AUSTRALIAN
RESEARCH
INDEPENDENT INVESTMENT RESEARCH

Antipodes Global Investment Company Limited (ASX: APL)

March 2018

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INVESTMENT RESEARCH

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4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
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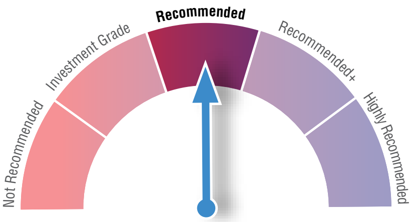
Note: This report is based on information provided by the company as at March 2018

Rating



Key Investment Information	
Name of LIC	Antipodes Global Investment Company Limited
Investment Manager	Antipodes Partners Limited
Investment Type	LIC
ASX Code	APL
ASX Listing Date	18 Oct 2016
NTA (Pre-tax)	1.28
Fully Diluted NTA	1.21
Share Price	$1.28
Shares on Issue (m)	311.425
Market Capitalisation	$432m
Options Outstanding (m)	226.656
Option Exercise Price	$1.10
Expiry Date of Options	15 Oct 2018
Options Exercised to Date (% of total issued)	20%
Distribution Policy	At least annually, subject to available profits, cash flow and franking credit
Benchmark	MSCI All Country World Net Index in AUD
FX Exposure	Actively managed
MER	1.1%
Performance Fee	15% of net return in excess of benchmark

Fees Commentary

APL's annual management fee and performance fee level and hurdle are broadly in-line with the peer group average. We would note that if we were to consider the peer group as a whole when combining the MER pluse performance fees and relavant hurdles it is relatively expensive.

Portfolio Characteristics	
Number of stocks	20-60
Single Security (Long)	7.0%

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

OVERVIEW

Antipodes Global Investment Company Limited (APL or 'the Company') listed in October 2016 raising A$313m. The portfolio is managed by Antipodes Partners Limited (the 'Manager'), a specialist funds manager that was founded in 2015 and has approximately $6 billion in funds under management and significant experience in global equities mandates. APL offers investors exposure to a relatively concentrated and high-conviction portfolio of global equities investments comprised of long and short positions as well as some currency positions. The portfolio is actively managed with a focus on capital preservation and to achieve returns in excess of the benchmark, MSCI All Country World Net Index in AUD, with reduced levels of risk. Gross exposure is permitted to a maximum of 150%. The Manager's conceptualisation of the opportunities is unique in the Australian market, including the cluster approach to investing (defined as a collection of stocks which display similarities in operational, end-market, style and macro characteristics) and portfolio construction. The net result is ultimately a differentiated portfolio to many global equities mandates. In the context of a strong market environment not generally conducive to shorting, the Company's track-record has been very good, recording only very slight underperformance yet materially lower risk and drawdown and, hence, superior risk-adjusted returns.

INVESTOR SUITABILITY

Many domestic investors exhibit a home country bias, with Australian investor preferences often biased towards products and services that depend substantially on the performance of the Australian economy. Not only is the domestic economy facing a relatively subdued outlook but many large incumbent domestic companies are also facing substantial global competitive forces. The Company provides the opportunity to help address this issue as well as access potentially stronger sources of growth and provide something of a hedge to the global competitive forces that may adversely impact some domestic companies. We also note that there is a shortage of quality global equity products which are index unaware and focused on capital preservation available to Australian retail investors. Investors should note that the portfolio may perform materially different to both peers and international equities markets in general on account of: a relatively unique conceptualisation of the investment opportunity set; the portfolio's concentrated and 'clustered' long and short nature (potentially by stock, sector, geography, thematic), and currency positions. The investment strategy is very much a high conviction, alpha seeking rather than index aware mandate.

RECOMMENDATION

IIR ascribes a "Recommended" rating to APL. The Manager's 16-member investment team ticks the vast majority of boxes. It is well resourced, stable, collegiate, highly experienced, evolves and improves processes, has a proven track-record and a broad attribution of alpha by sector, and there is a strong alignment of interest with investors. The investment strategy has a solid performance track-record, especially in the context of an average net 60% long equity exposure since inception. The long portfolio has materially outperformed the benchmark while currency has added slightly in excess of the targeted 1.5% p.a. alpha returns. We note alpha attribution by sector and geography has been broad, reflecting well on the overall strength of the team. Risk has been notably below benchmark, consistent with objective and philosophy. We also note the excellent track-record of the key principals of the investment team prior to establishing Antipodes Partners Limited in 2015. Tempering the positives to a degree, while combined fees (MER plus performance fee) are in-line with the long/short global equities LIC peer group, more broadly total fees do err on the slightly expensive side. Additionally, investors should be mindful of the dilutive impact of the in-the-money options, and we note that on a fully diluted basis the Company is currently trading at an approximate 5.8% premium. On the surface, this suggests potential share price to NTA down-side risks. Approximately 20% of the issued options have been exercised to date. Removal of the options overhang would be a potential catalyst for a rating upgrade.

