Market Commentary

The second quarter of 2024 (Q2 or the Quarter) saw global equities increase (+2.7% in USD, +0.3% in AUD,) driven by the US "Magnificent 7". Focus remained on central banks, as they sought to balance economic growth and sticky inflation. Volatility also increased as snap European elections and weakening of commitments to fiscal prudence in Brazil impacted global markets.

Over the Quarter information technology, communication services and utilities outperformed, while materials, industrials and consumer discretionary underperformed.

US equities outperformed (+3.9% in USD) during the Quarter led by the Magnificent 7 and the AI theme. US economic data was mixed, with bumpy inflation and labour market data. The Federal Open Market Committee (FOMC) conveyed a higher-for-longer narrative, despite switching between hawkish and dovish tones during the Quarter. The US November election took centre stage late in the Quarter with the first presidential debate resulting in the market pricing an increased likelihood of a Trump win.

European equities underperformed during the Quarter (+0.5% in USD). The majority of the underperformance came late in June, following the snap French legislative election. The European Central Bank made its well-telegraphed interest rate cut, however the market subsequently reduced projected cuts for 2024. The Bank of England held rates steady following sticky services inflation in the leadup to UK's general election on 4 July 2024. The period leading up to the UK election had little effect on the market, with a large Labour majority indicated for some time. With the predicted outcome eventuating, opposition leader Keir Starmer, defeated the governing Conservative Party in a landslide victory.

Asian equities outperformed during the Quarter (+3.1% in USD), led by Chinese equities (+3.7% in USD) with Chinese authorities providing further support to the property sector in addition to the broader stock market. In addition, select large Chinese corporates issued convertible bonds to fund share buy-backs and support equity prices. Overall, economic data showed signs of improvement, and encouragingly interest is increasing amongst international investors. Japanese equities underperformed during the Quarter (-3.8% in USD) due to currency moves, with the Yen further depreciating as the Bank of Japan continued monetary policy discussions with no action.

Elsewhere, Brent Crude (-1.2% in USD) was lower, while Gold (+4.3%) was strong and the US Dollar (+1.3%) advanced.

Portfolio Commentary

Over the Quarter, the Antipodes Global Long strategy (the Strategy) underperformed the benchmark primarily due to an underweight position to North American mega-cap tech stocks such as Nvidia and Apple. In addition, overweight positions in Latin America and Western Europe and an underweight to quality as a factor, which has increasingly become expensive detracted.

On a sector basis, the portfolio benefited from sector positioning in industrials (Siemens Energy) and healthcare (Alnylam Pharmaceuticals). However, information technology (particularly mega cap-tech names) were notable detractors to relative performance as increasing overvaluation in quality companies persisted.

On an absolute basis positioning in Emerging Markets/Asia was strong given a more favourable backdrop in China, with Tencent and Ping An Insurance outperforming. In Developed Asia, semiconductor names TSMC and Samsung performed, in addition to Hyundai Motor Group. This was further complemented by strong returns from North American positions Oracle and Qualcomm.

While portfolio positioning relative to the benchmark faced headwinds during the Quarter, particularly from increasing return concentration in the US, the Strategy continued to outperform the MSCI ACWI Value index, adding to calendar year-to-date outperformance.

Detailed commentary on key contributors and detractors is outlined below and further detail on the portfolio and positioning is provided in the Antipodes Quarterly Outlook.

Quarterly performance drivers

Key stock contributors to performance over the Quarter included:

