to PDS)

[1] Investment strategy adopted 1 July 2015

TOP 10 HOLDINGS

Name	Country	Weight
Baidu	China/HK	4.5
Hyundai Motor	Korea	3.7
KB Financial Group	Korea	3.6
Samsung Electronics	Korea	3.5
INPEX	Japan	3.4
Ping An Insurance	China/HK	3.3
KT	Korea	3.1
Shenzhen Airport	China/HK	2.7
Jiangsu Yanghe	China/HK	2.7
CNOOC	China/HK	2.5

ASSET ALLOCATION

	Long		Short	
	Equities	Other[2]	Equities	Other[2]
Weight (% NAV)	91.4	1.3	-8.0	-8.8
Count	48	1	10	3
Avg. weight	1.9	1.3	-0.8	-2.9
Top 10 (% NAV)	32.9	-	-8.0	-
Top 30 (% NAV)	71.5	-	-8.0	-

[2] Index futures and other non-single stock derivatives

REGIONAL EXPOSURE[3,4] (%)

Region	Long	Short	Net
Developed Asia	**37.1**	**-3.6**	**33.5**
Korea	20.2	0.0	20.2
Japan	14.5	-3.6	10.9
Developing Asia	**47.4**	**-6.3**	**41.1**
China/Hong Kong	39.1	-3.6	35.5
India	7.8	-2.7	5.1
Australia	**2.3**	**-6.9**	**-4.6**
Rest of World	**4.6**	**0.0**	**4.6**
Total Equities	**91.4**	**-16.8**	**74.6**
Other	**1.3**	**0.0**	**1.3**
Cash	**7.3**	-	-
Total	**100.0**	**-16.8**	**75.9**

[4] Where possible, regions, countries and currencies classified on a look through basis.

SECTOR EXPOSURE[3] (%)

Sector	Long	Short	Net
Staples	13.8	-0.8	13.0
Internet	10.4	0.0	10.4
Banks	9.5	-2.5	7.0
Communications	8.1	0.0	8.1
Hardware	7.5	0.0	7.5
Insurance	6.7	0.0	6.7
Energy	5.9	0.0	5.9
Durables	5.1	0.0	5.1
Retail	5.1	-0.4	4.7
Other	20.6	-13.1	7.5

[3] Antipodes Partners classification

MARKET CAP EXPOSURE (%)

Band	Long	Short	Net
Mega (>$100b)	10.0	-9.6	0.3
Large (>$25 <$100b)	22.2	-1.0	21.1
Medium (>$5 <$25b)	37.2	-4.2	33.0
Small (<$5b)	23.3	-1.9	21.5

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