SWOT ANALYSIS

Strengths

- A 16-member investment team that ticks the vast majority of boxes. It is well resourced, stable, collegiate, highly experienced, open to continuously evolving and improving processes, has a proven track-record, and there is a strong alignment of interest with investors based on majority equity ownership, incentive structures and KPIs based on multi-year risk-adjusted returns.
- Solid, albeit short, performance track-record, especially in the context of the strong growth market with generally historically stretched valuations not being conducive to the shorting component. The long portfolio has materially outperformed the benchmark while currency has added slightly in excess of the targeted 1.5% p.a. alpha returns. We note alpha attribution by sector and geography has been broad, reflecting well on the overall strength of the team. Risk has been notably below benchmark, consistent with objective and philosophy.
- Owner-managed business with compensation arrangements structured to reinforce a culture of collaboration, long-term thinking, high conviction and alignment with client outcomes.
- The Manager's conceptualisation of the opportunity set is unique in the Australian market, including the cluster approach to investing (defined as a collection of stocks which display similarities in operational, end-market, style and macro characteristics) and portfolio construction. The net result is ultimately a differentiated portfolio to many global equities mandates.

Weakness

- The loyalty options are in-the-money given the $1.10 exercise price and are therefore NTA dilutive. At 31 January 2018, the fully diluted NTA was $1.207 versus the (pre-tax) NTA of $1.28. We do note however, that the Company has almost invariably traded at a small premium to NTA, which reflects well on the markets' perceptions of performance, the investment team and the Manager's commitment to shareholder communication.
- APL's annual management fee and performance fee level and hurdle are broadly in-line with the peer group average. However, the peer group as a whole is relatively expensive when compared to the broader LIC universe.
- Not surprising given the market environment, the short portfolio has detracted from value. While we are not questioning the shorting processes, the portfolio has yet to be tested in a full market cycle (i.e. conditions more favourable to shorting).

Opportunities

- Australian investor preferences are often biased towards products and services that depend substantially on the performance of the Australian economy. This domestic bias can lead to investment outcomes that do not benefit from global diversification. The Company creates an opportunity to help address this issue.
- We expect developments on the dividend front over the 2018 period. While we note that the Manager has had very little if any inbound inquiry on when the first dividend will be paid, historically there has been a correlation between the payment of income and a mitigation of discount to NTA risk. This may provide an opportunity for shareholders to increase the capital gain through an improvement in the share price.

Threats

- In the event all options on issue are exercised, there will be a material dilutionary impact on NTA, given the exercise price of the options is at a significant discount to the NTA. Investors should note that the share price of $1.28 as at 31 January 2018 represented a 5.8% premium to the fully diluted NTA $1.207.
- There is a degree of key person risk with the highly regarded PM and co-founder Jacob Mitchell. This is not so much at the investment level given the substantial depth in the investment team and rigorous and defined processes. Rather, in terms of market perception of potential impact and the consequent risk of adverse business impacts.
- Investors should be aware that the portfolio's concentrated nature, shorting and currency positions may result in heightened stock, sector and geographic-specific risks and volatility.

PRODUCT OVERVIEW

Antipodes Global Investment Company Limited was listed in October 2016. However, the investment strategy and processes applied to the portfolio are the same as those employed by the Manager since 2015 in the management of the Antipodes Global Fund. The Company's investment portfolio is managed by Antipodes Partners Limited, a specialist global funds manager founded in March 2015 by Jacob Mitchell, a former Deputy Chief Investment Officer of Platinum Asset Management, and several other former colleagues and investment sector professionals.

The Company's investment objectives are to provide capital growth and income through investing in a concentrated portfolio, predominantly comprised of long and short positions in international listed securities, that will be actively managed with a focus on capital preservation. The Company will typically invest in a select number of companies (typically between 30 to 60 long positions), that the Manager considers both attractively valued and which represent uncorrelated sources of return. Shorts are utilised where the Manager believes there are significant over-valuations at the individual stock level. Currency positions may be used to take advantage of macroeconomic opportunities or offset risks arising from stock selection.

The investment strategy is benchmark unaware and highly flexible, with no geographic or industry limitations. The portfolio is permitted a net equity exposure (longs minus shorts) of 50-100% and gross equity exposure (sum of longs and shorts) of 150%. Since inception, the Company has had an average net exposure of around 60%.

In the context of net exposure averaging around 60% during generally consistently strong global markets over 2017, the Company has underperformed the Benchmark since inception. However, on account of relatively low volatility (7.7% vs 10.3%), the Company has generated solid risk-adjusted returns. In this latter regard, the strategy has benefitted from its short positions in terms of reduced volatility and downside capture.

The Company intends to pay a dividend at least annually, subject to available profits, cash flow and franking credits. The Board will communicate its intention to pay a dividend once the Company has built up sufficient profit reserves to declare and pay a sustainable dividend. Given the Company's solid performance to date, it is IIR's expectation that we will see developments on this front during the 2018 calendar year.

As a part of the IPO and specifically a 1 for 1 'loyalty options' component, there are currently 227m options outstanding as at 28 February 2018 with a 15 October 2018 expiry date and a $1.10 strike price. Based on the current NTA, the options are therefore dilutive (fully diluted NTA of $1.207 as at 31 January 2018).

