Market Commentary

The second quarter of 2026 saw Asian equity markets deliver exceptional returns as the resolution of the US-Iran conflict removed the energy price headwind that had weighed heavily on energy-importing Asian economies throughout Q1, while the AI semiconductor supercycle accelerated to historically unprecedented levels. The MSCI AC Asia ex Japan Index returned +27.7% in USD and +26.3% in AUD for the quarter. The Fund returned +15.1% in AUD, a strong absolute outcome in a quarter where the benchmark's extraordinary performance was concentrated in Korea and Taiwan, where the Fund's underweight positions relative to the semiconductor-heavy index composition proved the primary headwind to relative returns.

The Q1 energy shock narrative fully reversed in Q2. The ceasefire and Strait of Hormuz reopening unlocked recoveries in precisely the markets that had been hardest hit by energy import risk in Q1 – Korea and Taiwan - and the AI memory cycle drove returns of a scale rarely seen in modern market history. SK Hynix reported its strongest-ever quarterly results, with revenue of 52.6 trillion won up 198% year-on-year, operating profit up 405% year-on-year, and an operating margin of 72% - a new all-time record for the semiconductor manufacturing industry. TSMC reported Q1 2026 revenue of $35.9 billion, up 40.6% year-on-year, with high-performance computing - which encompasses AI data centre chips - accounting for 61% of wafer revenue, guided Q2 revenue of $39-40.2 billion reflecting 10% sequential growth, and forecast full-year 2026 USD revenue growth exceeding 30%, with manufacturing capacity described as sold out through the foreseeable future. DRAM contract prices rose 90-95% in Q1 and a further 58-63% in Q2, creating the strongest memory price cycle in a decade and directly powering MSCI Korea to +87.6% and MSCI Taiwan to +48.9% in AUD for the quarter.

China was the significant exception to the broadly constructive picture. Offshore China lagged materially, with the MSCI China down meaningfully year-to-date, while the CSI 300 made new highs. This divergence reflects structural differences rather than positioning alone: onshore indices benefit from industrial upgrading, hardware technology, power equipment and policy-linked manufacturing, while offshore China remains exposed to internet platforms, consumption, financials and property. Alibaba's Cloud Intelligence Group revenue grew 38% year-on-year with AI-related products achieving triple-digit growth for the eleventh consecutive quarter, yet adjusted EBITA fell 84% as aggressive AI infrastructure investment compressed margins ahead of monetisation. Tencent faced similar dynamics, with heavy AI investment front-loading margin pressure. The market's verdict was clear: it rewarded hardware and penalised front-loaded platform investment.

India delivered a positive quarter following a deeply negative Q1, recovering as the energy import headwind dissipated. Indian equities had faced a challenging first half overall, weighed down by the Iran conflict, elevated crude prices and sustained foreign institutional investor selling, though the correction was widely assessed as externally driven rather than reflecting any deterioration in India's earnings fundamentals. The rupee stabilised as oil prices fell and foreign investors selectively re-engaged. Indonesia remained under pressure, extending a difficult period as weak commodity prices and governance concerns continued to weigh.

Currency dynamics were a meaningful attribution factor throughout the quarter. In local currency terms, developed and emerging Asian markets returned nearly identically in June at -0.1% each, with the gap in USD returns reflecting dollar appreciation against Asian currencies rather than any differential in equity market performance. For Australian investors, the AUD's depreciation against the USD in June - approximately 3.9% - added a further layer, converting a negative USD month into a positive AUD outcome across most Asian indices. Over the full quarter, the currency contribution was broadly neutral for AUD-based investors, with the AUD's various monthly moves against the USD largely offsetting across the three-month period, meaning underlying equity market performance was the primary driver of full-quarter returns.

Portfolio Commentary

The Antipodes Asia Fund returned +15.1% in AUD for the three months to 30 June 2026, against a benchmark (MSCI AC Asia ex Japan Index) return of +26.3% in AUD over the same period, underperforming by 11.2%. For the 12 months to 30 June 2026, the Fund returned +23.8% in AUD against a benchmark return of +40.1% in AUD.

Sector positioning in IT was the primary driver of relative performance for the quarter, though in a nuanced way. The Fund's exposure to Semiconductors and Semiconductor Equipment delivered strong positive absolute returns - the Fund's best-performing sub-sector in absolute terms - as the AI hardware supercycle drove extraordinary returns across the Korean and Taiwanese index heavyweights. However, given the Fund's lower-than-benchmark weighting in this sub-sector, and that index returns in Korea and Taiwan were even more concentrated and extreme than our holdings delivered, IT as a whole was a net drag on relative performance despite being the Fund's strongest contributing sector in absolute terms. Technology Hardware and Equipment holdings contributed positively in absolute terms, with names across the Asia semiconductor supply chain performing well. Consumer Discretionary was the key detractor, as China-exposed platform and consumer names sold off materially through the quarter.

