

Company commentary

Company performance for the month was -0.5%, underperforming the benchmark which returned -0.1% for the month. The key contributors and detractors are detailed under the Portfolio Commentary section below.

The Company is pleased with the narrowing of the NTA discount during the month. The Company believes this improvement is off the back of the various Company initiatives to close the discount, as well as general narrowing of NTA discounts across the LIC industry during the month. As at 30 September 2020, the pre-tax NTA of APL was \$1.071 per share and the share price was \$0.975, a discount of 9.0%. The NTA discount on 31 August, the day before the Company announced the Conditional Tender Offer (CTO), the Company's most significant discount management initiative to date, was 17.4%.

Details of the CTO that will be proposed at the upcoming Company AGM on 30th November 2020 will be provided in the notice of meeting (NOM) that will be sent to shareholders in the next couple of weeks.

Market commentary

Global equities retreated (-0.1%, -3.2% in USD), breaking a five-month winning streak on COVID-19 fears and US political uncertainty. Cyclical sectors were mixed as Industrials and Materials outperformed whilst Energy and Financials lagged. Defensive sectors such as Utilities and Consumer Staples were also strong.

US equities underperformed (-0.7%) as Democratic Presidential candidate Joe Biden maintained a lead in the polls, a Democratic majority in the Senate became more likely, and negotiations on a new COVID-19 fiscal relief bill stalled. New COVID-19 restrictions and concerns over stalling economic recovery ahead of the next Brexit negotiations weighed on Europe (-0.3%).

Asia broadly outperformed (+2.6%) led by Japan as Yoshihide Suga was appointed Prime Minister and existing economic policies are expected to be maintained. China lagged (-0.4%) on elevated US-China tech tensions.

Elsewhere, Brent Crude fell on demand concerns. The US dollar rallied (DXY +1.9%) on safe-haven demand however Gold fell for a second month.

Portfolio commentary

Key contributors to performance included:

- Connectivity/compute cluster, including Samsung Electronics and TSMC, as Samsung benefited from a rebound in handset sales while demand for TSMC's leading edge solutions is stronger than expected. Additionally, both leading incumbent semiconductor companies are expected to benefit from the US restricting China's access to chips designed/manufactured using US tools, curtailing China's tech independence and necessitating dependence on the Koreans/Taiwanese.
- Capital One Financial, Consumer Cyclical – Developed Markets (DM), as recent metrics showed ongoing resilience in credit quality, and credit cards (industry-wide) showed the first inflection in loan growth since March 2020.

Key detractors to performance included:

- Oil/Natural Gas cluster, notably TechnipFMC and CNOOC which weakened with the oil price, while the market overlooks Technip's c. \$3b in contract wins over the September quarter.
- Online Services DM notably Facebook, after a sustained period of outperformance.
- Consumer Cyclical DM cluster, notably ING Groep, which, along with other banks, was affected by potential money laundering concerns over 2000 – 2017 with the bulk of these cases backward looking. Importantly, ING has invested heavily in compliance and given excess capital, any incremental fines should not threaten dividends.

Performance (%)^{1,2,3}

	Company	Benchmark	Difference
1 month	-0.5	-0.1	-0.4
3 month	1.0	3.9	-2.9
Year to date	-5.2	-0.6	-4.6
1 year	-2.5	3.9	-6.4
3 year p.a.	2.9	10.4	-7.5
Inception p.a.	6.1	11.7	-5.6
Inception	26.5	55.2	-28.7

Past performance is not a reliable indicator of future performance. ¹ Movement in NTA before tax for the period, adjusted for dividends and income taxes paid and the dilutionary effect of share capital transactions. This figure incorporates underlying portfolio performance net of portfolio related fees and costs, less administration costs of the Company. ² MSCI All Country World Net Index in AUD (portfolio's benchmark). ³ Inception is 11 October 2016.

Company performance since inception^{1,3}



Net tangible assets (NTA)^{5,6} 4,7

Pre-tax NTA	Post-tax NTA
\$1.071	\$1.069

⁴ These figures are unaudited and approximate only. ⁵ Pre-tax NTA includes provision for tax on realised gains/losses and other earnings, but excludes any provision for tax on unrealised gains/losses and any deferred tax assets relating to capitalised issue costs and income tax losses. ⁶ Post-tax NTA includes tax on both realised and unrealised gains/losses and other earnings, and includes deferred tax assets relating to capitalised issue costs and income tax losses.

⁷ NTA before tax was \$1.064. This represents the NTA excluding all income tax related assets and liabilities. Company tax of \$0.001 was paid during the month.