In relation to fees, the MER is equal to 1.10% p.a. (plus GST) per annum (1.1275% inclusive of the net impact of GST) of the value of the portfolio. In addition to the management fee, there is a performance fee equal to 15% p.a. (plus GST) of the portfolio's outperformance relative to the Benchmark over each 6 month period subject to recoupment of prior underperformance.

MANAGEMENT GROUP PROFILE

Antipodes Partners was founded in 2015 by Jacob Mitchell and five Platinum colleagues in addition to three other investment professionals. The firm specialises in global equities, running the Antipodes Global Fund (long only), Antipodes Global Fund (long/short) and Antipodes Asia Fund in addition to the Company itself.

Antipodes is majority owned by its investment team and its performance culture is underpinned by sensible incentives, a focused offering and the outsourcing of non-investment functions to minority shareholder Pinnacle Investment Management to maximise its focus on investing.

As at December 2017, Antipodes Partners managed approximately $6 billion on behalf of individual investors and institutions, both in Australia and offshore.

INVESTMENT TEAM

The 16 member investment team is organised on sectoral grounds, with two to three members in each team. However, whilst each member of the investment team has their own areas of expertise, they are also capable as generalist analysts and are required to work on projects outside of their regular coverage area as required. The investment team is entirely focused on investing, with Pinnacle providing support in relation to peripheral and ancillary matters.

In mid-2017, the team opened a London office, relocating the Industrials & Commodities team there and soon to be joined by a third team member to take up some dealing functions. The rationale for the London office is partly to gain better access to global companies, given the flow of companies through London is very high.

This is a team that ticks the vast majority of boxes. It is well resourced, stable (no departures since establishment of the Manager), collegiate, and highly experienced. It is open to continuously evolving and improving processes, has a proven track-record and a broad attribution of alpha by sector (strength across the team). There is also a strong alignment of interest with investors based on majority equity ownership, incentive structures and KPIs based on multi-year risk-adjusted returns.

Furthermore, the Manager's conceptualisation of the opportunity set is unique in the Australian market, including the cluster approach to investing and portfolio construction. The net result of the latter is ultimately a differentiated portfolio to many global equities mandates.

More recent process evolution includes: sector team leaders more prominent in research prioritisation/portfolio construction; ongoing investment in quantitative systems for identification, collaboration and risk monitoring purposes; quantitative ESG assessment embedded within the investment process to complement the existing qualitative approach; and as noted, the London research office established.

In terms of succession planning / key man risk alleviation, the investment team includes two senior portfolio managers with significant investment management experience (over 20 years each) and a number of investment analysts each with over 10 years' experience – that is, the firm contains a deep bench of talent. Graham Hay, Andrew Baud and Sunny Bangia as Deputy Portfolio Managers provide back-up for Jacob Mitchell in his capacity as Portfolio Manager for all strategies.

In terms of team stability, executive equity ownership terms have been designed specifically to support business sustainability with a large proportion recycling back to the firm on equity partner departure. This has two purposes: clear incentive for existing equity partners to develop the next generation of potential partners as buyers of their equity on departure; and flexibility for the firm to attract new talent triggered by a key departure.

The key members of the investment team are detailed below.

- **Jacob Mitchell - CIO, PM.** Jacob as Managing Director and Chief Investment Officer founded Antipodes in March 2015. Prior to this, Jacob spent 14 years at Platinum Asset Management where he was most recently the Deputy Chief Investment Officer and a Portfolio Manager of the flagship Platinum International Fund. On resigning from Platinum in November 2014, he had direct portfolio management responsibility for over $3.5bn in FUM and was responsible together with the CIO for the firm-wide ($25bn in FUM) implementation of the investment process. He also served as Portfolio Manager for the Platinum Unhedged Fund (January 2007 to May 2014, achieving 5.7% per annum outperformance after fees) and the Platinum Japan Fund (January 2008 to November 2014, achieving 9.9% per annum outperformance after fees), the highest alpha generated by any Platinum fund over this period. From 1996 to 2000, Jacob was Head of Technology and Emerging Industrials Research at UBS Warburg Australia. He commenced his investment career in 1994 as a trainee investment analyst at high conviction, value oriented Australian equities manager, Tyndall Australia.
- **Graham Hay - Deputy PM, Investment Analyst.** Graham is Deputy Portfolio Manager and Investment Analyst responsible for coverage of the global technology, content and communications sectors. Prior to joining Antipodes in 2015, Graham was Head of Research at Perennial International Equities for 6 years and most recently Portfolio Manager of the Global Shares High Alpha Trust (October 2013 to March 2015, achieving 6.8% per annum outperformance after fees) and co-Manager of the Wholesale International Share Trust (July 2012 to March 2015, achieving 2.1% per annum outperformance after fees). Graham also covered the global technology, content and

communications sectors. Graham has extensive experience analysing and managing global long short equity portfolios in a career spanning more than 20 years (based in London for 10 years) including active coverage of the Japanese market. From 2007 to 2009 Graham was a Portfolio Manager at Merrill Lynch Strategic Investment Group in London, responsible for managing a global equity market neutral portfolio. He also held senior equity analyst and portfolio management roles at BlueCrest Capital in London (2005 - 2007) and First State Investments UK/Legal & General (1993 – 2004).