Quarterly performance drivers

Key stock contributors to performance over the Quarter included:

- **Samsung Electronics (+92%).** Samsung was the Fund's largest contributor over the quarter by a wide margin, delivering returns that would have been extraordinary for any company - let alone one of the world's largest by market capitalisation. Samsung reported its strongest-ever quarterly results, with record revenue, operating profit surging to deliver record margins in its memory division, as a global shortage of both conventional DRAM and high-bandwidth memory chips drove a sharp improvement in pricing. HBM revenue more than tripled year-on-year, with Samsung supplying Nvidia's Vera Rubin platform at unit pricing of US$500-560 and gross margins exceeding 80%. Samsung stated that server memory demand is expected to remain strong into the second half of 2026 as hyperscalers accommodate enterprises' increasing AI adoption and demand for agentic AI accelerates, describing 2026 as the best year for Samsung yet. The memory supercycle is real, earnings-backed and showing no signs of near-term exhaustion.

- **TSMC (+36%)**. TSMC was the second-largest contributor, delivering strong returns backed by one of the most compelling quarterly earnings reports in the company's history. TSMC reported Q1 2026 revenue of $35.9 billion, up 40.6% year-on-year, with a gross margin of 66.2% and an operating margin of 58.1%. High-performance computing - which encompasses AI data centre chips - accounted for 61% of wafer revenue, with advanced technologies of 7nm or smaller making up 74% of total wafer revenue. May 2026 revenue came in at NT$416.98 billion, up 30.1% year-on-year, suggesting TSMC is tracking close to analyst expectations of approximately 35% quarterly growth in Q2, with AI infrastructure spending continuing to accelerate. With manufacturing capacity described as sold out through the foreseeable future, TSMC confirmed its position as the indispensable foundry of the AI era.

- **AMEC (+130%)** AMEC was a strong contributor, as China's domestic semiconductor equipment industry entered a powerful re-rating cycle. AMEC exceeded the CN Semiconductor industry's already strong return over the past year by a wide margin, driven by a combination of surging domestic demand for semiconductor fabrication equipment and the structural tailwind of US export restrictions accelerating China's self-sufficiency push. AMEC's etching and MOCVD equipment sit squarely in the path of China's accelerating investment in domestic chip production, with customers at every major Chinese foundry ramping capacity to serve both AI infrastructure and the broader domestic substitution wave. Analyst consensus for FY2026 saw earnings per share estimates revised upward, with revenue forecast at 16.9 billion yuan and net income forecast to grow 44% year-on-year.

- **ASE Technology (+105%)** ASE Technology contributed strongly as the advanced semiconductor packaging cycle accelerated. ASE reported Q1 2026 net revenues up 17.2% year-on-year with net income attributable to shareholders up 87% year-on-year, as AI-related products drove a structural shift in demand mix that muted traditional seasonality and supported sequential revenue growth even in a typically weak quarter. For Q2, ASE guided ATM revenue growth of 9-11% quarter-on-quarter with gross margins of 26-27%, as computing and AI demand continued to strengthen.

- **MediaTek (+204%)** MediaTek's return of over 200% makes it one of the strongest-performing mid-to-large cap semiconductors globally over the period. The driver was a fundamental reassessment of MediaTek's AI addressable market. MediaTek raised its 2026 AI ASIC revenue target from US$1 billion to US$2 billion, raised the 2027 cloud ASIC market forecast to US$70-80 billion, and guided that ASIC revenue would surpass smartphone revenue by 2027. MediaTek's stock gained roughly 150% year-to-date, outperforming TSMC by the widest margin since 2009, as investor rotation into the broader AI semiconductor value chain gathered pace. We exited the position during the quarter following this extraordinary re-rating - see Portfolio Changes below.

Key stock detractors to performance over the Quarter included:

- **Alibaba and** Tencent (-22% and -11%). Both names detracted as the market continued to penalise China's large offshore internet platforms for their aggressive AI infrastructure investment programmes ahead of monetisation. Alibaba's Cloud Intelligence Group revenue grew 38% year-on-year, with AI-related products achieving triple-digit growth for the eleventh consecutive quarter, yet adjusted EBITA plummeted 84% as aggressive investment compressed margins, with the consolidated adjusted EBITA margin falling to just 2% from 14% a year earlier. Tencent enterprise services grew 20% year-on-year in Q1 2026, with AI-powered marketing services outpacing China's industry growth rate, but the investment step-up weighed on operating margins. We remain constructive on both holdings. The AI commercial momentum is genuine and accelerating, and at current valuations, the market is discounting the transition more than the underlying trajectory warrants.

- **Kingdee International Software (-32).** Kingdee detracted given market-wide pessimism toward China's enterprise software sector driven by AI disruption concerns, against a backdrop of genuine fundamental improvement. Kingdee's positive H1 2026 profit alert forecasts 13-14% year-on-year revenue growth and a swing to profitability, with operating cash flow turning materially positive. The disconnect between improving fundamentals and declining share price reflects sector-wide sentiment rather than stock-specific deterioration, and we believe the current valuation substantially discounts the improving trajectory.

