Market Commentary

The first quarter of 2026 (the Quarter) proved to be one of the most volatile in recent years, as markets navigated a succession of powerful cross currents. Early optimism around AI-driven earnings growth, SaaS disruption and continued ex-US equity rotation quickly gave way to a historic energy shock as coordinated US-Israeli strikes on Iran at the end of February triggered the effective closure of the Strait of Hormuz, through which approximately 20% of the world's oil supply transits.

Global equities finished the Quarter lower (-3.2% in USD), as stocks and bonds sold off globally on rising inflation fears. Small-Mid cap companies however outperformed broader global equities over the Quarter (0.3% in USD). Commodities were the standout performer with value stocks significantly outperforming growth stocks as the rotation away from mega-cap technology accelerated. The US dollar finished the Quarter stronger, reversing the weakness of prior months on safe-haven and petro-dollar demand.

US equities underperformed (-4.6% in USD) in the worst quarterly decline since Q3 2022. Technology stocks had already struggled earlier in the Quarter as investors grew concerned that advancing AI capabilities would threaten the software-as-a-service (SaaS) model, with US software stocks declining from January through late February. The energy shock compounded these pressures. The Federal Open Market Committee (FOMC) left rates unchanged at its March meeting, maintaining its outlook for one cut in 2026 — a stark contrast to the rate cuts markets had been pricing at the start of the year — as the Fed navigated the challenge of rising energy-driven inflation against a softening labour market.

European equities declined (-2.8% in USD), as the energy shock revived concerns about the region's growth outlook and the European Central Bank signalled increasing openness to rate hikes. The UK was an exception, with the FTSE All-Share delivering positive returns supported by its commodity tilt and the tailwind of a weaker sterling for large-cap exporters.

Asian equities were mixed over the Quarter. Japanese equities finished higher over the Quarter (1.4% in USD), supported by yen weakness and the tailwind from Prime Minister Sanae Takaichi's historic snap election victory in February. Emerging Markets (-0.2% in USD) outperformed developed markets despite being significantly challenged by the Middle East conflict, with positive AI sentiment supporting Taiwanese and Korean stocks earlier in the period before giving back gains as energy import risk came into focus.

Elsewhere, Brent Crude surged over the Quarter (+70.9% in USD) as the Strait of Hormuz closure drove the largest quarterly oil price increase on an inflation-adjusted basis in nearly four decades. Gold finished lower, declining from January's all-time highs as rising bond yields weighed on the non-yielding metal. The US Dollar finished higher.

Portfolio Commentary

Over the Quarter, the Antipodes Global SMID Fund (the Fund) returned -2.7%, marginally underperforming the MSCI ACWI SMID ND AUD (the Benchmark), which delivered -2.4%. For the 12-months to March 2026, the Fund returned 25.8%, delivering 15.2% benchmark relative alpha. Since its inception in November 2022, the Fund has generated 25.7% p.a., delivering 14.1% p.a. outperformance relative to the Benchmark. (Performance quoted net of fees, in AUD)

Performance drivers over the Quarter were broadly diversified. Portfolio performance was positively driven by positioning in Brazil, Western Europe (Netherlands and Germany) and the US (US & Canada), with positioning in the UK and Japan the key detractors. Sector performance was broad-based, with 6/11 GICS sectors contributing positively over the Quarter, led by stock selection in industrials and energy, with stock selection in information technology and overweight positioning in financials detracting over the period.

We see three global event risks where the market is too complacent, each of which has informed positioning.

- First, protraction and/or regional escalation of the Iran conflict and Strait of Hormuz disruption. A sustained closure would create simultaneous supply shocks across energy, chemicals and agriculture where inventories are already lean.
- Second, private credit contagion. Rapid growth to over US1.7 trillion has occurred alongside loose underwriting, and refinancing walls are approaching while base rates remain elevated. Mark-to-market losses would hit companies reliant on credit and capital markets hardest, reinforcing our preference for self-funded businesses with strong balance sheets.
- Third, AI workforce displacement. The shift from conversational AI to agentic systems capable of executing real tasks is accelerating faster than the market appreciates. This creates downside risk for employment-sensitive consumer businesses and upside for companies enabling or benefiting from agentic deployment.