- **Andrew Baud - Deputy PM, Investment Analyst.** Andrew is Deputy Portfolio Manager and Investment Analyst responsible for coverage of the global consumer sector. Prior to joining Antipodes in 2015, Andrew was an investment analyst at Platinum Asset Management for 10 years where he covered a diverse range of sectors and geographies. Most recently he was Senior Investment Analyst for North American equities after relocating to New York in 2013. In the US, Andrew covered opportunities primarily as part of the Consumer and Healthcare Team. In addition, he maintained coverage for the existing holdings generated whilst working extensively with the Asia Team and as a long-term member of the Commodities and Industrials Team. Andrew's investment career began in 2001 when he started as an analyst with the 'The Intelligent Investor' publication.
- **Sunny Bangia - Deputy PM, Investment Analyst.** Sunny is responsible for managing execution and coverage of the global financial sector and currencies. Prior to joining Antipodes in 2015, Sunny was a Strategist/Trader at Platinum Asset Management for 5 years where he primarily covered Asian equities as a member of the Asia and Japan teams and global currency strategy. From 2010 to 2013 Sunny was Associate Director at Westpac Institutional Banking – Asia responsible for a portfolio and global currency, commodity and futures risk, including 2 years in Singapore. Prior to this, Sunny was an Investment Analyst at Goldman Sachs Private Wealth Management as part of its graduate program.

Key Investment Personnel

Sector	Name, Position	Sector Focus	Previous Firms	Experience (yrs)
Jacob Mitchell	CIO, Portfolio Manager	Global	Platinum, UBS, Tyndall	22
Graham Hay	Deputy PM, Investment Analyst	Technology, content, communications	Perennial, Merrill Lynch, Bluecrest, First State, L&G	23
Andrew Baud	Deputy PM, Investment Analyst	Consumer	Platinum, United Valuers,The Intelligent Investor	15
Sunny Bangia	Deputy PM, Investment Analyst	Financials, currency	Platinum, Westpac IB, Goldman Sachs	10
Chris Connolly	Sector Head. Investment Analyst	Industrials, commodities	Platinum, Scottish Widows, Simons & Co	10
Christine Ong	Investment Analyst	Consumer	Perennial, Pacific Road Fund Management Asia	17
James Rodda	Investment Analyst	Technology, content, services	Platinum, ANZ	9
Rameez Sadikot	Head of Quant/Macro, Investment Analyst	Global socio-macro, currency	Platinum	8
Cleo Somers	Investment Analyst	Healthcare	Perennial, QIC	14
Max Shramchenko	Associate Investment Analyst	Infrastructure	Harness AM, Investingfor Charity	4
Wesley Wise	Associate Investment Analyst	Global	Deutsche Bank	2
Peter Morrison	Associate Investment Analyst	Global	Academic Research (CSIRO, UNSW, USYD & MQU)	2
Ryan Kennedy	Associate Investment Analyst	Global	Freelance software developer	1
Andy Gibson	Investment Analyst	Industrials, commodities	Deutsche Bank and Morgan Stanley, London	10

BOARD

The Board of Directors comprises five members, three of which including the Chairman are independent. Specifically, Jonathan Trollip (Chairman), Chris Cuffe (independent Non-executive Director), Lorraine Berends (independent Non-executive Director), Alex Ihlenfeldt (Non-executive Director), and Andrew Findlay (Non-executive Director).

It is a strong board in terms of mix of skill sets, complementarity, and experience. For example, Chairman Jonathan Trollip is an experienced Director with over 30 years of commercial, corporate, governance, legal and transaction experience. He is currently Non-Executive chairman of ASX listed Global Value Fund Limited, Future Generation Investment Company Limited and Antipodes Global Investment Company and a Non-Executive director of ASX listed Kore Potash Limited.

Chris Cuffe and Lorraine Berends are very experienced in relevant areas. Chris has more than 25 years of experience in building successful wealth management practices. Most notably he joined Colonial First State in 1988 and became its CEO two years later, leading the company from a start-up operation to Australia's largest investment manager. In 2003 Chris became the CEO of Challenger Financial Services Group Limited and subsequently headed up Challenger's Wealth Management business. Lorraine has worked for over 30 years in the pension and investment industries, and possesses extensive experience in both the investment management and superannuation fields.

Andrew Findlay and Alex Ihlenfeldt are executives of the business and, amongst other things, ensure that the Board has all the support that it needs in order to effectively fulfil its duties to the Company.

INVESTMENT PROCESS

Investment Philosophy

In very broad terms the Manager is of the view that the market as an extrapolation engine can be selectively irrational in response to the continuum of operating environment change, creating a pragmatic value opportunity to allocate capital on favourable terms. It is possible to identify instances where security prices do not reflect intrinsic value and it is the experience of the Manager that security prices do tend to revert to intrinsic value over the longer term.