- **Bank Mandiri (-17%).** Bank Mandiri detracted as Indonesia's equity market continued to underperform the broader Asia ex-Japan universe through the quarter, weighed down by currency weakness and persistent foreign institutional investor selling. Bank Mandiri reported a 16.6% year-on-year increase in consolidated net profit in Q1 2026, reaching IDR 15.4 trillion, with solid loan growth and a well-managed non-performing loan ratio of 0.98%. The operational performance was sound, but the combination of a weakening rupiah, soft commodity prices and the broader risk-off sentiment toward Indonesia weighed heavily on the share price. We exited the position during the quarter - see Portfolio Changes below.

Portfolio changes

alchip SGMICRO LITEON 光寶科技	We initiated positions in Alchip, SG Micro, and Lite-On as beneficiaries of the tech cycle that are yet to be fully priced in. **Alchip** provides exposure to hyperscaler custom AI chip design at the leading edge of Taiwan's semiconductor ecosystem, with 3nm designs in production, a 2nm ecosystem under active development and growing leadership in chiplet-based architectures and advanced packaging. **SG Micro** provides exposure to China's domestic analog chip upcycle, where Texas Instruments' third round of price increases in a year has validated the structural pricing power of well-positioned domestic manufacturers. SG Micro achieved double growth in both revenue and profit in Q1 2026, capturing the triple tailwind of demand volume growth, pricing elasticity and domestic substitution. SG Micro's structural opportunity is reflected in its ability to grow earnings over the last three years, while peers in the analogue chip industry saw major declines. **Lite-On** provides exposure to the server power supply buildout enabling AI data centres, with a dominant share of the hyperscaler power supply market that positions it as a direct beneficiary of the accelerating capital expenditure cycle. All three were initiated at valuations we considered attractive relative to the earnings growth trajectories visible over the investment horizon.
AMEC	We meaningfully increased our AMEC position as our conviction in the company's structural role in China's semiconductor self-sufficiency programme deepened alongside evidence of accelerating domestic investment. US export controls on China's technology sector have added significant momentum to domestic semiconductor demand, with Chinese chip companies reporting record revenues driven by AI demand and Beijing's accelerating self-sufficiency push. AMEC's etching and MOCVD equipment serves customers at every major Chinese foundry ramping capacity in response to both domestic AI infrastructure demand and the ongoing substitution of Western-supplied equipment. The position's strong performance validated the thesis, and we added at levels we continued to view as attractive given the multi-year earnings growth trajectory ahead.
HDFC BANK	We increased our position in **HDFC Bank** as the macro headwinds that had weighed on the holding through Q1 - elevated oil prices, rupee weakness and foreign institutional outflows from India - began to meaningfully reverse following the Iran ceasefire. With Brent crude falling approximately 30% over the quarter, India's energy import bill and current account dynamics improved materially, and foreign investors began selectively re-engaging with Indian equities. HDFC Bank's post-merger integration with HDFC Limited continues to progress, and the combination of improving retail deposit metrics, normalising credit costs, and an attractive valuation relative to the bank's long-term earnings trajectory makes the addition compelling. We retain high conviction in HDFC Bank as one of Asia's premier private sector banking franchises.
MEDIATEK	We exited our position in **MediaTek** following its extraordinary 200%+ return during the quarter. While the AI ASIC pivot is strategically compelling - and management's confirmation of a US$2 billion Q4 2026 revenue target from a US hyperscaler program provided genuine fundamental support - the scale and velocity of the re-rating brought the valuation to a level where the margin of safety was insufficient relative to the execution risk remaining in the ASIC ramp and the near-term pressure in the core smartphone business. We would consider re-engaging on a meaningful valuation reset.
mandiri	We exited Bank Mandiri as deteriorating macro conditions for Indonesia - persistent foreign institutional selling, a weakening rupiah and soft commodity prices - reduced our near-term confidence in the earnings growth trajectory. Operationally, Bank Mandiri delivered solid Q1 results with net profit growing 16.6% year-on-year and well-managed asset quality. Still, the structural headwinds facing state-owned banking institutions in a challenging Indonesian macro environment outweighed the near-term earnings momentum.

ASE	We trimmed ASE over the quarter, following its strong performance. We retain a meaningful holding in ASE, where the structural case for advanced semiconductor packaging remains intact. ASE guided Q2 ATM revenue growth of 9-11% quarter-on-quarter and indicated 2027 could be another capital expenditure-heavy year, reflecting the sustained nature of the AI-driven upgrade cycle. The trim reflects disciplined position sizing after significant outperformance rather than any change in our view of the business.
恒隆地產 Hang Lung Properties	We exited our remaining position in Hang Lung Properties as the recovery in high-end commercial real estate and retail across mainland China continued to prove slower than anticipated, with weak consumer confidence and the ongoing property-sector overhang extending the investment timeline beyond what the portfolio's opportunity cost justified.

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