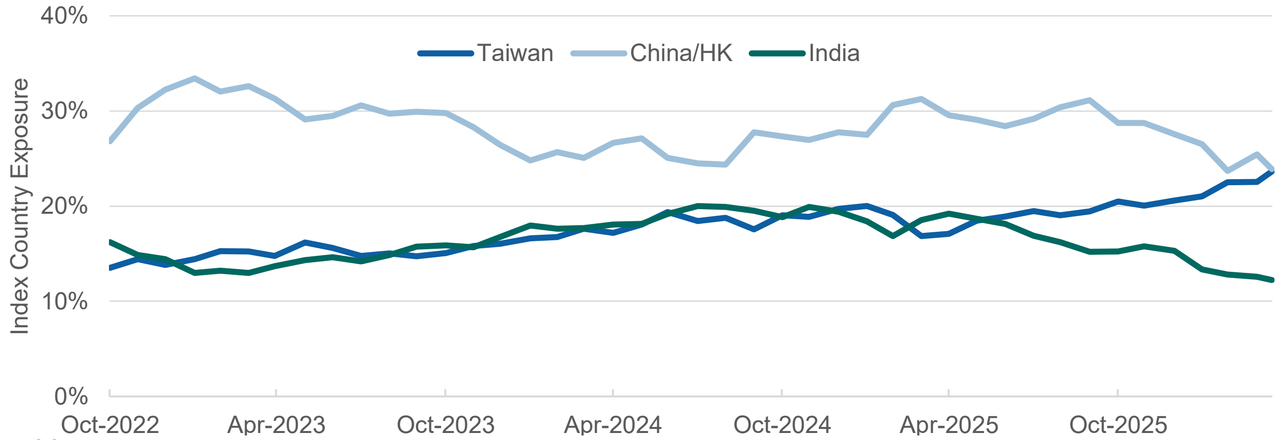
Market Commentary

The first quarter of 2026 started with a broad-based outperformance in January and February, underpinned by a weaker US dollar, AI-driven technology enthusiasm, and continued rotation out of US equities. But this gave way to a sharp reversal in March, as US-Israeli strikes on Iran and the effective closure of the Strait of Hormuz triggered a severe repricing across energy-importing Asia. The result was a near-flat headline index return (MSCI Emerging Markets Index -0.1% in USD and -2.8% in AUD) that belied extraordinary divergence beneath the surface: EM equities still outperformed developed market peers over the quarter, but the defining story was the gulf between energy exporters and importers, with Latin American commodity-exporting nations delivering world-beating returns. Returns in Asia were concentrated within the tech hardware supply chain, feeding the insatiable demand for memory and compute that comes with the AI supercycle. The Antipodes Asia Fund fell by -3.4% for the Quarter, while narrowly outperforming the index by 0.4%.

Latin America was a clear outperformer over the Quarter, with Brazil (+19.1% in USD) and Mexico (+7.3% in USD) among the world's best-performing equity markets. The region benefited from a powerful alignment of tailwinds: surging commodity prices, particularly oil, copper and precious metals, a weaker US dollar through January and February, attractive valuations relative to global peers, and continued rotation away from US equities. Brazil's commodity-heavy market proved particularly resilient during the March energy shock, with state-controlled oil producer Petrobras surging on the oil price spike and cushioning broader index losses – the portfolio benefited from a position in mid-cap oil producer PetroRio that was up 68% in USD over the quarter. Importantly, Latin America's status as a net energy exporter largely insulated the region from the Strait of Hormuz disruption that hit Asian peers so severely.

Performance in Asia was more volatile, as higher oil prices have dented the outlook for energy-importing economies, with countries like Korea and Japan particularly reliant on Middle Eastern gas, while ASEAN's reliance on oil and coal will pressure growth and fiscal budgets the longer the war continues. However, this was offset by the strength in tech hardware-heavy indices in Taiwan and Korea, which continue to benefit from AI demand. Taiwan contributed meaningfully to EM performance in the Quarter (+9.1% in USD), and this has continued beyond the quarter, resulting in Taiwan's weight in the MSCI EM Index rising to a similar level as China/HK.

