

Market Commentary

Q2 2024 (the Quarter) saw Asian equities advance strongly (+7.3% in USD, +4.7% in AUD), although elections in Korea and India added market volatility.

Korea held its legislative election in April – whilst the presidential elections aren't till 2027, in this election all 300 members of the National Assembly were elected. The incumbent People Power Party saw their position weaken, winning 108 seats from 114 seats prior to the election. As a result, Korean equities fell on the back of the result. However, after the election the government reiterated its commitment to the “Value-Up” initiative to improve corporate governance in Korea and as a result Korean equities recovered as the quarter progressed (+0.2% in USD for the quarter).

India held its general election from 19 April to 01 June, where all 543 members of the Lok Sabha were elected. In a surprising result, Modi's BJP party lost its majority in the Lok Sabha (despite still winning the greatest number of seats) and therefore needed to rely on a coalition to form government. As a result, the Indian market experienced significant volatility in the aftermath of the election. However, upon confirmation of the coalition and the continuity in policy signalled from key cabinet appointments, the market quickly rebounded to finish higher (+1.9% in USD for the quarter).

Chinese equities had a volatile Quarter, despite finishing higher (+3.7% in USD) with Chinese authorities providing further support to the property sector in addition to the broader stock market, however concerns around the degree of efficacy remained. In addition, select large Chinese corporates issued convertible bonds to fund share buy-backs and support equity prices. As a result, Chinese defensive and high dividend yield companies and those exposed to structural growth outperformed, leading the market over the Quarter. Overall, economic data showed signs of improvement, and encouragingly interest is increasing amongst international investors.

Elsewhere, Taiwan performed strongly (+2.7% in USD) supported by the global rally in the semiconductor supply chain.

Portfolio Commentary

Over the Quarter, the Antipodes Asia strategy underperformed the benchmark. Despite positive contributions from Korea, portfolio positioning in China/HK and an underweight to India detracted from performance. On a sector basis, energy and real estate contributed, while positioning in communication services and financials detracted.

Detailed commentary on key contributors and detractors is outlined below.

Quarterly performance drivers

Key stock contributors to performance over the Quarter included:


- **Mediatek** surged higher over the quarter as the Taiwanese smartphone chip manufacturer stated that its flagship smartphone silicon revenue is up by 50% compared to 2023. The company's expects annual revenue to increase by 14-16%, with its gross margin for the first quarter of 2024 reported at 52.4%, marking an increase of 4.1% compared to the fourth quarter of 2023. Investors were also buoyed by the impending launch of the company's Dimensity 9400 chip.
- **Dixon Technologies** advanced to a record high over the Quarter after posting robust 4Q24 results in May, resulting in sell-side upgrades on the company. The Indian electronic manufacturing company's growth is attributed to various factors. This includes the company's expansion plans and establishment of a new facility in the Indian city of Noida in addition to the company's aim to produce 1.3 million laptops for Taiwanese PC manufacturer Acer. Further discussions are underway between HP India and VVDN Technologies, as well as Dixon Technologies, regarding the assembly of laptops within India.
- **Hyundai Motor** finished higher over the Quarter after subsidiary Hyundai Motor India submitted IPO documents to the Indian regulator, lifting shares of its South Korean parent. Early estimates suggest the offering could raise as much as US\$3 billion, making it India's largest listing
- **SK Square** surged higher over the Quarter, benefiting from subsidiary SK Hynix's partnership as a key supplier of high bandwidth memory (HBM), an essential semiconductor for artificial intelligence to Nvidia

Key stock detractors to performance over the Quarter included:

- **Beijing Oriental Yuhong Waterproof Technology Co** was weaker over the Quarter in line with a slower than expected recovery in the Chinese property sector. There is no change to Antipodes' thesis, with the market underappreciating the channel shift away from property developers towards more resilient retail construction and infrastructure development
- **Li Ning** fell over the Quarter in-line with weaker than expected 2Q24 macroeconomic data, that highlighted a recovery in retail consumption remains below expectations. Further investors also expressed concern about the company's inventories.
- **Bank Mandiri** shares fell after the Indonesian lender highlighted that tight liquidity conditions were impacting the company, leading to a lacklustre first-quarter result. Indonesia's largest bank by assets posted a 1.1% rise in first-quarter profit and trimmed full-year net interest margin guidance by 20-30 basis points. There is no change to Antipodes' long-term thesis with Bank Mandiri continuing to demonstrate lower funding costs and overall asset quality health.
- **Baidu** endured a challenging Quarter despite reporting positive quarterly results in May. The search platform continued to be hampered by a difficult macroeconomic environment, which is impacting the advertising sector and subsequently Baidu's online marketing division. Despite these challenges, management remains optimistic about the long-term potential of AI technology, with the company continuing to focus on strategic priorities, which include advancements in artificial intelligence and intelligent driving technologies. There remains no change in Antipodes' thesis.
- On a relative basis, not holding Hon Hai Precision Industry Co Ltd and SK Hynix detracted over the Quarter.

Portfolio changes

	<p>Initiated in a position in premium Chinese domestic apparel company Li Ning, where we see an improvement in the company's inventory management and a renewed focus on more functional product lines. While investor expectations remain subdued, Li Ning is currently valued at 10x 2025 PE or 1x EV/Sales, providing an attractive entry point into the company, with earnings expected to recover over the next two years.</p>
	<p>Initiated a position in PDD Holdings, with the Chinese domestic ecommerce platform continuing to gain market share, with Temu losses narrowing better than expected. An entry point of 10x 2024 group P/E is attractive for the platform, where we see upwards of 50% earnings growth over the next three years.</p>
	<p>Initiated a position in Chinese electronic components manufacturer, Luxshare Precision Industry Company, one of Apple's key Chinese partners. The company's current valuation provides an attractive entry point, offering exposure to the refresh in handset cycle from the integration of AI within smartphones.</p>
	<p>Added pragmatic value exposure to semiconductors and memory by increasing the position size in TSMC and initiating a position in Samsung. TSMC's role as a key enabler for AI in the form of leading-edge chips has seen the company's share price increase by 63% calendar-year-to-date, with the company forecasting revenue growth of over 20% in 2024. Given the oligopoly structure of the memory industry, Samsung will also be a key beneficiary of the AI investment cycle. At 1.4x book, the company is priced at a discount relative to its own history and peers.</p>
 	<p>Increased exposure to investment in the China's power grid. China's investment in renewables continues at a meaningful pace (and faster than market expectations) as the country progresses towards transition goals while maintaining low energy costs and increasing energy security. This will require continued investment in the grid, with long-distance transmission a key beneficiary. We are building out exposure to this structural investment opportunity via companies such as Nari Technology and China XD Electric.</p>
	<p>Exited Korean retail brokerage platform Kiwoom Securities after the stock reached our target valuation.</p>

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