

Market Commentary

Q3 2024 (the Quarter) was eventful and volatile, though global equities delivered strong gains (+6.6% in USD, +2.6% in AUD). Small-Mid cap equities had a stronger Quarter, outperforming large cap equities (+9.5% in USD, +5.3% in AUD). The European Central Bank began its rate cutting cycle during the Quarter with two 25bps cuts, with the Federal Reserve (the Fed) following suit with a larger than expected 50bps reduction in rates. In late September, China surprised the market with larger and more cohesive stimulus measures, fuelling a sharp rally in Chinese equities. Additionally, geopolitical tensions in the Middle East escalated further, weighing on commodities.

Over the Quarter utilities, financials and industrials sectors outperformed however, energy, information technology and communication services underperformed.

Despite performing strongly, US equities underperformed the broader market (+5.8% in USD) over the Quarter despite a 50bps interest rate cut by the Fed. Concerns lingered around the possibility of excess slack returning to the labour market and subsequent impacts to economic growth.

European equities performed in-line with broader global equities during the Quarter (+6.6% in USD), as the ECB cut base rates twice, with core European Union economic data continuing to underwhelm in combination with political uncertainties. Despite this, many EU periphery economies continued to deliver notable outperformance. The Bank of England also cut interest rates by 25bps despite healthier economic growth data combined with stickier services inflation.

Overall, Asian equities outperformed during the Quarter (+8.7% in USD), led by Chinese equities (+22.3% in USD). The significant outperformance was triggered by Chinese authorities surprise announcement of a stimulus package that exceed market expectation in size, scope and sentiment. Authorities also highlighted the potential for additional measures to restore confidence in the economy. Japanese equities (+5.7% in USD) underperformed amid political uncertainty, mixed commentary from the Bank of Japan and a possible allocation shift towards China following strong momentum.

Elsewhere, Brent Crude (-16.9% in USD) was lower and Gold (+13.2%) was higher. The US Dollar (-4.8%) was weaker following the commencement of the Fed's rate cutting cycle.

Portfolio Commentary

Over the Quarter, the Antipodes Global Opportunities strategy (the Strategy) outperformed the benchmark, led by portfolio positioning in North America, Emerging Asia and Western Europe. From a sector perspective, performance was driven by stock selection in communication services, consumer discretionary and real estate sectors, however staples and energy detracted from relative returns.

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:

- **Lumen Technologies** finished higher over the Quarter, as management finalised the sale of excess fibre capacity to Microsoft, alleviating concerns around balance sheet leverage and repositioning the communications and network services provider as an AI beneficiary.
- **Frontier Communications** surged upon reports Verizon planned to acquire the fibre-based communications provider in early September to expand its fibre network across the country and use the increased fibre footprint to offer premium broadband and mobile services to more customers.
- Chinese ERP platform **Kingdee International** contributed positively over the month following a strong rally in Chinese equities towards the end of the month. Chinese policymakers announced a raft of new stimulus measures, including further interest rate cuts and reduced downpayment requirements for home purchases. Although policymakers have delivered similar style measures in a piecemeal fashion over the past 12-18 months, markets interpreted the coordinated nature of September's announcement as the clearest signal yet that the CCP stands ready to support the Chinese economy and equities market.
- **Siemens Energy** again moved higher over the Quarter, following positive sell-side analyst revisions and continued appreciation for the company's role in accelerated spending around the energy transition, including the company's gas and grid divisions. Sentiment was also driven by further signs that the turnaround in the previously troubled wind turbine unit, Siemens Gamesa, is on track.

Key stock detractors to performance over the Quarter included:

- **Seadrill** finished lower over the Quarter with offshore drillers struggling amid the selloff in crude. Further, investor sentiment was impacted by concerns around whether incremental drillship demand from their exploration and production customers will materialise in West Africa and Latin America.
- **Sendas Distribuidora** detracted over the Quarter, with the Brazilian wholesale grocer impacted by concerns over interest rate expectations in Brazil, after rates were raised during September for the first time in two years. Given the company's existing leverage, sell-side analysts revised earnings forecasts over the month in-light of future potential rate hikes.
- **SCOR SE** issued a profit warning early in the Quarter due to actions taken in its life and health business (L&H), with the reinsurer deciding to accelerate the annual L&H reserving assumptions review after a negative shock in US mortality claims in 1Q24. As a result of the review, SCOR added €500 - 600m to their reserves, impacting net income estimates and lowering future profit expectations within the segment. Management has reiterated the company's capital position and dividend outlook remain in-tact, and there is no change to Antipodes thesis.

Portfolio changes

   	<p>Advertising technology names Criteo, Magnite, Double Verify and Integral Ad Science were added to the portfolio over the Quarter. In Antipodes view, these companies are well positioned to benefit from key industry trends such around retail media, TV-integration and greater demand for ad technology verification and safety.</p> <p>We also see tail-risk upside from any reduction in Google's influence and subsequent market share in supplying ad technology to third-party websites following Department of Justice antitrust investigations.</p>
	<p>We added to Barrick Gold over the Quarter as Antipodes expects an inflection in earnings due to a recovery in Barrick's volumes coupled with the gold price increasing to 20-year highs. At current gold prices, we see the stock priced at 8x forward earnings. More broadly, gold can be a winner in both the Higher-for-Longer/Hard Landing scenario, where we would expect retail demand to increase, as well as the Soft Landing scenario, as demand from geopolitical flows should remain sticky.</p>
	<p>We exited Singapore based real estate platform PropertyGuru upon the finalisation of a takeover by EQT Private Capital Asia in an all-cash transaction equal to equal to US\$6.70 per share. This represented a 75% and 86% premium to PropertyGuru's 30-day and 90-day volume-weighted average share prices respectively.</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.