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 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. 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

The Antipodes Global Value (Hedged) strategy (the Strategy) strongly outperformed the MSCI All Country World Index (100% Hedged to AUD) over the Quarter and significantly outperformed the benchmark over the 12 months to 31 March 2026.

Portfolio performance was led by exposures in North America (US), Western Europe (Germany, France and Italy) and Latin America (Brazil). Canada and the UK were the most notable detractors. On a sector basis, performance was led by consumer discretionary, energy and healthcare exposures whilst positioning in financials, real estate and information technology detracted.

The portfolio maintains a defensive ballast against a wide range of outcomes, and over the quarter defensive exposures were increased, via healthcare, infrastructure and consumer staples, whilst gold exposure was trimmed.
Cyclical exposures were largely unchanged albeit rotated over the quarter, trimming financials and increasing exposure to energy/process companies – namely adding to existing positions in the energy sector. The portfolio increased exposure to structural investment trends, adding to digitisation, namely connectivity/compute exposure, and selectively adding to software, whilst moderately trimming energy transition exposure. Regionally, exposure to North America increased marginally, European exposure was unchanged, and Developed Asia (Korea & Japan) was trimmed against strength.

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

Quarterly performance drivers

Key stock contributors to performance over the Quarter included:

- **Hyundai Motor** rallied to record highs during the Quarter, driven by growing investor enthusiasm for its AI and robotics strategy, including its Boston Dynamics/Atlas humanoid robot showcase and potential further collaboration with NVIDIA. Performance was further supported by Hyundai's signing of a memorandum of understanding with the South Korean government to invest approximately KRW 9 trillion (approximately A$10 billion) to establish an innovation hub in Gunsan, anchored by AI, robotics, and hydrogen energy capabilities.

- **TotalEnergies** surged higher towards the end of the Quarter supported by volatile and elevated oil prices, which lifted earnings expectations and cash flow outlook. Heightened geopolitical tensions drove sharp swings in Brent Crude, benefiting integrated energy producers with strong upstream leverage. The rally was reinforced by solid CY25 results and constructive 2026 guidance, including expected production growth, rising LNG volumes and continued expansion in integrated power, which further underpinned investor confidence.

- Offshore drilling operator **Valaris** surged over the quarter after Transocean announced a US$5.8 billion all-stock acquisition of the company, offering shareholders a ~32 % 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.

- Electronics testing company **Keysight Technologies** pushed higher following a Q1 FY26 earnings beat and raised outlook. The company reported revenue and EPS exceeding forecasts, demonstrating accelerating demand across communications, aerospace/defence and semiconductor testing markets. Results were supported by strong order growth (~22 % year-on-year) and improving backlog, which led to an uplift in earnings expectations. Management highlighted structural drivers including AI infrastructure, next-generation connectivity and defence modernisation as key tailwinds.

Key stock detractors to performance over the Quarter included:

- **Microsoft** saw a sharp correction amid the broader software sector selloff. Despite reporting strong Q2 earnings, elevated AI-related capital spending and concerns about potentially decelerating cloud growth and near-term monetisation weighed on investor sentiment.

- **Capital One Financial** underperformed amid a risk-off environment for financials, with the stock pressured by regulatory overhang. Early in January 2026, President Trump called for a one-year cap on US credit card interest rates at 10%, a move that could reshape the economics for major card issuers by limiting interest income and potentially tightening lending standards. The materiality of Trump's call depends on Congressional approval and any subsequent implementation by lenders adjusting credit standards. At a company level, Capital One reported mixed Q4-25 results with resilient top-line trends, but near-term margin and credit headwinds.

- **Salesforce** finished lower amid sector-wide software sell-off driven by intensifying fears that rapid AI evolution could disrupt traditional enterprise software models and valuations. Salesforce continues to demonstrate robust fundamentals, and we estimate earnings can continue to grow at 14% year-on-year, driven by the momentum of its recently deployed autonomous AI agent platform, Agentforce.

