Market Commentary

The fourth quarter of 2024 (‘the Quarter’) saw Donald Trump and the Republican party comprehensively win the US election, heightened political stress in Europe and lingering global geopolitical tension. Global equities were lower in USD, however finished higher in AUD (-1.0% in USD, +10.9% in AUD). Towards the end of the Quarter, diminished expectations of central bank easing in 2025 and softer economic data and political uncertainty surrounding Europe and the incoming Trump presidency resulted in a muted finish to a very strong calendar year.

Over the Quarter consumer discretionary, consumer services and information services outperformed, while materials, healthcare and utilities underperformed.

US equities outperformed over the period (+2.7% in USD) led by large-cap technology stocks. Equities saw an immediate rally post-election results, with winners and losers of the anticipated policy changes including tariffs, deregulation, tax cuts, increased oil drilling, merger activity and public healthcare all notable movers. Broader macroeconomic growth concern, inflation and the potential for a higher-for-longer rate environment saw US equities finish lower towards the end of the Quarter.

Overall, Asian equities underperformed during the quarter (-6.2% in USD). Chinese equities (-7.0% in USD) gave back some third quarter gains with tariff concerns driving sentiment, despite stronger performance in December fuelled by fresh domestic consumption stimulus and a shift in monetary policy rhetoric from the Central Economic Work Conference. Japanese equities underperformed (-3.6% in USD) upon similar tariff uncertainties. South Korea was the most notable laggard (-19.2% in USD) amid political turmoil upon the announcement and subsequent roll-back of martial law in December heavily weighing on sentiment.

European equities underperformed broader global markets over the Quarter (-9.7% in USD), driven by a confluence of tariff risk, economic growth concerns and political turmoil in France and Germany. Whilst the European Central Bank and Bank of England continued to echo dovish rhetoric over the Quarter, cuts were fewer than expected with both central banks reiterating their dependence on economic and inflation data in dictating future policy rate decisions.

Elsewhere, Brent Crude (+4.0% in USD) was up, Gold (-0.4%) finished slightly lower and the US Dollar (+7.7%) strengthened.

Portfolio Commentary

The Antipodes Global strategy (the Strategy) underperformed the benchmark over the Quarter. Portfolio performance was supported by exposures in Western Europe, particularly Germany, France and the UK, in addition to positive contribution from Taiwan. However, the portfolio’s underweight position in North America, detracted from relative return, largely due to the outperformance of the ‘Magnificent 7’ technology stocks (+10.0%, USD). This contrasts with the remaining 493 companies in the S&P 500 index which returned (-1.5%, USD), highlighting the current concentrated nature of returns in the US market.

On a sector basis, portfolio positioning in cyclical sectors including industrials, financials and real estate was additive over the Quarter. Underweight positioning in information technology was the most notable detractor, in addition to the consumer discretionary sector. Short positioning within the portfolio also detracted over the quarter.

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 include:

- **Siemens Energy** finished the calendar year higher after reporting strong annual results for its fiscal year 2023/24, returning to profitability after a loss of 2.8 billion euros in the previous year. The recovery is largely attributed to the streamlining of activities with key segments such as grid technologies and gas turbines showing significant improvements, in addition to strategic measures to refocus the struggling wind energy sector. Sentiment was further buoyed by company forecasts of annual sales growth of ~10% and an operating margin of 10-12% by 2028.

- **Capital One Financial** moved higher after the Republican clean sweep result increased the probability of the merger with Discover Financial being approved. The merger should unlock meaningful synergies, with the combined scale of Capital One and Discover forming the largest credit card player in the US by outstanding card balances, strengthening the competition against JP Morgan and American Express. Additionally, sentiment around the merged entity was buoyed by expectations of lighter-touch regulation under the new Trump administration and no incremental tightening of capital requirements.

- European banks **NatWest Group** and **Société Générale** contributed positively to performance over the Quarter. NatWest surged after repurchasing £1 billion worth of its shares from the UK government, marking its second off-market directed buy-back in 2024 and another significant step toward the bank's ongoing privatization. The move higher capped off a strong 12-month period for the bank, gaining over 50%. France's second largest bank **Société Générale** also finished higher to end the year, posting a 10.5% increase in its third-quarter revenue to €6.8 billion, exceeding consensus estimates, in addition to announcing a new CFO which was welcomed by markets.

- **TSMC** finished higher over the Quarter with the Taiwanese chip manufacturer reporting third quarter earnings that notably exceeded analyst estimates, with revenue up 39% year-on-year and a 54% rise in earnings-per-share, driven by the company's high performance computing segment. TSMC pushed higher again in December, with the company anticipating fourth-quarter revenue growth of 11.6%, due to the better-than-expected ramp-up of 3-nanometer mobile and AI products exceeding prior estimates.

Key stock detractors to performance over the Quarter included:

- **Sendas Distribuidora** detracted over the Quarter as Brazilian yields continued to blow out on concerns that the country's fiscal position will deteriorate under President Lula's policy direction. Impacts were felt by the wholesale grocer given the company's leverage. Antipodes continues to monitor the impact on company earnings, and risks to the liquidity position of the company.