MSCI Emerging Markets Index: The Taiwan weight is almost equal to China/HK

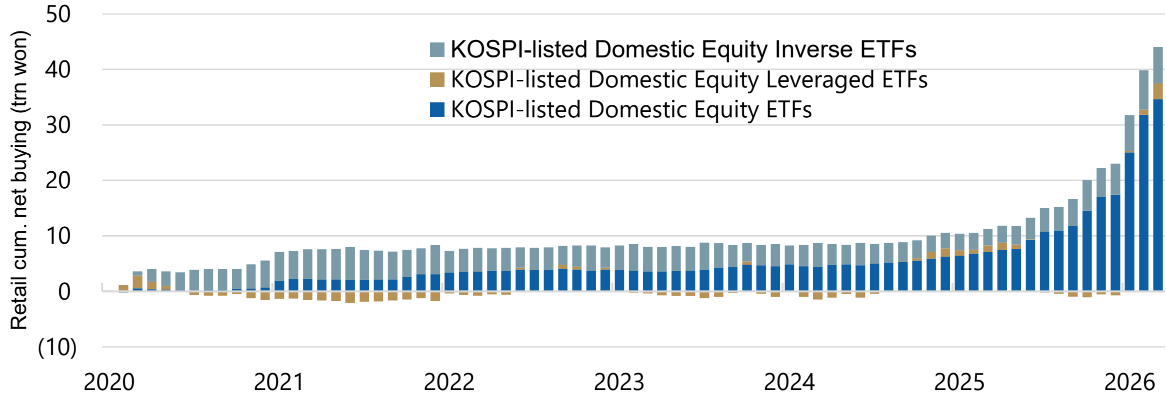


Source: MSCI

Korean equities similarly performed strongly over the quarter (+16.5% in USD) but experienced the most dramatic intra-quarter swings of any major market. After returning 100%, including dividends, in 2025, the market moved higher, gaining more than 50% in the first two months of the year. The engine driving the market higher was Samsung Electronics and SK Hynix, benefitting from the ongoing AI capex boom and key suppliers of High Bandwidth Memory. The outbreak of the Iran war saw sentiment shift sharply; the market fell 25% in March, with market circuit breakers triggered (a move of more or less than 5%) over multiple days.

Rising retail share ownership and participation in the equity market have been a growing feature over the past 5 years. The roots of this shift run deep. South Korea's housing market, long the primary vehicle for household wealth accumulation, has become increasingly inaccessible for younger generations. The market's surge in 2025 drew in a cohort of younger investors who had been priced out of property, while a newer and wealthier cohort is now also entering: high-net-worth individuals previously anchored in property. Recent changes to capital gains tax have made property a less attractive asset class. Meanwhile, government tax incentives to encourage investor funds to return from offshore markets into Korea are having an effect.

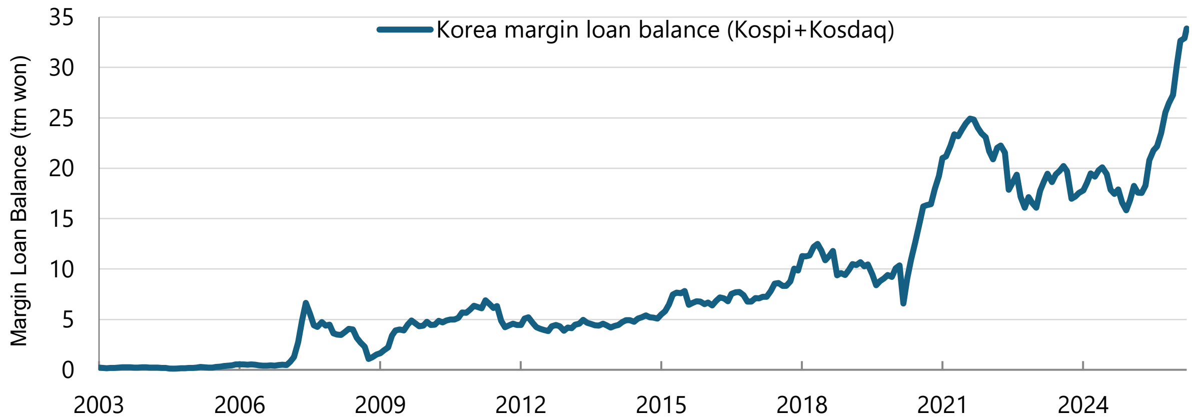
Korean investors rising prominence – retail cumulative net buying (Korean won, trn)



Source: Jefferies.

Rising retail investor participation has also brought increased leverage as investors seek to enhance returns. This development is enhancing volatility as investors are being hit with margin calls on risk-off days and seeking to increase leverage on risk-on days.

Rising leverage is driving volatility



Source: Jefferies.

As the Korean market has risen, we have been reducing the active position, and at the end of the quarter, the portfolio was modestly underweight at a country level. At a stock level, we have been taking profits in Samsung Electronics, we exited Hyundai Motor, which has performed strongly, and we rotated the proceeds into laggards, including HD Hyundai Marine Solutions, as well as LG Chem/LG Energy Solutions.

