

## Market Commentary

Q1 2024 (the Quarter) saw global equities advance significantly (+8.1% in USD, +13.1% in AUD,) following stronger than expected US macroeconomic data and the Federal Reserve (the Fed) maintaining its dovish tone until late in the Quarter when it shifted to more balanced following the release of mixed inflation data. Geopolitical tensions remained heightened, fueling market volatility.

Over the Quarter information technology, communication services and energy sectors outperformed, while utilities, materials, and consumer staples underperformed.

US equities outperformed (+10.3% in USD) driven by performance of large cap technology names with an artificial intelligence theme. Sentiment remained positive following the release of macroeconomic data which highlighted economic robustness, with the soft/no landing narrative prevailing. As a result, speculation around when and at what speed the Fed will relax monetary policy continued, with ~90bps of interest rates cuts in 2024 removed relative to the beginning of the Quarter, leaving equity markets to digest the impact.

European equities underperformed (+5.2% in USD) although many of the region's indices reached new highs, despite weak overall economic data. This resulted in market speculation the European Central Bank and/or the Bank of England could loosen monetary conditions before the Fed to provide economic stimulus. However, further confidence that inflation is cooling in line with expectation is required. Like the US, performance in the region was driven by large cap leaders dubbed 'the Granolas' – the EU's version of the 'magnificent seven'.

Overall, Asian equities underperformed (+5.2% in USD), with Chinese equities underperforming both regionally and globally (-1.3% in USD) as two significant government meetings during the Quarter failed to outline large stimulus measures in line with market expectation.

Japanese equities outperformed both regionally and globally (+10.5% in USD) following the release of positive economic data. This is despite the Bank of Japan's pivot to tighten monetary policy after decades of loose policy.

Elsewhere, Brent Crude (+11.6% in USD) was strong given tensions in the Middle East, while Gold (+8.1%) was higher on interest rate expectations and similar tensions. The US Dollar ended the Quarter up (+3.1%).

## Portfolio Commentary

Over the Quarter, the Antipodes Emerging Markets strategy outperformed the benchmark, driven by strong stock selection in Korea, Brazil and Indonesia. Portfolio allocations to China/HK however detracted. On a sector basis, financials were the most notable contributor including KB Financial and Nubank, covered below, in addition to positive contributions from consumer staples.

Detailed commentary on key contributors and detractors is outlined below.

## Quarterly performance drivers

Key stock contributors to performance over the Quarter included:


- **KB Financial Group** reported year-over-year +17.8% operating profit and +11.5% net profit for full-year 2023, with growth attributed to strong earnings across all segments. KB Financial Group also detailed plans to enhance shareholder returns through a value program, that included consideration of quarterly dividend distributions. Elsewhere in Korea, positive market sentiment drove technology investment firm **SK Square** higher as the country experienced notable foreign investor inflows.
- Leading Latin American digital banking platform, **Nubank** reported significant year-over-year growth in customers of +26% and revenue of +57% for 2023 in their latest earnings call. Nubank's improved profitability comes as the company's customer base totalled ~100 million across Brazil, Mexico, and Colombia.
- **MGM China** reported net revenue of HK\$24.7 billion for CY23, or 108% of 2019 (pre-pandemic) totals. On a quarterly basis last year, the company recorded sequential growth for four consecutive quarters in its daily gross gaming revenue and adjusted EBITDA. Management commented on the company's excitement around the recovery in Macau and subsequent outperformance across various business segments, noting a commitment to increase unique integrated tourism experiences to attract international visitors.

Key stock detractors to performance over the Quarter included:

- Within China, enterprise software company **Kingdee International Software** was negatively impacted by Chinese equity sentiment before recovering towards the end of March. **Country Garden Services Holdings** detracted as the company missed analyst revenue and earnings estimates in calendar year 2023 results. Similarly, results for the property management company were hampered by continued weakness and depressed sentiment in the Chinese property market.
- **Fresnillo** reported a 50% drop in operating profit for CY23 due to higher operating costs. The company cited currency fluctuations adding to costs, as well as a significant hit from the theft of 20,000 ounces of gold from one of its mines. The company cut its dividend in line with the decline in profits. Towards the end of the Quarter, Fresnillo benefitted from a surge in the price of silver and has continued to perform strongly into April.
- Mexican airline **Volaris** experienced a volatile Quarter providing updated guidance for the first quarter and full year 2024, highlighting a steeper capacity reduction but higher expected unit revenues, causing uncertainty amongst investors. The low-cost airline was also hampered by higher oil prices over the Quarter.
- An underweight position in **Taiwan Semiconductor Manufacturing Company (TSMC)** detracted on a relative basis. TSMC reported strong revenue in March, marking the highest month-over-month growth since November 2022. The company further anticipates this trend will continue, guiding mid-20% revenue growth for FY24, driven by strong demand for TSMC's latest nano chips amid the AI surge.

## Portfolio changes

	<p>We initiated a position in <b>Hyundai Motor</b> as we remain constructive around the auto cycle. Auto demand was meaningfully contained due to COVID supply chain issues and, assuming we are at (or near) the peak of the interest rate cycle and there are no meaningful negative macro shocks, this supply-driven consumption deferral can continue to support auto volumes. Hyundai has a strong mass-market brand, in addition to its luxury brand Genesis and electric vehicle brand Ioniq. The company has also continued to take market share with its competitive EV technology, compelling hybrid offerings and premiumisation of its core brand.</p>
	<p>We added to Chinese equipment manufacturer Naura Technology, a critical supplier of semiconductor components. We see the company continuing to take share and adding attractively priced exposure to the ongoing trend of technology localisation.</p>
	<p>We also initiated a position in Indian electronics contract manufacturer, Dixon Technologies, a contract manufacturer of televisions, washing machines, smartphones, LED bulbs, battens, downlighters and CCTV security systems for companies such as Samsung, Xiaomi. Dixon is quickly becoming the dominant smartphone manufacturer in India, recently entering into an agreement via its wholly owned subsidiary Padget Electronics, with Longcheer and has commenced the production, manufacturing and sale of smart phones for large global brands with the latter's design and technology.</p>
	<p>We added a position in XJ Electric; a leader in China's power equipment manufacturing industry with a focus on powergrids, automation and intelligent manufacturing. The position offers exposure to the expenditure cycle around China's grid technology. China has accelerated its shift to renewables over the past 12 months, however grid investment has not accelerated at the rate required, providing upside for companies like XJ Electric.</p>
	<p>We exited investment group Prosus after reaching valuation targets. Prosus offered exposure to Tencent through its investment stake, however after Prosus' strong relative performance we rotated into Tencent directly.</p>
	<p>We also exited Chinese whitegoods manufacturer Midea, which despite strong export volumes, continues to face headwinds domestically from a slowdown in property completions.</p>

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Unless otherwise specified, all amounts are in Australian Dollars (AUD). Options exposure represents the market downside. For put options (typically used to limit potential downside) delta-adjusted exposure is used and for call options (typically used to capture potential upside) exposure is calculated using the current option value.