Through skill and experience, the Manager seeks to generate returns in excess of the market by exploiting these market inefficiencies over an investment cycle. It does so through three broad categories of investment opportunity:

a) Cyclical opportunity: The Manager believes all businesses are affected by the business cycle, whereby the demand and prices for its goods or services fluctuates due to competition and other economic impacts.

b) Structural opportunity: Investing in entities that the Manager considers to be either undervalued or overvalued by the market following a fundamental structural change in the operating environment. The Manager seeks to identify companies that it believes: the market has incorrectly assessed as victims of, or under estimated the upside associated with, structural change (long opportunity); or failed to correctly assess as victims of, or over estimated the upside associated with, structural change (short opportunity).

c) Socio/Macroeconomic opportunity: The Manager seeks to identify socio-macroeconomic changes that may result in future changes to asset valuations for shares or currencies.

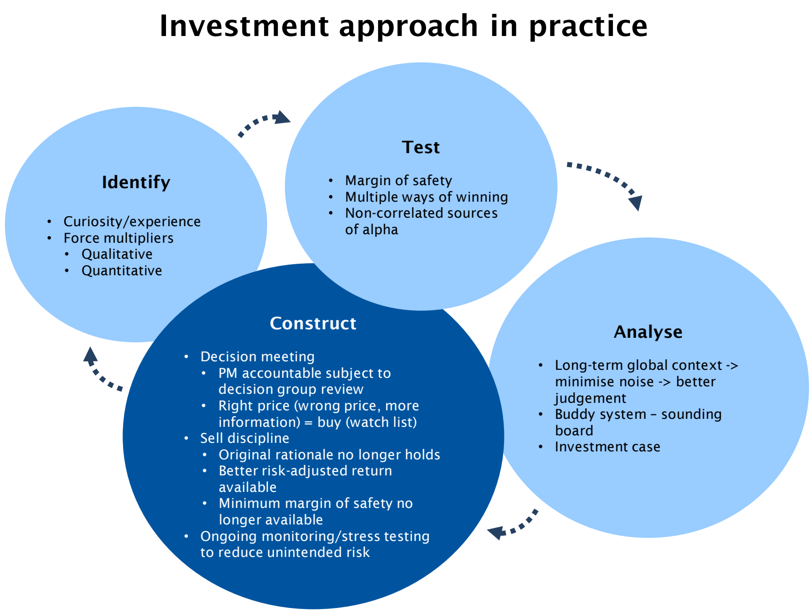
The Manager has three levers at its disposal to achieve its performance outcomes: longs, shorts, and active currency management. Of the three levers, longs are the engine room of returns, followed by shorts, then currency exposure.

Longs are clearly about finding good investment ideas that fit the criteria. Shorts in many ways are the symmetrical opposite of this, specifically looking for multiple ways by which a company could lose. On the currency lever, the Manager has the ability to hedge underlying currency exposure (which it may hedge to a more attractive currency) but the Manager may also take an outright position in a currency deemed attractive, whether or not the portfolio holds securities with the underlying currency. Such positions are based on the Manager's market observations and currency evaluation framework, and may well overlap with the Manager expressing certain market views by way of long / short exposures.

For example, a long position in the Norwegian Krone represented a part of the portfolio's energy cluster - an alternative means in which to express the view that energy prices were relatively cheap during the 2015-16 period. However, due to the idiosyncrasies of currency versus equities, the Manager looks for substantially more upside in a currency before investing.

Investment Process

The Manager has delineated its investment approach in practice based on four components, as diagrammatically depicted below.



Identify

Internally developed quantitative processes and macro analysis are embedded across the investment process and serve three main purposes.

Firstly, the management of scarce team resources (research time) through alpha / opportunity set identification and, hence, the organisation of a very large date set (a global opportunity set of >US$2bn market cap, in excess of 5,000 companies). It enables the Manager to manage research time efficiently and direct efforts to the most prospective areas.

Secondly, factor / style analysis of the market highlights and provides a basis for understanding biases that exist in markets. It also improves 'peripheral vision', forcing the Manager to review parts of the market / opportunities that it may otherwise be somewhat uncomfortable about. The Manager provided the example of being directed to the gold sector during the early days of the Global Fund L/S, with the quantitative tools indicating the sector was trading at all time low relative valuations.

Thirdly, risk management to minimise downside volatility and permanent loss of capital through exposure monitoring, the identification and monitoring of systemic risks, and stress testing and correlation analysis.

The quantitative process is more about framing and focusing the qualitative analysis and identifying investment opportunities, as opposed to a systematic quant process in which the outputs necessarily determine the investment set.

Test

The Manager perceives three elements to successful portfolio outcomes, as defined by absolute returns in excess of the benchmark over the investment cycle at below market levels of risk.

The first is the price paid for a security. The Manager uses the phrase 'margin of safety' (that is, represents a discount to the Manager's assessment of intrinsic value). Every potential portfolio holding must have a substantial margin of safety to account for both known and unknown events that may occur. The Manager seeks a minimum 15% absolute return and at least 10% better than the relevant region / broad sector.

The second element is business resilience, or 'multiple ways of winning'. Every stock in the portfolio must have multiple ways of winning (or losing for shorts). For example, by way of competitive dynamics, product cycle, regulatory issues, management / financial aspects, or macro / style dynamics. In other words, the Manager endeavours to avoid situations that are very dependent on a single event or outcome to generate a positive return.