Over the Quarter, we made the following portfolio rotations aimed at enhancing the expected return, and lowering the risk profile, of the Fund. These include:

- Continuing to look favourably on defensive assets. Per prior commentary, this is a multi-quarter shift that continues to shape the portfolio. We have over 37%, from 35% at the end of Q4, of the portfolio invested in what we see as firmly defensive asset classes to protect capital against bullish market expectations and create room to deploy capital into faster-growing or cyclically attractive areas on any market pullbacks.

- Broadly moved towards tangible assets. The combined weight of materials (including precious), energy, infrastructure and real estate is now 38% providing a mix of macro cyclicality (energy and materials) and defensiveness (precious, infrastructure and real estate) but importantly broad defensiveness from AI driven industry change and still high expected returns. The largest names in this space are Brookdale (senior living), IWG (office coworking), Valaris (drill rigs), Pakuwon (lifestyle shopping centres), Sabesp (water utility) and Fortum (Hydro and Nuclear utility) which have defendable business models, exciting idiosyncratic change stories and attractive valuations.

- The Fund materially increased software exposure and sold semiconductor stocks through January; positioning that would go on to detract over the remainder of the Quarter. Software names sold off sharply in late January and early February as Claude Cowork and Openclaw adoption highlighted a material change in industry risk from AI LLMs 1.0 towards agent systems that can actually complete work and tasks increasingly well.

    - Information technology was the standout GICS sector detractor, with stock selection in the sector costing close to 5% of alpha over the Quarter, nearly entirely driven by selection rather than allocation. Given the Fund underperformed the Benchmark by only 0.3% for the Quarter underscores the breadth of alpha generation across the remaining sectors.
    - The rapidly changing software industry outlook and ensuing refreshed research resulted in a material pivot to agentic software names in the portfolio.
    - Software exposure was trimmed from peak levels; however, total software weight remains similar to the start of the Quarter and remains the majority of our IT exposure. We are now well underweight semiconductor stocks and underweight IT overall vs GICS benchmark weight (Fund 10.4% vs Bench 12.7% and Fund ~15% at the end of 4Q25).
    - There was ~7% of NAV name turnover within software to agentic vertical winners like Bandwidth and Navan, whilst we have also continued to add to Serko. Names like Monday.com, Similarweb, Braze, GitLab, Kingsoft and Magnite were exited at low multiples but with widening margin of error in how the future looks.

  - These names tend to be workflow driven names where we had accurately considered AI would be best placed to enhance such workflow. We are confident that some of these companies will do well in future, by capturing revenue from that AI enhanced workflow, but we have adopted a risk first mindset against the widening margin of error that it is LLMs and others that are the primary workflow access points and value capture points.
  - Outside software, we also re-underwrote and generally leaned into software like companies that serve the consumer and we see as agentic winners; companies including Chime Financial, Roku, Instacart and Didi. An agentic world as base case framework was also applied broadly across the portfolio. We believe in the shift to agent-based software, and that we are early in the shift.
  - It's our process to be contrarian in situations where we have a reasonable degree of confidence that we are right. That mindset, backed by industry research, has driven fund returns to date. We continue to be willing to lean into what we view as parts of the market oversold for the wrong reasons. By mid-February updated research indicated we had been wrong to do so in this instance, and that many software names well placed for an agentic world had also been wrongly caught up in the selloff. Hence the material reshuffle of what we own within the software opportunity set. We think the shift keeps high forward return but lowers the risk of ongoing error.

- The escalation of the Iran conflict has brought Strait of Hormuz disruption risk squarely into focus. Roughly 20% of global LNG trade, a significant share of ammonia and urea exports, and a meaningful portion of global crude supply transit the strait. We believe the market is underpricing the duration and severity of this changing landscape, and the portfolio is positioned accordingly.
  - We added Seadrill alongside existing holding Valaris to deepen exposure to the deepwater drilling cycle, where rig supply remains structurally constrained and where incremental barrels must come from as onshore US shale production growth decelerates a thesis we have been discussing here since mid-2025.
  - We initiated a position in LSB Industries, a US-based nitrogen fertiliser producer whose earnings are materially leveraged to natural gas-based fertiliser pricing and would be a direct beneficiary of any sustained disruption to Middle Eastern ammonia and urea flows.
  - We also added LG Chem, whose subsidiary LG Energy Solution is a leading lithium battery provider for electric vehicles and energy storage, two end markets that have an outlook permanently improved by the conflict, regardless of what happens from here.