Chinese equities underperformed over the Quarter (-8.9% in USD), as slow domestic growth and the broader risk-off environment weighed on sentiment that had built up over the year. Large-cap platform stocks, including Tencent and Alibaba, de-rated over the quarter as the AI disruption narrative that unsettled US software names began to weigh on global technology platforms. This is despite management releasing investment plans to develop and monetise AI solutions, presenting an opportunity for investors willing to look past the short-term narrative.

Elsewhere, **India** was a notable underperformer over the Quarter (-18.1% in USD), weighed down by a weakening rupee, rising energy costs, and stretched valuations that left little room for error amid the global macro shock. **Indonesia** also lagged, compounded by an MSCI announcement of an interim freeze on adding Indonesian companies to its indexes due to concerns around limited corporate transparency and opaque ownership structures. **Thailand** was a modest positive exception within Southeast Asia, supported by strong export momentum and optimism following the pro-business Bhumjaithai Party's election victory, which investors hoped could end years of political instability.

Portfolio Commentary

Over the Quarter, the Antipodes Asia strategy fell in absolute terms (-3.4% in AUD), narrowly outperforming the benchmark (-3.8% in AUD). Absolute performance was driven by positioning in Korea and Taiwan, with China/HK, India and Indonesia the major detractors. On a sector basis, IT, energy and Industrials were notable contributors, while positioning in financials and communications services detracted. Detailed commentary on key contributors and detractors is outlined below.

Quarterly performance drivers

Key stock contributors to performance over the Quarter included:

- **Hyundai Motor's** share price reached an all-time high of 687,000 Korean won (KRW) in late February. One factor behind the re-rating was news of a potential IPO of investee company Boston Robotics, a leading humanoid robot developer. While at the company level, operational momentum was strong: Hyundai reported its strongest-ever first quarter in the US, delivering 205,388 units, led by exceptional growth in hybrid vehicles across its Santa Fe, Elantra and Sonata nameplates. This leadership in new energy vehicles and robotics differentiates the company from traditional automakers that have historically served as benchmarks.

- **Samsung Electronics**' returns were driven by the continued AI-led memory upcycle. The company reported a record Q4 2025 operating profit of ₩20.1 trillion (up ~209% year-on-year) as a global shortage of both conventional DRAM and high-bandwidth memory (HBM) chips drove a sharp improvement in pricing and margins. Samsung reported a 40% increase in DRAM pricing during Q4 2025, and industry data suggest DRAM contract prices rose by a further 90% during Q1 2026. While Samsung has trailed SK Hynix in HBM adoption to date, the closing of that gap, combined with its dominant position in conventional DRAM and NAND, underpinned a strong share price re-rating through January and February.

- **TSMC** was boosted by exceptional business momentum, as leading-edge wafer demand continued to outpace the company's capacity. TSMC reported Q1 2026 revenue of US$35.6 billion, a 41% year-on-year increase, with net income rising 58% year-on-year. Gross margins exceeded guidance, reflecting improved utilisation and cost control. The high-performance computing segment (which encompasses AI data centre chips) accounted for nearly two-thirds of revenue, with major customers including Nvidia, Apple, Alphabet and Amazon booking production slots months in advance. Management raised its full-year 2026 revenue growth guidance to above 30% in US dollar terms and committed US$56 billion in capital expenditure to expand advanced node capacity.

Key stock detractors to performance over the Quarter included:

- **Tencent & Alibaba** detracted over the Quarter, giving back a portion of the exceptional gains both stocks delivered over the prior 12 months (Alibaba surged ~75% and Tencent ~44%) as China's AI renaissance and a thaw in Beijing's regulatory stance drove a powerful re-rating of the sector. The pullback began as the market became concerned about the impact AI will have on software and platform companies, following earnings results that confirmed both companies remain in a deliberate phase of heavy AI investment ahead of monetisation. Front-loaded AI spending will likely weigh on near-term margins, with profit expected to grow more slowly than revenue through 2026. For Alibaba specifically, Cloud Intelligence Group revenue from external customers grew at an accelerating rate of 35% in the most recent quarter, with AI-related products delivering triple-digit growth for the tenth consecutive period, a trajectory that we believe vindicates the investment case, even as near-term earnings absorb the cost. We remain constructive on both holdings. The current period of margin compression reflects a deliberate strategic choice to build AI infrastructure at scale, and at current valuations, we believe the market is discounting that transition more than the underlying momentum warrants.

