APL FY20 Results and announcement of Conditional Tender Offer

Summary

FY20 NPAT	Company[1] Performance	Final dividend	Full year dividend	Annual yield[2]
($11.9m)	(3.5%)	2.5c	4.5c	4.9% (5.9% grossed up)[3]

- **FY20 net loss after tax of $11.9m**
- **Final dividend of 2.5 cents per share (50% franked), taking the full year divided to 4.5 cents per share (50% franked) which represents an annual yield of 4.9%[2] and a grossed-up yield of 5.9%[3]**
- **Company Performance of minus 3.5% reflects headwinds for value-style Investment approach**
- **Conditional Tender Offer announced - a significant and innovative mechanism to address NTA discount**

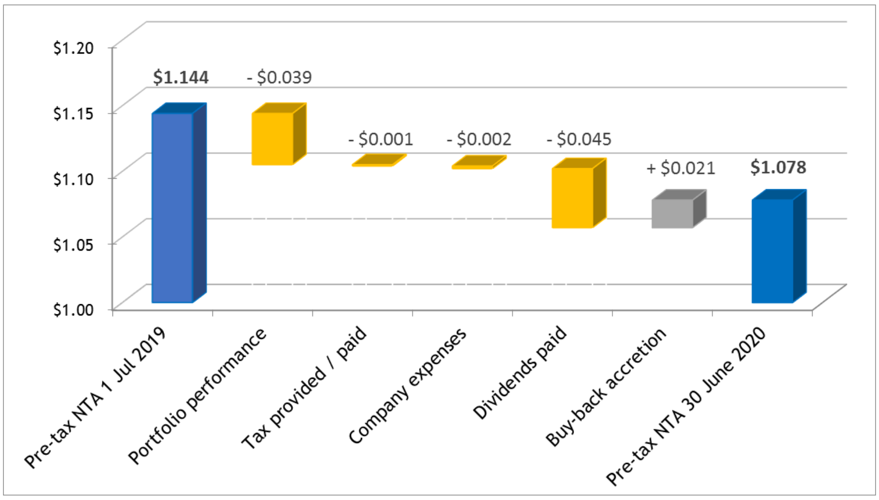
Antipodes Global Investment Company Limited (**ASX:APL** or the **Company**) recorded an operating loss of $11.9m for the year ended 30 June 2020 (FY20).

This financial year has been challenging and while the Company's investment process is well positioned to endure the current market volatility resulting from the COVID-19 pandemic, the economic consequences of the pandemic have impacted on the Company's profitability.

At the end of calendar 2019 the economic backdrop looked more constructive following a cease-fire on trade between the US and China, positioning 2020 for a mild cyclical recovery and support to the low multiple – or value – part of the market. Then COVID-19 hit. By February 2020 it became clear the spread of the virus was endemic and economic activity globally would be materially impacted. As a result, stocks with economic sensitivity - or the value part of the market - were severely impacted, and the market continued to favour growth and defensive sectors.

Against this backdrop, the broad global index rose 4.1% over the 12 months to June 2020 while the value part of the index declined by 10.1%. The value-style bias of the portfolio resulted in Company Performance of -3.5% for the year as the economically sensitive exposures in the long book were a headwind on performance. Pleasingly, the short positions in the portfolio protected investors in the worst of the COVID-19 sell-off during February and March, when the global index fell 23% versus a 12.6% decline in the Company's portfolio.

NTA performance breakdown for FY20



[1] Movement in net tangible assets (NTA) before all income taxes, adjusted for dividends paid and the dilutionary effect of share capital related transactions, which we refer to as Company Performance. This measure incorporates underlying portfolio performance after fees, less administration costs of the Company.
[2] Based on share price as at 30 June 2020 of $0.92.
[3] Grossed-up dividend yield Includees the benefit of franking credits and is based on a tax rate of 30%.

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Final dividend

The Board has resolved to pay a final dividend of 2.5 cents per share (50% franked) which is consistent with the previous financial year. The full financial year dividend is 4.5 cents per share (50% franked) which equates to an annual yield of 4.9%[2] and a grossed-up yield of 5.9%[3], a strong level of income for a global equity portfolio.

The dividend will be paid to APL shareholders on 30 September 2020, with a record date of 9 September 2020.

Dividend ex-date	Record date	Last election date for DRP	Payment date
8 September 2020	9 September 2020	10 September 2020	30 September 2020

Dividend Reinvestment Plan

The Company's dividend reinvestment plan (DRP) will be operative for the final dividend payment of 2.5 cents per share. The closing date to elect to participate in the DRP is 10 September 2020.

Shareholders who would like to find out more about the DRP can visit the company website:

https://antipodespartners.com/wp-content/uploads/2019/10/Dividend-Re-investment-Plan.pdf

Shareholders who would like to participate in the DRP can enrol at www.investorserve.com.au, or alternatively please contact the Company's share registrar, Boardroom, for assistance on 1300 737 760 (in Australia) / +61 2 9290 9600 (International).