Geographically we added to North America taking the weight to 44.7% from 42.5%, vs a benchmark of 56.3%. Western Europe positioning was flat at 23.3% (prior 23.2% and BM 14.6%) whilst ROW exposure decreased to 27.5% from 31.7%, mainly driven by reduced exposure to Asia and Emerging markets especially China which is now 2.5% of the fund vs 13.4% 12 months ago as we exited many stocks due to stocks hitting price targets.

Detailed commentary on key contributors, detractors and portfolio changes are outlined below.

Quarterly performance drivers

Key stock contributors to performance over the Quarter included:

- Offshore drilling operator **Valaris** surged over the Quarter after Transocean announced a US$5.8bn all-stock acquisition of the company, offering shareholders a ~31.6 % premium and creating the world's largest offshore drilling contractor with a significantly expanded fleet and backlog. The deal reinforced expectations of stronger pricing power and industry consolidation as offshore drilling demand improves.
- **CSG,** one of Europe's largest ammunition producers, rallied 31% after completing their initial public offering ("IPO") raising €750m. The Fund participated in the IPO process given the offering price implied a steep valuation discount to its European defence peers with significantly slower growth profiles. The fund has since exited the stock on concerns that ammunition pricing may fall as capacity additions materialise.
- **Brookdale Senior Living** rose strongly as improving operations met positive financial developments. Higher occupancy rates and a substantial $600 million refinancing alleviated near-term liquidity overhangs, while management's upbeat 2026 guidance, including revisions to projected growth and elevated adjusted EBITDA estimates, reinforced confidence in the company's turnaround. With the company returning to positive free cash flow and receiving several broker upgrades, the stock finished the Quarter ~26% higher.
- **Navan,** the world's largest vertically integrated travel management company ("TMC") rallied 43% after reporting strong 4Q25 results, beating consensus revenue estimates by more than 10% and guiding FY26 materially ahead of consensus expectations. This result confirmed the view that their tech-native, agentic services will lead to accelerating share gains within the global US$1.6bn managed travel market and is an early win for the pivot to agentic software names.

Key stock detractors to performance over the Quarter included:

- **monday.com** the cloud-based work management platform, declined sharply over the Quarter after management withdrew its 2027 financial targets and issued 2026 revenue guidance approximately $40 million below the $1.5 billion threshold it had publicly committed to at its September 2025 Investor Day. The shortfall was driven by deterioration in the company's no-touch SMB channel, where Google search algorithm changes reduced organic traffic and increased customer acquisition costs, headwinds management confirmed it expects to persist throughout 2026. The fund has since exited this position.
- **International Workplace Group**, the world's largest flexible workspace provider was caught up in the broader market sell off, as it increases its authorised buyback to $100m and reported in-line 4Q25 results. Investor concerns centred around AI driven office worker job losses. In Antipodes view, the positive AI offset, that corporations will be less likely to want to enter multi year lease arrangements in that backdrop, is more material than the negative. The fund used this sell-off to add to the position.
- **Serko,** the New Zealand-based corporate travel technology company that powers Booking.com for Business saw its stock decline amongst the broader SaaS sell-off. This sell-off is broadly driven by AI fear and the war in Iran being negative for corporate travel rather than any specific new company level negatives. We recently attended the company's Investor Day in New Zealand as they demonstrated a new LLM-based corporate travel tool that is truly agentic and will replace traditional SaaS booking tools. We are of the view that Serko will be a share-gainer in the US, a market that is multiples the size of their core in Australia/New Zealand.
- Japanese cloud accounting software vendor **Freee KK,** performed weakly due to concerns of AI disrupting seat-based SaaS and weaker FY25 profitability than anticipated due to marketing and AI investments. We continue to hold the position as we believe Freee's deeply integrated platform — spanning accounting, HR, payroll, invoicing, and tax filing, combined with its Japan-specific regulatory expertise, positions it as the system of record that AI agents will work within rather than replace.