- **Siemens Energy** continued its resurgence, with the company recovering from the detection of faults in June 2023 in components used in certain legacy model onshore wind turbines. Early in the Quarter, the market responded positively to reports the company had been preparing to resume sales of wind turbines. Later in the Quarter, the company provided upgraded forecasts for the year following strong demand for power grid equipment. In addition, the company announced the CEO of its troubled wind turbine unit will be replaced amid restructuring measures.
- **Taiwan Semiconductor (TSMC)** advanced over the Quarter in line with broader market appreciation of the AI thematic. In June, TSMC company executives forecasted 10% annual growth for the global semiconductor industry, excluding memory chips. TSMC's role as a key enabler for AI 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.
- **Alnylam Pharmaceuticals** surged higher towards the end of the Quarter following positive data from a late-stage clinical trial for its cardiovascular drug, Amvuttra. The recent trial focused on transthyretin amyloid cardiomyopathy, a condition characterized by the accumulation of irregular proteins in heart muscles. Clinical trials for Alnylam's Amvuttra showed to reduce deaths and hospitalizations by 28% compared to existing Pfizer treatments.
- **Tencent** advanced over Quarter with the Chinese gaming and social media giant pledging to "at least double" the size of its share repurchases in 2024, following a push from Chinese regulators for listed companies to repurchase shares to stabilise market confidence. In addition, the company announced an earlier-than-expected launch date of May, for one of this year's most anticipated mobile games, "Dungeon and Fighter: Origin," the mobile version of the highly successful "Dungeon and Fighter" computer game.

Key stock detractors to performance over the Quarter included:

- **Sendas Distribuidora** detracted over the Quarter, with the Brazilian wholesale grocer impacted by macroeconomic factors including a push for more government spending by President Lula and a lower risk appetite due to the higher-for-longer rates outlook in the US. The weakening of commitments to fiscal prudence in Brazil has led to an adjustment in inflation expectations with rates likely to remain higher than previously estimated. More broadly however, the Brazilian economy continues to show positive indications, with upward revisions of real GDP growth and unemployment at 10-year lows. There is no change to Antipodes thesis, with Sendas' fundamentals and valuation remaining compelling.
- **SCOR SE** sold off late in the Quarter, with the French re-insurer impacted by broader weakness amid the country's Finance Minister warning the country could risk a financial crisis if either the far right or left won the snap parliamentary elections. The far-right National Rally party, had called for higher public spending, as well as lower energy taxes, which was seen to have impacts on the aim to bring down the country's budget deficit to 3% by 2027. After the second round of voting, several parties from the extreme left to the more moderate emerged with the most seats in the National Assembly. Despite current political uncertainty, there is no change to Antipodes thesis.
- **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.
- **Daimler Truck** had a weaker Quarter after reporting relatively flat earnings in May. Despite optimism around the company's North American operations, Daimler Truck reported weaker demand from its European business and lower than forecast order volumes.
- On a relative basis, not holding NVIDIA and Apple detracted over the Quarter.

Portfolio changes

Alcoa	Alcoa is well positioned for further demand upside for aluminium from decarbonisation (via light-weighting) and green supply chain goals (recyclable properties). The company is closing uneconomic capacity which is assisting in bring its cash cost curve down relative to peers. This cost reduction, combined with a positive move in the Aluminium price, will likely see increase operating profits. Further, as the USA's only substantial aluminium producer, the company can also benefit from geopolitical tensions, should aluminium receive strategic metal status.
Alphabet	We also rotated our exposure to Internet/Software via adding Alphabet and trimming Microsoft. Alphabet's share price has de-rated on fears around market share loss in the core search business. Despite the fact that chat bots have been around for over 12 months, Google's share of search has remained resilient, and the parent company is positioned to be an AI winner thanks to its vast resources. On the infrastructure side, Alphabet has developed the company's own accelerated compute platform which is one of the lowest cost providers of AI. On the applications side, Alphabet has an almost unrivalled volume of organised data to train its own large language models on, to deploy internally or externally.
SOCIETE GENERALE	Within Financials, we exited Ally Financial and UniCredit in favour of initiating a position in French bank Société Générale (Soc Gen). Due to regulation, France has experienced the fastest pace of deposit rate increases in the Eurozone. As the ECB cuts rates Soc Gen can cut deposit rates and can continue to see net interest revenue grow as a large proportion of the company's assets (primarily mortgages) roll to higher yields. This, combined with other idiosyncratic factors, can see core profitability nearly double by 2026, placing the stock on 4x earnings.
Ameren	Given the risk of weaker economic activity we added to utilities via Ameren, a regulated utility operating in Midwest America, with almost 85% of the company's asset base in electric transmission, distribution and generation. The company will be a key beneficiary of the Inflation Reduction Act, with investment in renewables and long-distance transmission to meaningfully increase in Ameren territory. Earnings are forecast to grow ~7% p.a. primarily driven by maintenance capex, and any investment in transmission to connect renewables will create additional upside. The company is priced at 15x forward earnings with a 4% dividend yield.
VENTAS	Within Infrastructure, we added to US senior housing REIT Ventas, where we see attractive demand and supply dynamics. The company will benefit from rising demand from an aging population while supply remains constrained driven by inflationary pressures on construction costs and lack of appetite for lending to this space following COVID. We see Ventas' revenue compounding ~10% p.a. via a combination of rising occupancy and higher pricing (higher rents), driving higher cash flows.
Alnylam PHARMACEUTICALS	Within Healthcare, we continued to add to Alnylam Pharmaceuticals. Alnylam's gene silencing platform (RNAi) has commercialised multiple drugs which work by stopping (or silencing) the production of specific proteins that may be causing disease. Alnylam's leadership position in this technology has been validated by multiple large pharma companies like Roche, Sanofi and Regeneron. In our view the company has the potential to further leverage its RNAi platform to develop multiple drugs over the next decade, particularly in much larger diseases.
NARI XD 中国西电集团公司 CHINA XD GROUP	In China, we exited our position in Galaxy Entertainment, as market share has not strengthened in line with our expectations, and instead allocated capital where we see better risk/reward including exposure to investment in the 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.
In addition, whilst we exited Toyota over the Quarter over increasing competition in hybrid vehicles, we remain comfortable with our current position in Hyundai Motor Corp given a relatively more favourable product cycle with new models taking share. We also exited the Stellantis over the Quarter.	