Board update on discount to NTA

While the Board believes that the listed investment company (LIC) structure has many positive attributes, the persistent discount between the Company's share price and its NTA is unsatisfactory. The Board has actively pursued a range of NTA discount control mechanisms including implementing the largest on-market LIC share buy-back in ASX history. The Board acknowledges that the initiatives to date, while significant and moderately enhancing to shareholder returns, have not had the desired effect of sustainably reducing the NTA discount. The Board also acknowledges that while NTA discounts are influenced by many factors including market sentiment, Manager performance and the size of the Company, it is incumbent upon them to continue to undertake discount control mechanisms to give shareholders the confidence that the share price will better reflect the NTA of the Company over time.

Conditional Tender Offer

In a new development for the Australian market, the Board has committed to undertake a significant and innovative discount control mechanism by proposing a conditional tender offer program (CTO) to shareholders at the 2020 Annual General Meeting (AGM) which (subject to the condition being triggered) would be implemented in October 2021 being 5 years after the Company listed.

The CTO will enable shareholders to exit a minimum of 25% of their shareholding at close to NTA. The CTO seeks to balance the interests of long-term shareholders with those of exiting shareholders and to result in the Company's share price more closely tracking its NTA while preserving the benefits of the LIC structure. The CTO will be triggered if the Company's shares trade at a persistent discount to NTA.

The proposed terms of the CTO are as follows:

- The CTO condition is that the Company's closing share price on a daily average basis over the preceding 12-month period to the CTO date exceeds a 7.5% discount to pre-tax NTA.
- Shareholders will have the opportunity to tender their shares for sale to the Company via an off-market buy-back.

- The maximum number of shares the Company can buy back will be 25% of the shares on issue at that time.
- Shareholders can tender any number of their shares. Shareholders will be guaranteed that 100% of their tendered shares will be bought back if they tender 25% or less of their total shareholding in the Company.
- If some shareholders do not tender any shares or tender less than 25%, the surplus will be allocated pro rata among shareholders who tender more than 25%.
- The tender offer price will be NTA less 2% as calculated on or around the closure of the CTO offer period.
- The initial CTO offer period will begin soon after the five-year anniversary of the Company's listing date, on or around 18 October 2021.
- The Board's intention is for the CTO to occur regularly and for the Company to seek shareholder approval for CTOs on similar terms every three years after the initial CTO.

An explanatory statement with the detailed terms of the CTO will be provided to shareholders in the Notice of Meeting for the AGM to be held in November 2020.

Conditional tender offers on terms similar to those proposed by the Company are widely used in the UK LIC industry and have become best practice discount control mechanisms, in many instances successfully narrowing the NTA discount of the company that made the tender offer.

The Board considers that the proposed CTO is in the interests of all shareholders and is optimistic it will have a material impact on narrowing the current NTA discount.

On-Market Buy-back

As at 31 August 2020, the Company had repurchased 74.3 million shares as part of the on-market share buy-back program. This equates to 15.6% of the current shares on issue of the Company (or 13.5% of the shares on issue when the buy-back was first announced). The remaining buy-back authority of 39.6 million shares remains in place and will be used at the discretion of the Board.

Investment by the Manager

As at 30 June 2020, the aggregate holding by the Manager, directors of the Company and executives of the Manager (who are not acting in concert with each other) was in excess of 11 million shares. This aggregate holding constitutes a top 10 shareholding in the Company.

Shareholder webinar on results and portfolio

The Board invites you to the upcoming shareholder webinar on 9 September 2020 at 10.30am (Sydney time AEDT). The webinar will provide an update on the Company's results from Jonathan Trollip, Chairman of the Company and Andrew Findlay, Director of the Company and Managing Director of the Manager. In addition, Chief Investment Officer of the Manager, Jacob Mitchell, will provide an update on the Company's investment portfolio.

Shareholders are invited to register for the webinar. Click **here** to register.

Jonathan Trollip
Chairman
31 August 2020

Additional shareholder information

Company Performance as at 30 June 2020

	Year ended 30 June 2020	Since inception (Oct-16)
Company*	(3.5%)	6.4% p.a.
Benchmark**	4.1%	11.4% p.a.
Outperformance	(7.6)%	(5.0)% p.a.

*Calculated as the movement in NTA before all income taxes, adjusted for dividends paid and the dilutionary effect of options granted to shareholders upon the Company's initial listing, which we refer to as Company Performance. This measure incorporates underlying portfolio performance after fees, less administration costs of the Company.
**MSCI All Country World Net Index in AUD (Manager's benchmark)

Manager's commentary

FY2020 review

At Antipodes we aim to build portfolios with a capital preservation focus. We have a flexible investment mandate and can invest both long and short as well as actively manage the portfolio's exposure to foreign currencies.