The third element is how these (potential) investments are brought together in the context of the existing portfolio, with the Manager seeking to control exposure to securities with similar characteristics. Specifically, the Manager seeks to limit correlated alpha clusters to no more than 15% of the portfolio.

In other words, if a manager consistently overpays, consistently buys bad businesses and or investments are mismanaged at the portfolio level, relative performance is likely to be eventually adversely impacted.

Analyse

The Manager's broad approach is fundamental research within a global context. It strives to ignore short-term noise with the goal of improving its longer-term judgement. Further, team alignment results in a naturally collaborative culture. To maximise the benefits of peer review without diluting overall team focus, a system is employed where each major research project has a lead analyst, but is supported by a secondary analyst, who acts as a sounding board and protects against confirmation bias and investment case drift. The Manager believes this both strengthens the process and allows for earlier identification of flaws in the investment case.

Construct

In terms of the research process and the management of the portfolio, the Manager is not seeking individual ideas for each potential portfolio holding. Rather, the Manager is seeking six to eight clusters of opportunity and where the Manager has conducted a 'deep dive' on a particular research topic and typically have identified two, three or four securities that have come out of that work, both long and short opportunities.

As such, the Manager is seeking to very much leverage the depth of research to populate the portfolio. Rather than replicating the effort 50-60 different times for each individual holding the Manager conducts a more focused and deeper analysis and expresses its conclusions through multiple securities.

The Manager provided the example of the considerable work it did in testing the proposition that the business models of 'legacy' technology vendors, such as Microsoft, Cisco, and NetApp, would be dis-intermediated by the cloud, a view it believed was being priced in by the market. In each case, the Manager deemed these companies had a life beyond or could coexist with the cloud and, as such, presented attractive investment propositions based on depressed valuations.

The research led to the purchase of three different securities but tied to the one piece of (more in-depth) research. The Manager seeks to create a portfolio based on six to 10 clusters. The clusters themselves tend to be idiosyncratic, exhibiting relatively low correlation to other clusters within the portfolio (although inevitably some crossover may exist). For this reason, the Manager believes it can run reasonably concentrated portfolios without taking significant degrees of risk.

Short positions are similar in terms of clustering. The Manager has typically identified short clusters based on three different styles; over-hyped disruptors, over-hyped cyclicals, and companies the Manager believes are poorly positioned for change and disruption in their respective markets.

The difference on the short side is, as a general risk management process, the number of short clusters, securities and weights is no more than half that of long clusters, number of securities and weights. Additionally, on account of the inherent downside risk in short positions, such positions are very actively monitored and, should the position go against the Manager, the downside risk is pro-actively managed.

By its nature given the fewer number of clusters and securities, the returns the Manager derives from the short portfolio tend to be more episodic. Notwithstanding this, the expectation is over the cycle the short portfolio will add value in terms of generating alpha as well as dampen risk measures given the ability to generate positive returns in down market environments.

The Manager notes that the portfolio is built based on the following principles and formal exposure limits:

- For a given level of expected investment risk, position size is determined by expected return or margin of safety
- Optimised to minimise downside volatility with correlated sources of alpha typically limited to less than 15% of the portfolio
- Exposure limits: Single stock limit: 7.0% long, 3.5% short; Typically, top 10, 25-35%; and top 30, 60-80%
- Where permitted, use of equity shorts to take advantage of asymmetric risk-return opportunities, offset specific long portfolio risks and provide some protection from negative tail risk.
- For both long and short positions, where a stock moves against the Manager by more than 15% over a relatively short period the position is reviewed.

The Company's portfolio as at 31 January 2018 is detailed below.

Top 10 Long Positions	Country	Weight
Cisco Systems	United States	3.3
Gilead Sciences	United States	3.3
UniCredit	Italy	2.8
Eletricite de France	France	2.8
Baidu	China / HK	2.8
Ping An Insurance	China / HK	2.8
Microsoft	United States	2.7
Hyundai Motor	Korea	2.7
KB Financial	Korea	2.7
KT Corporation	Korea	2.6
TOTAL		28.5

Sector Positions	Long	Short	Net
Banks	13.1%	(2.3%)	10.8%
Software	9.3%	(0.8%)	8.5%
Energy	8.2%	(2.0%)	6.2%
Communications	7.1%	(0.3%)	6.8%
Retail	6.9%	(0.7%)	6.2%
Staples	6.9%	(0.5%)	6.4%
Hardware	6.3%	(2.9%)	3.4%
Insurance	5.9%	0.0%	5.9%
Durables	5.6%	(2.1%)	3.5%
Other	26.1%	(17.3%)	8.8%
TOTAL	95.4	(28.9)	66.5

Major Clusters - Long	Weight
Consumer Incumbent	21.6
Domestic Recovery	11.7
Natural Gas	11.7
Global Software Incumbent	9.9
Global Recovery	8.6
Sub-total	63.5

Major Clusters - Short	Weight
Over-hyped Growth	(8.1)
Global Shakeout	(7.6)
EM / DM Shakeout	(6.7)
Bond Proxy	(4.3)
High Cost Oil	(1.7)
Sub-total	(28.5)

PERFORMANCE ANALYTICS

As noted, the Company has a 1.5 year track-record while the strategy itself has a 2.5 year track record through the Global Fund L/S.