Portfolio changes

bandwidth	The Fund is looking for agentic winners and over the Quarter started a position in **Bandwidth**, which operates one of only a handful of privately-owned carrier-grade IP networks in the US. It provides the underlying phone connectivity to PSTN networks for virtually every major cloud communications platform including Microsoft Teams and Zoom. Carrier-grade IP networks are historically no-growth and are priced as such, but we see AI-powered voice as a structural growth driver: every AI agent call must pass through a network like Bandwidth's network. Salesforce is using them for their new Agentforce Contact Center solution, which is an agentic first solution. Their AI focused Maestro platform enables additional services that generate 3-4x the revenue of a standard voice call for an agent call. It trades on 10x 2026 P/E and we anticipate topline growth will accelerate to well into the double digits
navan	The Fund started a position in **Navan,** the world's largest tech native vertically integrated travel management company ("TMC"). Unlike traditional TMCs that rely on third-party booking tools, Navan builds its own technology in-house, delivering a superior customer experience that is driving accelerating share gains within the global $1.6 billion corporate managed travel market. We see further upside from the recent launch of an agentic AI product that manages business trips end-to-end from a simple chat interface with all your historical user and firm data as context for the agents. 11x our estimated FY28 P/E.
LSB	We also initiated a position in **LSB Industries**, a US-based nitrogen fertiliser producer. LSB manufactures ammonia, ammonium nitrate and UAN, and benefits from first-quartile cash costs thanks to its access to abundant, low-cost US natural gas. Following the escalation of the Iran–US conflict, an estimated 20-30% or more of global nitrogen fertiliser capacity that typically flows through the Strait of Hormuz has been disrupted, tightening supply and supporting materially higher prices which LSB is well positioned to capture. It is a great portfolio hedge if the conflict continues trading at a 4x P/E at spot prices, which keep steadily rising.
marimaca	We entered a position in **Marimaca Copper**, a Chilean copper developer. The company's flagship MOD project is at an advanced stage and, in our view, partially reflected in the current share price. Our conviction centres on Pampa Medina, an earlier-stage project where recent exploration drilling has returned encouraging results suggesting the resource could be significantly larger than the market currently expects. A successful delineation of Pampa Medina resource in line with our resource model could unlock meaningful upside to the equity. We added to positions in **Nickel Industries** and **Centaurus Metals** as preferred nickel plays following the exit of Eramet. We gave reasons why we like the Nickel story last quarter.
LG Chem	Similarly, **LG Chem** was added to the portfolio, a Korean chemicals and advanced materials conglomerate. LG Chem's 79.4% stake in listed subsidiary LG Energy Solution (LGES), one of the world's leading lithium-ion battery producers, is worth more than LG Chem's own market capitalisation — meaning the market is effectively assigning negative value to its petrochemical, cathode and life sciences businesses. At current prices, investors gain exposure to LGES, which can become the largest US battery producer, at a significant discount while receiving free optionality on a recovery in the petrochemical cycle and Korean access to oil.
chime	The Fund added to the existing position in **Chime Financial**, the largest digital-first consumer banking platform in the US following a derating in the first Quarter. We remain attracted to the company's member-aligned model, where revenue is driven primarily by interchange on card spending rather than punitive fees and uncompetitive loan and deposit pricing, creating strong retention and engagement. 9x our 2028 PE.
eramet Century ALUMINUM	We exited French nickel and manganese miner **Eramet** following a ~60% rally in the stock on the back of a declaration of nickel mining permit cuts, which increased the value of their mined ore. Similarly, we exited US-based **Century Aluminium** following significant appreciation of the stock as our thesis played out and they announced of the sale of their idled 482MW smelter facility to a bitcoin miner. We also exited Stanmore Resources as the stock hit fair value at mid cycle coking coal prices.

	We exited positions in software companies **Monday.com, Braze, Similarweb, Kingsoft, Magnite** and **Gitlab** despite their attractive valuations and broad weakness from our entry prices on concerns that agentic AI can disrupt their traditional seat-based SaaS models. We either do not anticipate these firms will be winners, or are unclear if they are winners, as a transition to an agentic platform may require cannibalisation of their core businesses and profit models. The rapidly changing landscape has caused us to shift more to agentic software.
	We exited and subsequently re-entered **Power Solutions International** and **Ayala Land** at lower prices during the Quarter. Power Solutions assembles and produces diesel and gas engines which are in higher demand for data centre buildout and is 10x our 2026 estimated earnings despite a strong growth profile. Ayala Land trades at an 80% discount to our assessment of fair value of its real estate assets because a large part of their rental assets are office buildings for Filipino customer service workers however we see the majority of the value long term value in an impossible to replicate residential landbank that is primarily in and around Manilla.

Further information

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Unless otherwise specified, all amounts are in Australian Dollars (AUD). Options exposure represents the market downside. For put options (typically used to limit potential downside) delta-adjusted exposure is used and for call options (typically used to capture potential upside) exposure is calculated using the current option value.