- Sanofi traded lower over the Quarter, in-line with healthcare peers. Most notably, healthcare companies with exposure to vaccine manufacturing languished following he announcements of Trump's nominees for the major health departments agencies. They included Robert F. Kennedy Jr as secretary of Health and Human Services, and Dr. Martin Makary as the FDA commissioner. Market sentiment has been impacted by the controversial views of both nominees with respect to vaccines and the uncertainty around the qualifications for either nominee to hold the respective positions. In Antipodes view, we see a low likelihood of risk that key Sanofi vaccines are withdrawn from distribution in the US.

- After a strong period, **Barrick Gold** retreated over the Quarter following 3Q earnings falling short of expectations, in addition to operational headwinds weighing on sentiment. Projected production setbacks in the first half of the year, namely the slower than expected ramp-up at Barrick's Pueblo Viejo mine in the Dominican Republic, maintenance activities, and lower ore grades drove the selloff. Despite the underperformance, the company emphasized its focus on maintaining financial flexibility while returning value to shareholders through dividends and share repurchases.

- Single stock and tail risk hedging short positions detracted over the quarter.

- On a relative basis, not holding NVIDIA and Tesla detracted over the Quarter.

Portfolio changes

EQT	Increased our exposure to natural gas via **EQT**, the largest pure play gas producer in the US which can be a meaningful beneficiary of the expected increase in US gas exports. The company sits very low on the cash cost curve and is valued on a 2026 free cash flow yield of 10% on current forward prices.
Meta Alphabet Microsoft	We exited our long-held position in **Meta** with the platform facing slowing revenue growth while pressure on costs and capex are rising as the company invests to become an AI leader. At 25x earnings the valuation is high relative to its own history. Conversely, we added to **Alphabet** and **Microsoft**. Alphabet is the only tech stock today to have an integrated AI stack from proprietary large language models and hardware to the application layer. Core search is proving to be more resilient than the market feared with evidence of AI beginning to drive better search engagement and higher usage. Microsoft is both a cloud winner (apps and infrastructure) and AI winner (apps and compute) that is exhibiting cost control. While the stock price has lagged on slower growth in its cloud infrastructure business Azure, growth should re-accelerate into 2H25 as supply constraints ease. Microsoft is priced at 26x our 2026 earnings forecasts.
AT&T	We initiated a position in **AT&T**. With the divestment of the media assets, AT&T is now a focussed telecommunications business with arguably a more resilient business model relative to peers given it is the largest fibre to the home network in the US (20% of EBITDA derived from wireline operations). In the wireless segment, we expect a stable competitive environment as consumer trends remain favourable (post-paid penetration rates are increasing) and companies are focused on generating returns on 5G investment. At 6.5x EV/EBITDA, AT&T is attractively priced relative to its history and peers.
TSINGTAO 青島啤酒 JD.COM	Following the sharp move in Chinese equities from the end of September into early October, we took the opportunity to trim exposure early in the Quarter before the market pushed higher in December. This included exiting **Tsingtao Brewery** in preference for other cyclical exposures with stronger structural opportunities and more attractive growth profiles. This includes the initiation of a position in **JD.com**, an attractively valued beneficiary of a cyclical recovery with favourable exposure to China's appliance trade-in program offering a pathway to margin expansion.
Johnson Controls DAIMLER TRUCK	Within Industrials, we initiated a position in **Johnson Controls International**, a leading distributor of commercial HVAC (heating, ventilation, and air conditioning) and fire and security systems. The company has a leading building management software platform that provides a holistic view of a building's operating environment with the goal of optimising for carbon footprint and energy consumption. Given HVAC is the largest component of a building's base energy consumption, JCI's service and product offering will benefit from the investment in lowering the carbon footprint of commercial and industrial buildings. Over the Quarter, we exited **Daimler Truck** on concerns the company may be entering a period of destocking as inventory levels remain elevated with the forward-looking order book also deteriorating.
KEYSIGHT TECHNOLOGIES SAMSUNG	Within the hardware space, initiated position in **Keysight Technologies**, the largest global supplier of electronic testing and measure equipment used from research and development to emulation and deployment, serving a wide range of industries. With early 6G research expected to start in 2025, Keysight should see its order book grow as the wireless ecosystem invests ahead of the 6G release by the end of the decade. The company is priced at 22x forward earnings. Over the Quarter we exited **Samsung** whereby qualification of the company's High Bandwidth Memory, a special type of DRAM used inside AI chips, has taken longer than expected.
CEMEX	The US election provided an opportunity to buy dominant Mexican and leading US cement manufacturer, **Cemex**. Mexican cement demand can remain stable due to investment in near-shoring and domestic infrastructure, and US supply/demand likely to remain tight. The US is already a net importer of cement which will intensify as demand increases. Higher-priced imported cement puts upward pressure on domestic prices with Cemex's US plants earning greater than 25% after tax return on capital. A valuation of 7x earnings and 50% discount to replacement cost compensates for tariff risk. Elsewhere in Emerging Markets we exited Indonesian bank, Bank Mandiri after outperforming its regional benchmark and peers.

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Data sources relied upon

Antipodes, FactSet, company data and announcements