The key performance points:

- In the context of net exposure averaging around 60% (with shorts averaging 30-35%) during generally consistently strong global markets over 2017, the portfolio (after related portfolio fees, costs and taxes) has performed slightly below the (long-only) benchmark (17.9% p.a. vs 18.5% p.a.) to 31 January 2018. However, on account of low volatility (7.7% vs 10.3%), the Company has generated solid risk-adjusted returns (on both Sharpe and Sortino ratio measures). In this latter regard, the strategy has benefitted from its short positions in terms of reduced volatility and downside capture.
- The long portfolio has performed exceptionally well, generating total returns well in excess of the Benchmark. We note the attribution of long portfolio alpha by sector and geography has been broad, reflecting well on the overall strength of the sector based investment team.
- The short portfolio has detracted from performance, but in the context of strong equities markets since the launch of the Company (several weeks prior to the election of Trump) this is not unexpected. It has been the sub-set of 'growth shorts' that have adversely impacted performance the most. That is, growth stocks that have been perceived as significantly stretched on valuation grounds but continued to run (at least up until latter January 2018). In this regard, the Manager's short positioning has been entirely consistent with its philosophy and process, one that assesses valuations relative to long-term historical averages.
- Currency has contributed 150 basis points p.a. of alpha, which is roughly in line with the Manager's expectation. The Manager notes that Jacob and Sunny were instrumental in Platinum's currency management when they were there and 150 basis points a year of alpha captured through currency was roughly the record that they achieved there.

APL as at 31 January 2018 (% p.a.)			
	Portfolio*	Benchmark	Share Price
3-month return	3.5	3.6	2.0
YTD return	1.8	2.0	1.6
1-year return	18.2	19.5	16.4
Inception p.a.	17.9	18.5	20.0
Outperformance since inception	(0.6)		

* Quoted in AUD net of portfolio related fees, costs and taxes.

PEER COMPARISON

- We have compared APL to six other long-short global equities LICs listed on the ASX. The analysis provides a comparison of some of the key features of the peer group, namely fees and performance.
- APL's annual management fee and performance fee level and hurdle are broadly in-line with the peer group average. We would note that if we were to consider the peer group as a whole when combining the MER pluse performance fees and relavant hurdles it is relatively expensive.

Peer Comparison

LIC / LIT Name	ASX Code	Listing Date	Management Fee (% p.a)	Performance Fee (%)	Performance Fee Hurdle
Cadence Capital	CDM	Dec 2006	1.00	20.0	ASX All Ords Index
Morphic Ethical Equities Fund	MEC	May 2017	1.25	15.0	MSCI AC World Net Index (A$)
Platinum Capital	PMC	June 1994	1.10	15.0	MSCI AC World Net Index (A$)
PM Capital Global Opps Fund	PGF	June 2013	1.00	15.0	MSCI AC World Net Index (A$)
VGI Partners Global Invest Ltd	VGI	Sep 2017	1.50	15.0	Previous high NTA
Watermark Global Leaders	WGF	Dec 2016	1.50	20.0	RBA Cash Rate
Antipodes Global Invest	**APL**	**October 2016**	**1.10**	**15.0**	**MSCI AC World Index (A$)**

- When we compare APL's company performance on the basis of pre-tax NTA (after tax on realised gains) plus dividends, it has underperformed most of its peers over the one-year period to 31 December 2017.
- Risk and risk-adjusted performance measures have been solid given the materially lower volatility, recording a Sharpe Ratio of 1.73.
- APL has traded at a very marginal discount to NTA of -0.8% since the inception date but a slight premium to NTA on a fully diluted basis. This may reflect well on the markets' perception of the Manager but new investors should note that the premium, in itself, may ultimately constitute a shareprice to NTA risk.

Peer Group Performance to 31 December 2017

		Total Portfolio Returns*					
LIC Name	ASX Code	1 year	Since Inception of APL (p.a)**	Volatility**	Sharpe Ratio**	Average Discount/ Premium to Pre-tax NTA***	Share Price Return (incl. dividends) Since Inception (p.a)#
Cadence Capital	CDM	18.0	17.7	10.4	1.49	7.6%	18.0
Morphic Ethical Equities Fund	MEC	n/a	n/a	n/a	n/a	1.2%	N/a
Platinum Capital	PMC	22.3	22.3	11.6	1.71	7.8%	30.7
PM Capital Global Opps Fund	PGF	21.0	22.7	10.5	1.92	-12.8%	27.7
VGI Partners Global Invest Ltd	VGI	n/a	n/a	n/a	n/a	4.8%	N/a
Watermark Global Leaders	WGF	-1.5	n/a	n/a	n/a	-7.4%	N/a
Antipodes Global Invest	**APL**	**9.9**	**14.5**	**7.1**	**1.73**	**-0.8%**	**15.6**

* Pre-tax NTA
** 30 October 2016 is used as the inception date
*** Inception date of each particular LIC

DIVIDEND

The Manager has yet to declare its first dividend but intends to pay a dividend to shareholders at least annually, subject to available profits, cash flow and franking credits. Essentially, the decision of the Board has been to build up an appropriate buffer of retained earnings before declaring the first dividend. The rationale is to ensure, to the greatest degree possible, that once the Company commences paying a dividend it will consisently do so in subsequent periods.