Further information

1300 010 311

invest@antipodes.com

Australia Head Office
Antipodes Partners Limited
Level 25, Australia Square Tower
264 George St
Sydney NSW 2000
Australia

UK Office
Antipodes Partners (UK) Limited
Suite 823, 125 Old Broad Street London
EC2N 1AR United Kingdom

Disclaimer

Pinnacle Fund Services Limited (ABN 29 082 494 362, AFSL 238371) is the product issuer of the Antipodes Global Fund – Long (ARSN 118 075 764); Antipodes Global Fund (ARSN 087 719 515); Antipodes Emerging Markets (Managed Fund) (ARSN 096 451 393)); and Antipodes Global Shares (Quoted Managed Fund) (ARSN 625 560 269), Antipodes Asia Fund (ARSN 134 226 029), Antipodes China Fund (ARSN 116 380 771) , collectively "the Funds". The Product Disclosure Statement ("PDS") and Target Market Determination ('TMD') of the Funds are available via the links below. Any potential investor should consider the relevant PDS and TMD before deciding whether to acquire, or continue to hold units in, a fund. The issuer is not licensed to provide financial product advice. Please consult your financial adviser before making a decision. Past performance is not a reliable indicator of future performance.

Link to the PDS: IOF0045AU, WHT0057AU, IOF0203AU, WHT3997AU MAQ0635AU, MAQ0441AU
Link to the TMD: IOF0045AU, WHT0057AU, IOF0203AU, WHT3997AU, MAQ0635AU, MAQ0441AU

For historic TMD's please contact Pinnacle Client Service phone 1300 010 311 or email service@pinnacleinvestment.com

Antipodes Partners Limited ('Antipodes Partners', 'Antipodes', 'we', 'our') ABN 29 602 042 035, AFSL 481580 is the investment manager of the Funds. Whilst Antipodes Partners believes the information contained in this communication is based on reliable information, no warranty is given as to its accuracy and persons relying on this information do so at their own risk. Subject to any liability which cannot be excluded under the relevant laws, Antipodes Partners disclaim all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage), however caused, which may be suffered or arise directly or indirectly in respect of such information. Any opinions and forecasts reflect the judgment and assumptions of Antipodes Partners and its representatives on the basis of information at the date of publication and may later change without notice. This communication is for general information only and was prepared for multiple distribution. The information is not intended as a securities recommendation or statement of opinion intended to influence a person or persons in making a decision in relation to investment. The information in this communication has been prepared without taking account of any person's objectives, financial situation or needs. Unauthorised use, copying, distribution, replication, posting, transmitting, publication, display, or reproduction in whole or in part of the information contained in this communication is prohibited without obtaining prior written permission from Antipodes Partners Limited.

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.