Portfolio changes

	Walt Disney (Entry): The market is extrapolating the structural decline of linear TV across the whole business, ignoring two segments performing strongly. Disney's streaming segment posted operating income of US$450 million in fiscal Q1 2026, up 72% year-over-year, while the Experiences segment generated record quarterly revenue of US$10 billion, alongside US$3.3 billion in operating income. We believe there is a meaningful valuation gap that should close once the margin inflection becomes visible in FY26. ESPN's direct-to-consumer transition provides additional optionality that the market is currently discounting, and a US$7 billion share buyback (roughly 3.8% of shares) for FY2026 signals management confidence in the undervaluation.
	NVIDIA (Entry): The opportunity in NVIDIA has been created from the market's extrapolation of near-term AI uncertainty, despite a structural demand inflection for the world's dominant AI infrastructure provider. On our estimates NVDA trades on a 2027 multiple of 13x. Management now guides at least $1 trillion in AI infrastructure demand through 2027 — double the $500bn signalled twelve months ago — and frames this as a floor with NVDA the main beneficiary underpinned by the CUDA installed base. Revenue is also diversifying beyond hyperscalers, with sovereign clouds, enterprise, and robotics growing while the SaaS-to-agentic transition represents a further enterprise IT monetisation opportunity.
	China Resources Beer (Entry): We started a position in China's dominant beer producer, at ~13x 2026 earnings, a valuation we believe materially underestimates the earnings trajectory. The investment case rests on three drivers: premiumisation (Heineken's ~20% volume growth in 2025 confirms the "drink less, drink better" trend is structural); operational efficiency (CR Beer's capacity rationalisation and cost discipline are driving meaningful margin expansion); and shareholder returns (dividend per share up 34%, with a ~70% payout ratio targeted over the next three years). Early 2026 data supports the thesis, with the company reporting positive volume and average selling price growth in the first two months of the year.
	Fujifilm Holdings Corp (Entry): One of the most compelling transformation stories in global markets. Healthcare sales exceeded ¥1 trillion for the first time, and the biologics CDMO business delivered 26% year-over-year sales growth in H1 FY2025, supported by major capacity additions in Denmark and North Carolina. FY2025 was reported as record high net income for the fifth consecutive year, with group operating profit margins exceeding 10% for the first time. Despite this, the stock trades at a material discount to life sciences peers, with the market continuing to anchor to the legacy film and imaging heritage**.**
	Infineon (Entry): A power semiconductor leader at the intersection of electrification, software-defined vehicles, and AI- data centre power infrastructure. Infineon holds ~13.5% market share in automotive semiconductors, but is the clear number one in automotive and power semiconductors globally. The company is leveraging this leadership position into the rapidly scaling AI data centre opportunity, with revenues rising from ~€700 million in FY2025 towards €2.5 billion in FY2027 based on known design wins. Automotive market caution has kept the stock under pressure while a growing portion of earnings is shifting toward secular AI infrastructure demand.
	Hyundai Motor (Exit):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 won in the quarter alone). While the company's hybrid-led strategy and Boston Dynamics robotics optionality remain attractive, the near-term earnings outlook is uncertain given trade policy headwinds, and we began to trim into strength to manage position size and eventually exited over the Quarter.
	China XD Electric (Exit): We exited our position in China XD Electric, the Chinese power transmission equipment manufacturer. The stock had risen ~145% from its June 2025 lows, driven by strong order flow from China's ultra-high-voltage grid expansion programme and growing international demand for power grid equipment. While the structural demand story for power grid investment in China and emerging markets remains intact, we exited after the significant re-rating to reallocate capital to more attractively priced opportunities.
	Daikin (Exit): We trimmed our position in Daikin, the Japanese HVAC leader. While the company's long-term structural positioning in data centre cooling capabilities and leadership in energy-efficient air conditioning remains compelling, the near-term operating environment has been challenging. Daikin's Q3 operating profit declined 15% year on year, materially below consensus expectations, driven primarily by weaker residential demand in North America and soft sales across Asia. In response, management is accelerating cost reduction initiatives and restructuring efforts. The medium-term plan is expected to provide clarity on margin recovery and capital allocation priorities.

Further information

1300 010 311

invest@antipodes.com

Australia Head Office
Antipodes Partners Limited
Level 25, Australia Square Tower
264 George St
Sydney NSW 2000
Australia

UK Office
Antipodes Partners (UK) Limited
Suite 823, 125 Old Broad Street London
EC2N 1AR United Kingdom

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.