While the Manager has yet to make an announcement regarding timing, based on the underlying positive performance of the Company our expectation is we would expect developments on this front over the 2018 calendar year period.

SHARE PRICE TO NTA PERFORMANCE

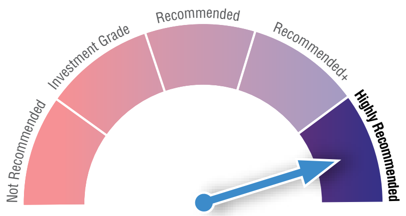
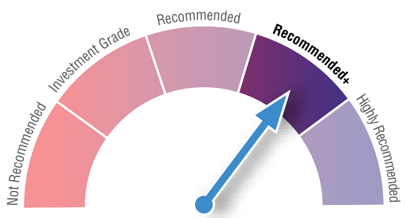
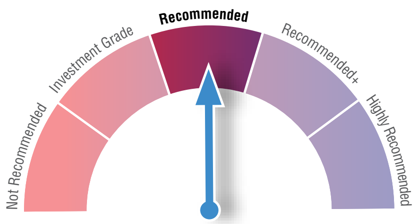
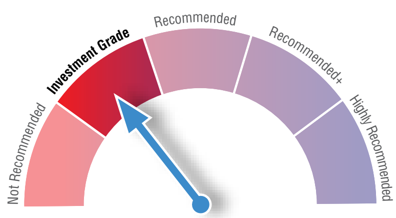
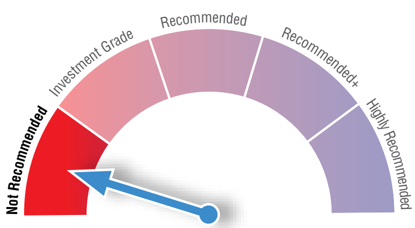
As noted, since inception the Company has traded at a negligible discount to NTA of an average -0.8%. In the context of the options related over-hang this may reflect well upon shareholders general view of the Manager. This has been confirmed by a shareholder survey conducted by the Manager, in which 88% of respondents confirmed that they were either very satisfied or satisfied with both their investment and the level of shareholder communication. We note that the Manager has established a comprehensive programme to ensure that it continues to build a strong relationship with its investor base such that it is able to easily, efficiently, and appropriately communicate.

However, investors should note that APL is currently trading at a 5.8% premium to fully diluted NTA. In itself, this suggests potential shareprice-to-NTA down-side price risks and potential new investors should be mindful of this fact. Removal of the options overhang would be a potential catalyst for a rating upgrade

APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd "IIR" rating system

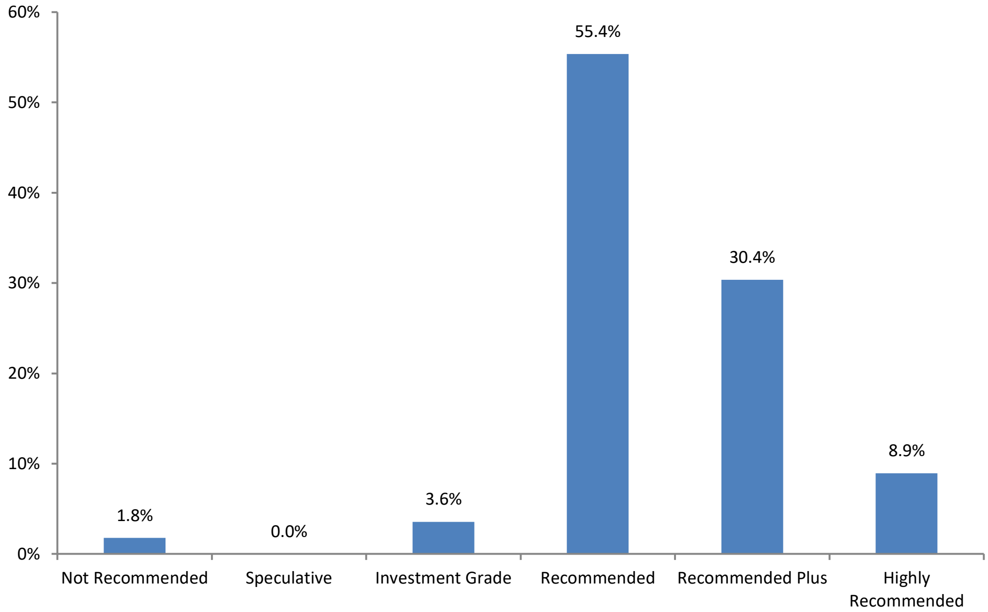
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
Highly Recommended	**83 and above**
	This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.
Recommended +	**79–83**
	This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.
Recommended	**70–79**
	This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.
Investment Grade	**60-70**
	This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.
Not Recommended	**<60**
	This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

SPREAD OF MANAGED INVESTMENT RATINGS



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