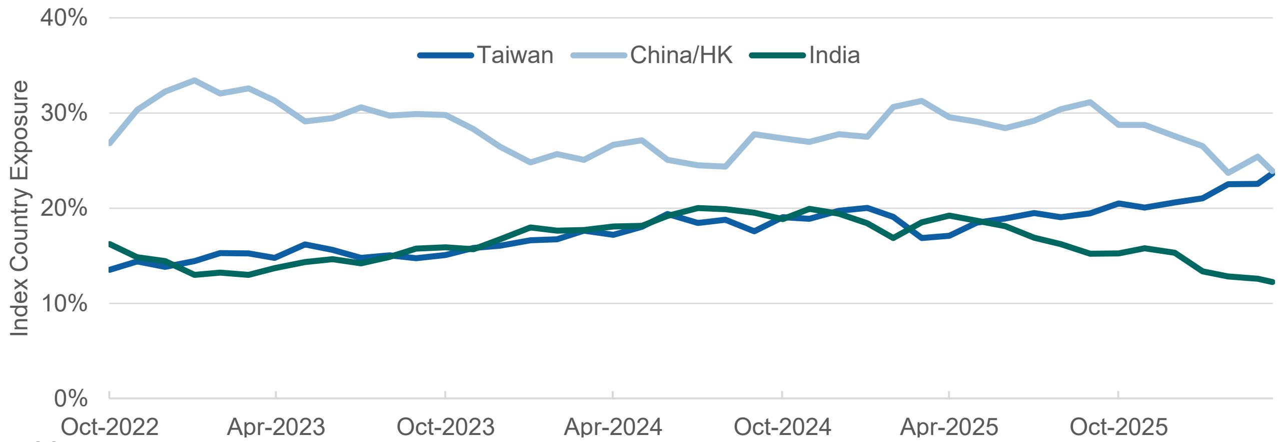
Market Commentary

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 China fund outperformed the index by 3.2%, although fell -8.1% in absolute terms in Q1.

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

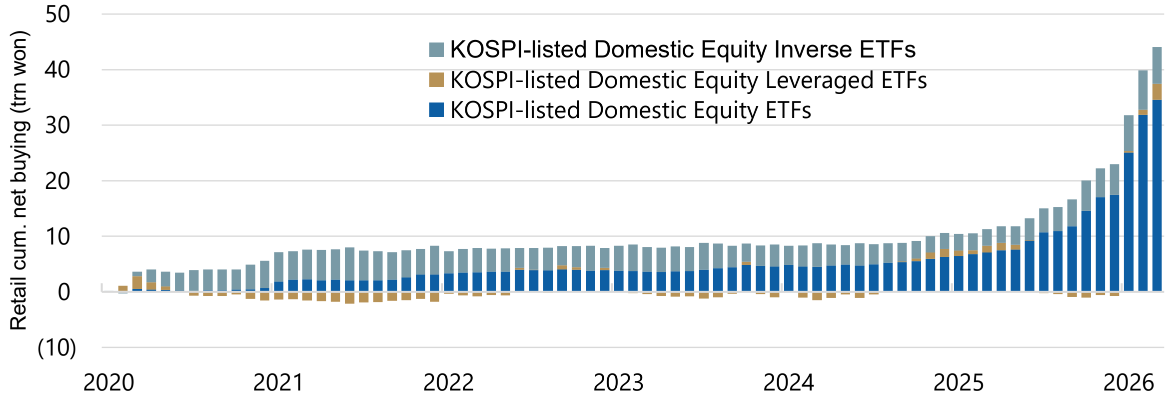


Source: MSCI

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.

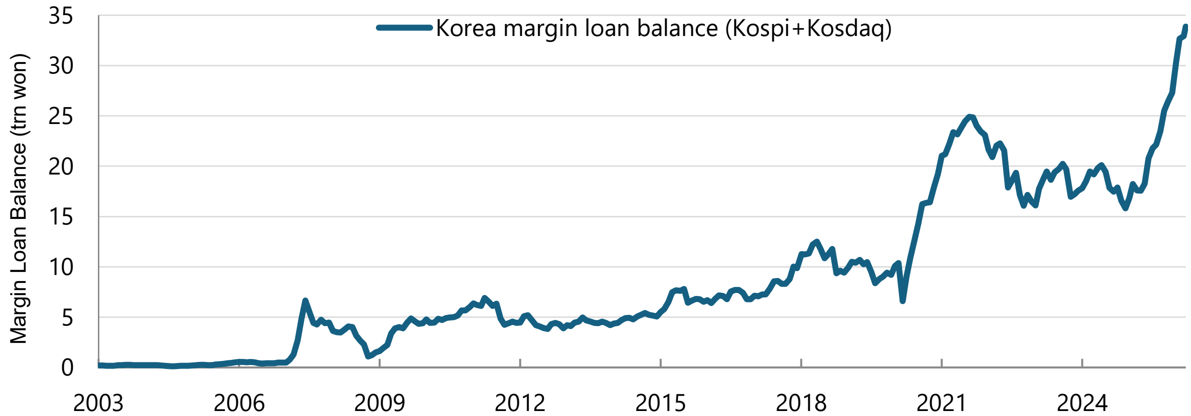
Korean investors rising prominence – retail cumulative net buying (Korean won, trn)



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 China strategy fell in absolute terms (-8.1% in AUD), though it significantly outperformed the MSCI China benchmark (-11.3% in AUD) by 3.2%. Performance was supported by positioning in industrials and energy, while positioning in consumer discretionary and communication services sectors were the key detractors. Detailed commentary on key contributors and detractors is outlined below.

