

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 (Anylam 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 Corp	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 Inc.	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.
Société Générale SA	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 Corporation	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, Inc.	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, Inc.	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 Technology Co., Ltd. China XD Electric Co., Ltd.	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 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**THIS FUND REPORT PERTAINS TO THE FOLLOWING:****Antipodes Global Fund Long– UCITS (the “Fund”)**

This quarterly update (the “Update”) was prepared by Antipodes Partners Limited on behalf of the Pinnacle ICAV (the “ICAV”), an Irish registered open-ended investment vehicle with variable capital and segregated liability between sub-funds. Antipodes Partners Limited (“Antipodes”) (ABN 29 602 042 035, AFSL 481 580) is an affiliate of Pinnacle Investment Management Ltd. Pinnacle Investment Management (UK) Ltd is an Appointed Representative of Mirabella Advisers LLP (FRN 606792), which is authorised and regulated in the UK by the Financial Conduct Authority number 606792. Antipodes Global Fund – UCITS is a sub-fund of the ICAV (the “Fund”) and the Investment Manager of the sub-fund, Antipodes (FCA 784459), is approved to act as an Investment Manager to Irish authorised investments funds by the Central Bank of Ireland. For distribution within the UK only, this marketing communication is intended exclusively for Professional Clients as defined by the UK Financial Conduct Authority (“FCA”) and should not be relied upon by other persons, such as Retail Clients, as defined under the FCA’s Rules. The definitions can be found on the FCA website at www.fca.org.uk. Before making any final investment decisions and to ensure you understand whether this fund is suitable for you, please read the Key Investor Information Documents (“KIIDs”) which is available, along with the Fund’s Prospectus as well as other information about the ICAV and the Investment Manager at <https://antipodes.com/ucits-funds/ucitsfunds-overview/>. Past performance should not be taken as an indicator of future performance.

UCITS disclaimer

The information presented in this document is intended solely to provide information to professional investors in each jurisdiction in which the funds are registered for sale and should not be relied upon for any purpose. The information contained on this document is not directed at any person in any jurisdiction where the publication or availability of the information is prohibited or restricted by law. Persons into whose possession this document may come are required to inform themselves about and to comply with any relevant restrictions. This does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. The information contained on this document is intended for professional investors only in relation to the jurisdictions in which the fund or ICAV are registered, that is, to persons who possess the experience, knowledge, and expertise to make their own investment decisions and properly assess the associated risks. Information contained in this document is for information purposes only and should not be construed as an offer or solicitation for the purchase or sale of any financial instrument, product or service sponsored by the ICAV or Antipodes Partners Limited or its affiliates. This material does not constitute an offer to sell or solicitation to buy any security, including shares of any fund. An investment may only be made based on the fund’s official sales prospectus and relevant supplement and will be subject to the terms and conditions contained therein. Nothing contained in the document constitutes or shall be deemed to constitute a financial, legal, tax or other advice of any kind.

This Update is not, and must not be treated as, investment advice, investment recommendations, or investment research. Recipients of this Update must not take (or refrain from taking) any investment decision on the basis of the Update. Before making any investment decision, you should seek independent investment, legal, tax, accounting or other professional advice as appropriate. In making an investment decision, recipients must rely on their own examination of an investment and the terms of any offering and make an independent determination of whether the interests meet their investment objectives and risk tolerance level. The ICAV accepts no duty of care to any person in relation to investments and accepts no liability for your reliance on any of the information in the Update.

This Update has not been audited or verified by any third party and is subject to change at any time, without notice. It is not intended to amount to advice on which you should rely. Neither the ICAV, its affiliates nor any of their respective directors, officers, employees, partners, shareholders or agents (each, a “ICAV Party”) accept any responsibility for, nor make any representation or warranty, express or implied, as to the truth, accuracy or completeness of the Information. Certain information contained herein may be based on or obtained or derived from data published or prepared by third parties (“Third Party Information”). While such sources are believed to be reliable, no ICAV Party assumes any responsibility for the accuracy of any Third-Party Information. No ICAV Party shall have any liability or responsibility arising from any use of or reliance placed on the content of this Information to any recipient of this presentation or any other person. Unless otherwise specified herein, this Information is accurate as of the date set forth on the cover. The delivery of this Information shall not, under any circumstances, create any implication that the Information contained herein is correct as of any time after that date.

By your use of the information in this Update you agree to indemnify and keep the ICAV fully indemnified against any and all losses, damages, costs, claims, liabilities, charges, demands, expenses and reasonable legal fees paid, suffered, incurred or made against the ICAV, directly or indirectly arising as a result of the use of any of the information in this Update.

UK

The ICAV and Sub-Fund are registered with the UK Financial Conduct Authority (the “FCA”). The ICAV’s FCA firm Ref is 784458 and the SubFund’s FCA reference number is 784459. The information in this Update is directed to persons in the UK who are professional clients or eligible counterparties of the Conduct of Business Sourcebook of the FCA of and must not be distributed to retail clients.

Data sources relied upon

Antipodes, FactSet, company data and announcements