The financial year to June 2020 was a volatile period for markets. At the end of calendar 2019 the economic backdrop looked more constructive following a cease-fire on trade between the US and China, positioning 2020 for a mild cyclical recovery and support to the low multiple – or value – part of the market. Then COVID-19 hit. By February 2020 it became clear the spread of the virus was endemic and economic activity globally would be materially impacted. As a result, stocks with economic sensitivity - i.e. value stocks - were severely impacted, and the market continued to favour growth and defensive sectors. In this context it is worth noting how narrow market performance has become. This calendar year-to-date around two-thirds of the move in the S&P500 can be explained by just five stocks; Facebook, Apple, Amazon, Alphabet/Google and Microsoft. Both breadth and market cap concentration are at 30-year extremes.

Against this backdrop, the global index rose 4.1% over the 12 months to June 2020 but the value index fell 10.1%. The Company's portfolio fell 2.3%[3] as the economically sensitive exposures in our portfolio were a headwind on performance. Pleasingly, the short positions protected investors in the worst of the COVID-19 sell-off during February and March, where the global index fell 23% while the Company's portfolio fell 12.6%.

The outperformance of growth stocks this year is a continuation of a multi-year trend. Even prior to COVID-19, over-tightening in China in 2017/2018, to reign in an economy running hot from loose lending practises, and geopolitical uncertainty (including a rise in populism, Brexit, US-China trade tensions) had led to a slowdown in economic growth globally. Policy makers were responding by cutting interest rates. This environment disproportionately benefited growth stocks. The global supply and demand shock of COVID-19 tightened the screws on value further.

Since the Company's inception the global equity index returned 49.4%, more than double the value index of 20.8%. The Company's portfolio returned 25.8%, due to a pragmatic approach to value.

Beyond the "growth versus value" debate, market leadership has never been this narrow in the US in the last 30 years. Market cap concentration[4] and breadth[5] have now surpassed the extremes reached in the 2000 tech bubble.

[3] Before management fees
[4] A smaller number of companies accounting for a greater share of total market capitalisation, as measured by The Herfindahl-Hirschman Index (HHI).
[5] Only 25% of stocks are outperforming in the current rising market

Attribution summary FY2020

	Portfolio	Benchmark	Difference
Long positions	(0.1%)	4.1%	(4.2%)
Short positions	(1.8%)	-	(1.8%)
Currency	(0.4%)	-	(0.4%)
Total	**(2.3%)**	**4.1%**	**(6.4%)**

* For the purposes of calculating attribution, portfolio returns are gross of fees. As a result, the portfolio performance figures in this table will not reconcile with Manager Performance values, which are net of fees.
Source: FactSet, Antipodes

Key contributors / detractors from performance FY2020

Top five	Bottom five
Microsoft	TechnipFMC
Barrick Gold	Tapestry
Short (Index – Developed Markets)	ING Groep
Alibaba	Eni
Roche	General Electric

Portfolio positioning and market outlook

COVID-19 has galvanised policy makers to move quickly and forcefully. For the first time in a decade markets are witnessing large scale fiscal and monetary stimulus across the world. Whilst it is difficult to predict the degree to which stimulus will inflate asset prices versus generate activity, fiscal stimulus is likely to find its way back into the real economy and generate activity. Ideally fiscal stimulus needs to transition away from income support to investment, to generate sustainable economic recovery and employment. We believe Europe and China will lead the way. Both appear to be in better shape relative to the US to make the transition to investment-led stimulus from an infrastructure planning and government debt perspective, while the US juggles a fractious political backdrop and a rapid acceleration in the fiscal deficit and government debt. In Europe and China we expect this investment will be in the form of green investment, electric vehicle and 5G adoption.

Whilst the continuation of disruption is real, investors should avoid paying any price for growth. Given where valuations are today, there are potentially just as many growth traps as there are value traps. A “growth trap” is overpaying for a higher growth opportunity, as investors did with great companies like Microsoft during the 2000 tech bubble. It is also worth remembering that low multiple – or value – stocks will be the key beneficiaries of reopening and investment-led stimulus.

Whilst uncertainty around reopening exists the market’s preference will likely continue to oscillate between growth and value. We believe it makes sense to maintain a barbell approach to investment; owning cheaper expressions of growth and defensive assets (e.g. Microsoft, Facebook, Roche) while maintaining exposure to high quality cyclicals/lower multiple stocks with growth opportunities. (e.g. Siemens, Electricite de France, Volkswagen). As confidence around reopening and infrastructure stimulus accelerates our barbell will lean further towards the latter. Even a short, shallow investment cycle will be a boon for value stocks. The Company’s portfolio is well positioned to capture this upside.