Quarterly performance drivers

Key stock contributors to performance over the Quarter included:

- **Henan Pinggao Electric** benefitted from the acceleration of China's ultra-high voltage (UHV) grid investment cycle. As a specialist manufacturer of high and ultrahigh voltage switchgear (the critical components deployed at UHV substations), Pinggao sits squarely in the path of this structural spending wave. The March energy shock amplified China's focus on domestic energy security, providing an additional tailwind for grid investment sentiment. We expect Pinggao's upcoming earnings report to confirm improved order intake momentum.
- **Sieyuan Electric Co Ltd** benefitted from the same structural grid investment tailwinds driving Pinggao. Sieyuan reported strong 2025 full-year results, with revenue and net profit growing strongly given the opportunities arising from China's new-type power system and active international expansion. The company's growing overseas footprint, including recently secured energy storage contracts in Romania and Oman, reinforces a thesis that extends well beyond domestic grid capex. We believe Sieyuan's combination of UHV exposure domestically and growing international energy storage presence positions it as one of the more compelling structural beneficiaries within China's power equipment sector.
- **CATL’s** share price reached record highs as the investment case continues to strengthen. The March energy shock amplified the structural case for electrification, accelerating EV and energy storage demand beyond what the market had been pricing. CATL's Q1 2026 results (reported after quarter-end) confirmed exceptional operational momentum, with revenue and net profit both materially beating analyst expectations. Domestic EV battery market share crossed 50% for the first time in five years, and energy storage systems (which carry higher margins than EV cells) grew to represent roughly a quarter of cell shipments. We continue to see technology leadership, improving margins, and accelerating international market share as a compelling long-term opportunity.

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.
- **Kingdee International Software Group** gave back a portion of its exceptional 2025 gains as sentiment towards Chinese technology stocks softened following the geopolitical shock in March. The pullback was primarily sentiment-driven rather than fundamental. The underlying business continued to strengthen, with full-year 2025 results confirming revenue growth, a swing to profitability, and strong momentum in cloud subscriptions. Q1 2026 operational data showed subscription annual recurring revenue and AI suite contract value both tracking ahead of internal targets. The market’s confidence in the recovery is slowly growing.
- **DiDi Global** detracted as Q4 2025 results (released in March) revealed a swing back to a net loss, driven by accelerating international expansion costs and intensifying competition from Meituan in key overseas markets. The broader risk-off sell-off in March compounded the pressure. Our thesis remains centred on DiDi's dominant position in China's ride-hailing market and the longer-term potential for a Hong Kong relisting to narrow the structural valuation discount. We are monitoring international losses closely.

Portfolio changes

Kingdee	We took advantage of the global software sell-off to re-enter 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.
腾讯 Tencent	We added to our position in **Tencent** over the Quarter. The platform's monetisation opportunity from the WeChat ecosystem remains significantly underdeveloped relative to Western peers, and AI integration across advertising, gaming, and cloud is beginning to translate into tangible revenue acceleration. The pullback in Tencent's share price in March, driven by broader risk-off selling rather than any deterioration in fundamentals, provided an attractive opportunity to increase the position at a more favourable entry level. We believe the market continues to underappreciate Tencent's durable competitive position, its leverage to a consumer-led recovery in China, and the accelerating monetisation of its AI investments.
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. Regular readers will recall that we exited in Q2 2025 due to slower-than-expected UHV approvals and central procurement concerns. The backdrop has shifted meaningfully since then, 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 **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.
HONGFA	We exited our position in **Hongfa Technology**, a leading Chinese manufacturer of relays used in automotive, new energy, and industrial applications. The position had performed well as EV penetration and energy storage demand drove strong relay volumes. Following the share price appreciation, and with the near-term earnings outlook becoming less differentiated amid broader new energy supply chain normalisation, we concluded the upside relative to alternatives was insufficient to maintain the position.
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.
河南平高电气股份有限公司	We trimmed our position in **Henan Pinggao Electric** following strong share price appreciation over the Quarter. The structural thesis around China's UHV grid investment cycle remains intact, and we retain a meaningful position. The trim reflects disciplined position sizing following outperformance, and we continue to view Pinggao as one of the more direct and attractively valued ways to access China's multi-year power infrastructure build-out.

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