- **HDFC Bank** detracted, weighed down by a combination of macro headwinds and a company-specific governance event. India, as a large net energy importer, was disproportionately affected by the oil price spike that followed the disruption of Middle Eastern supply routes in March, with the rupee hitting a record low against the US dollar and foreign institutional investors sharply reducing their exposure to India. HDFC Bank shares fell sharply after the part-time Chairman resigned over ethics concerns, amplifying selling pressure at an inopportune moment. We view the longer-term investment case as intact. HDFC Bank remains one of India's preeminent private sector lenders, and there is material upside as the disruption of the recent merger is resolved.

Portfolio changes

Kingdee	We took advantage of the global software sell-off to buy a position in **Kingdee International Software,** a China-based enterprise software company that provides cloud-based enterprise resource planning (ERP), financial management and AI-driven business management solutions primarily to large and mid-sized Chinese corporates. Kingdee's 2025 results confirmed a fundamental inflection we had been monitoring for some time. The company delivered 12% revenue growth, swung to profitability for the first time, and generated record operating cash flow. Cloud subscription revenue grew 21% year-on-year, and the net dollar retention rate of 108% in large enterprise products signals customer stickiness. Commercial AI traction is tangible: AI contract value increased and the company relaunched as "Kingdee AI", underpinned by the release of China's first enterprise-grade AI-native portal "Xiao K". Having tracked Kingdee through recent SME spending headwinds and volatile sentiment, the recovery is now more probable, and the valuation is reasonable given the improving growth and profitability profile.
NARI 国电南瑞 NARI-TECH	We opened a position in **Nari Technology**, China's leading manufacturer of power grid automation and protection equipment. The company previously suffered due to slower-than-expected UHV approvals and central procurement concerns, but the backdrop has shifted meaningfully, with UHV project approvals accelerating and China's grid investment cycle deepening in response to both renewable integration needs and, following the Iran conflict, heightened energy security imperatives. With order intake improving and prior earnings headwinds largely absorbed, we believe the re-entry reflects a more attractive balance of earnings visibility and long-term structural growth than at the time of our exit.
CATL	We added to our position in **Contemporary Amperex Technology (CATL)**, the global leader in electric vehicle and energy storage batteries. CATL's competitive position continues to strengthen, with international market share gains, particularly in Europe, reinforcing its transition from a domestically-focused manufacturer to a truly global business. The March energy shock, which followed disruptions to Middle Eastern supply routes, served as an additional structural tailwind for electrification demand. Supply discipline across the battery industry and CATL's technology leadership position it well to benefit from improving unit economics as the cycle matures. The pullback during the Quarter provided an attractive opportunity to increase the position at a more favourable entry point relative to the long-term growth outlook.
HD HYUNDAI MARINE SOLUTION	We initiated a position in **HD Hyundai Marine Solution**, the specialised aftermarket and lifecycle service arm of the world's largest shipbuilding group, HD Hyundai. Unlike traditional shipbuilders that focus on hull construction, this entity operates a high-margin, asset-light business model centred on vessel maintenance, repair, and overhaul (MRO). While new ship orders are cyclical, the need for parts and technical services is constant and linked to the rising number of ships on the water. Moreover, rising penetration of duel-fuel engines requires higher-cost parts and more frequent services. There is also growth in the engine retrofitting business, which transforms older, more polluting ships into compliant vessels under new international regulations. The stock sold off following a strong run and a significant shareholder (KKR) selling down its stake, providing a buying opportunity to establish a position.
HYUNDAI	We exited our position in **Hyundai Motor** following a strong rally that took the stock to elevated levels relative to near-term earnings. Fourth-quarter operating profit declined ~40% as US tariffs weighed on North American margins (tariffs reduced operating profit by ₩ 1.5 trillion in the quarter alone). While the company's hybrid-led strategy and Boston Dynamics robotics optionality remain attractive, the upside was reflected in the share price following the rally.
tsmc	We trimmed our position in **Taiwan Semiconductor Manufacturing Company (TSMC)** following exceptional share price performance. TSMC's operational excellence and structural positioning as the world's indispensable advanced semiconductor foundry remain unrivalled, and we remain constructive on the holding. The trim is a function of portfolio management rather than any change in our view of the business, with proceeds partially redeployed into positions offering a more attractive near-term risk-reward.
贝壳	We exited our position in **KE Holdings**, China's leading integrated online and offline real estate platform. Having benefited from the stimulus-driven rally through early 2025, the fundamental recovery in secondary housing transaction volumes proved slower and more uneven than anticipated. This was a result of accelerating new project launches, which drew buyers toward primary transactions, weighing on the revenue growth outlook. While the company's balance sheet remains strong and its margin guidance for the year ahead was constructive, we believe the near-term earnings path offers less visibility than our other China holdings. We rotated the proceeds into positions where we have higher conviction on the timing and durability of the earnings recovery.

Further information

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