Dividend history

	Dividend per share	Ex date	Record date	Payable	% franked
APL	2.5c	08/09/20	09/09/20	30/09/20	50%
APL	2c	05/03/20	06/03/20	27/03/20	50%
APL	2.5c	06/09/19	09/09/19	14/10/19	50%
APL	2c	07/03/19	08/03/19	22/03/19	50%
APL	5c	19/10/18	22/10/18	31/10/18	50%

Top 10 equity longs

Name	Country	Weight (%)
Ping An Insurance	China/HK	3.1
Facebook	United States	2.9
Microsoft	United States	2.9
Électricité de France	France	2.9
Alibaba	China/HK	2.8
Tencent	China/HK	2.7
Roche	Switzerland	2.7
Capital One Financial	United States	2.7
Siemens	Germany	2.6
Samsung Electronics	Korea	2.6

Asset allocation⁸

	Equities - Long	Other - Long	Equities - Short	Other - Short
Weight (% NAV)	92.0	-	-14.2	-5.0
Count	66	1	31	6
Avg. weight	1.4	-	-0.5	-0.8
Top 10 (% NAV)	27.8	-	-6.5	-
Top 30 (% NAV)	64.9	-	-14	-

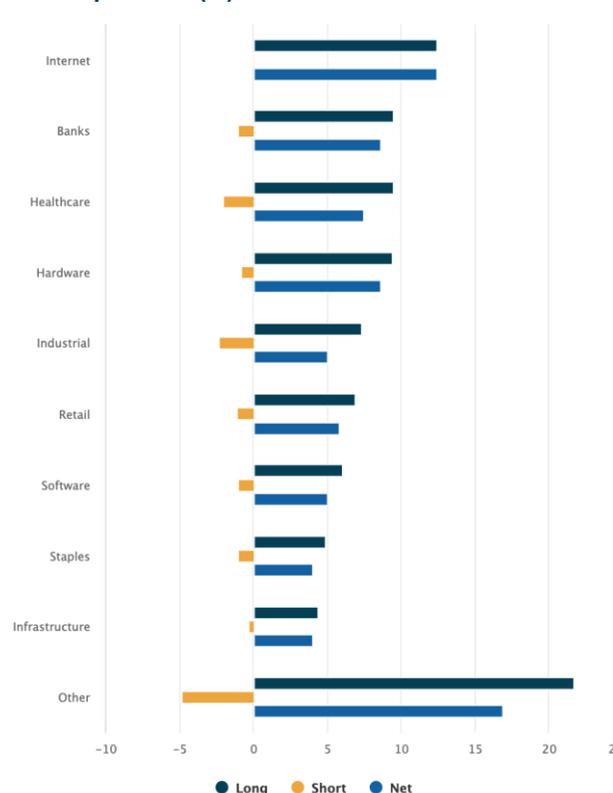
⁸ Non-equity derivatives.

Regional exposure^{9,10} (%)

Region	Long	Short	Net
North America	34.4	-9.4	25.0
Western Europe	23.1	-2.1	21.0
- Eurozone	16.7	-1.0	15.7
- Rest Western Europe	4.5	-	4.5
- United Kingdom	1.8	-1.1	0.7
Developing Asia	18.9	-0.3	18.6
- China/Hong Kong	17.0	-0.3	16.8
- India	1.9	-	1.9
Developed Asia	13.7	-2.5	11.2
- Korea/Taiwan	8.6	-0.8	7.8
- Japan	5.2	-1.7	3.5
Australia	1.9	-	1.9
Total Equities	92.0	-14.2	77.7
Other	-	-5.0	-
Cash	8.0	-	-
Totals	100.0	-19.2	-

⁹ Where possible, regions, countries and currencies classified on a look through basis. ¹⁰ Antipodes classification.

Sector exposure¹⁰ (%)



Characteristics

Investment manager	Antipodes Partners Limited
ASX code	APL
Inception date	11 October 2016
Listing date	18 October 2016
Benchmark	MSCI All Country World Net Index in AUD
Management fee	1.10% p.a. ¹¹
Performance fee	15% of net return in excess of benchmark

Asset value

Company net asset value (NTA)	\$510m
Market capitalisation	\$465m
Strategy AUM	\$5,537m

¹¹ Inclusive of the net impact of GST and RITC.

Company features

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.

About the Manager



Jacob Mitchell
Chief Investment Officer
Lead Portfolio Manager

Antipodes Partners Limited is an award-winning global asset manager offering a fundamental, value-focused investment approach founded in 2015 by Jacob Mitchell, formerly Deputy Chief Investment Officer of Platinum Asset Management, together with a number of former colleagues and like-minded value investors.

Antipodes is majority owned by its investment team and its performance culture is underpinned by sensible incentives, a focused offering and the outsourcing of non-investment functions to minority partner Pinnacle Investment Management Limited.



Further information

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