Market Commentary

The MSCI Emerging Markets Index delivered an exceptional +22.6% in AUD for the quarter, driven almost entirely by the AI memory semiconductor supercycle powering North Asian markets. The Fund returned +11.3% in AUD, a positive absolute outcome against a backdrop where the index's extraordinary gains were heavily concentrated in Korea and Taiwan - markets where the Fund maintained a considered underweight following their extraordinary recent re-rating and given valuation and positioning risk.

The quarter's defining story was the continuation and acceleration of the AI hardware cycle across the Korean and Taiwanese indices. SK Hynix reported its strongest-ever quarterly results, with record revenue of 52.6 trillion won, up 198% year-on-year, operating profit of 37.6 trillion won, up 405% year-on-year, and an operating margin of 72% - a new record for the semiconductor manufacturing industry, reportedly exceeding Nvidia's margin over the same period. Samsung Electronics reported a quarterly profit surging over eightfold year-on-year, with the company's server memory demand expected to remain strong into the second half of 2026 as hyperscalers accommodate AI adoption and demand for agentic AI accelerates. DRAM contract prices rose 90-95% quarter-on-quarter in Q1 2026, with a further 58-63% increase in Q2, creating the strongest memory price cycle in a decade. These results powered MSCI Korea to +87.6% and MSCI Taiwan to +48.9% in AUD for the quarter - among the most extraordinary returns recorded by any major market indices over a three-month period.

The MSCI China Index tumbled approximately 15%, its worst performance globally after Indonesia, as Tencent and Alibaba - the two largest index weightings - fell more than 29% combined, wiping out approximately $337 billion in market capitalisation. Alibaba's Cloud Intelligence Group revenue jumped 38% year-on-year, with AI-related products achieving triple-digit growth for the eleventh consecutive quarter. However, aggressive investment in AI infrastructure and quick commerce compressed margins sharply, although investment in quick commerce is normalising. The market rewarded hardware and penalised front-loaded platform investment, at least in the near term. The onshore Chinese market, more exposed to industrials, AI hardware and power infrastructure, held up considerably better than the offshore benchmark.

India delivered a positive quarter in absolute terms following a deeply negative Q1, recovering as oil prices fell sharply and the energy import headwind that had pressured the rupee and fiscal outlook dissipated. Indian equities had a challenging first half overall, weighed down by geopolitical tensions, elevated crude oil prices, rupee weakness and sustained foreign institutional investor selling, though analysts widely noted the correction was driven by external factors rather than a deterioration in India's earnings outlook. The ceasefire and falling energy prices provided meaningful relief through Q2, with the Nifty 50 recovering from its lows.

Indonesia remained under significant pressure, extending its difficult run as weak commodity prices and structural governance concerns weighed on sentiment. Latin America, the standout regional performer of Q1 amid surging oil and commodity prices, gave back meaningful ground as the ceasefire drove Brent crude down approximately 30% for the quarter. Brazil reversed sharply as the petrodollar tailwind unwound, though domestically oriented businesses with strong earnings momentum provided relative resilience within the portfolio.

Currency dynamics added important context throughout the quarter. In local currency terms, the MSCI EM returned -0.1% in June - essentially flat - yet USD appreciation against most EM currencies pushed the USD-denominated return to -1.4% for the month. For Australian investors, the AUD's own sharp depreciation against the USD in June then reversed this, with the MSCI EM returning +2.4% in AUD for June. This three-layer dynamic - local flat, USD negative, AUD positive - was consistent across most EM indices and reflects the structural behaviour of the AUD as a risk-sensitive, commodity-linked currency that tends to depreciate in periods of global uncertainty, providing a natural currency cushion for Australian investors in difficult months.

Portfolio Commentary

The Antipodes Emerging Markets Fund returned +11.3% in AUD for the three months to 30 June 2026, against a benchmark (MSCI Emerging Markets Index) return of +22.6% in AUD over the same period, underperforming by 11.3%. For the 12 months to 30 June 2026, the Fund returned +25.3% in AUD against a benchmark return of +38.0% in AUD.

The quarter's relative performance reflected the extraordinary concentration of index returns in Korea and Taiwan, where the AI memory semiconductor supercycle drove benchmark gains that were among the most extreme recorded by any major market indices in recent history. IT was the Fund's strongest contributing sector in absolute terms, with both the Semiconductors and Semiconductor Equipment sub-sector and the Technology Hardware and Equipment sub-sector delivering significant positive absolute contributions. However, the Fund's considered underweight in these sub-sectors relative to the benchmark - maintained given valuation and positioning risk following the extraordinary prior-period re-rating - meant IT was a net drag on relative performance despite being the Fund's best-performing sector in absolute dollar terms. Consumer Discretionary Distribution and Retail and IT Software and Services were the key relative detractors, as platform and enterprise software names in China continued to be re-rated lower by the market.

Quarterly performance drivers

Key stock contributors to performance over the Quarter included:

- **Samsung Electronics and the memory semiconductor complex (+91% for Samsung)** Samsung Electronics was the Fund's largest contributor, driven by the AI memory supercycle. Samsung reported its strongest-ever quarterly results, with record revenue and operating profit surging, delivering 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. Management described 2026 as the best year for Samsung yet, with server memory demand expected to remain strong as hyperscalers accommodate enterprises' increasing AI adoption and demand for agentic AI accelerates. The DRAM price cycle proved even stronger than anticipated, with contract prices rising 90-95% in Q1 2026 and a further 58-63% in Q2, creating the most powerful memory pricing environment in a decade.

- **TSMC (+37%)** TSMC was the second-largest contributor, with performance driven by exceptional earnings delivery and a continued sold-out environment for advanced semiconductor capacity. TSMC reported Q1 2026 revenue of $35.9 billion, up 40.6% year-on-year, with a gross margin of 66.2% and high-performance computing accounting for 61% of wafer revenue. May revenue came in at NT$416.98 billion, up 30.1% year-on-year, tracking close to analyst expectations of approximately 35% Q2 growth. With manufacturing capacity sold out through the foreseeable future, TSMC remains the indispensable foundry of the AI era and the Fund's largest single position.

- **AMEC, ASE Technology and ASM Pacific - Semiconductor equipment and packaging (+130%, +105% and +139% respectively.** These three names are best considered together as expressions of the same underlying theme: the AI hardware supercycle cascading through the semiconductor supply chain beyond the foundries and memory makers themselves. AMEC's etching equipment is being deployed at every major Chinese chipmaker that is ramping up domestic capacity. ASE Technology reported Q1 net revenues up 17.2% year-on-year and net income up 87% year-on-year, with ATM revenue growing sequentially despite seasonality as AI-related product mix drove structurally higher demand for advanced packaging. ASMPT reported Q1 2026 revenue up 32% year-on-year, with Q1 bookings hitting a record HK$5.67 billion - up 71.6% year-on-year and the highest level in company history - as its deliberate repositioning toward AI-era advanced packaging paid off. All three positions benefited from the Fund's early recognition that the AI capex cycle would propagate well beyond the headline semiconductor names.

- **MediaTek** and **SG Micro (+204% and +70% respectively)** MediaTek's extraordinary re-rating was driven by a fundamental reassessment of its AI addressable market following management's announcement that it had doubled its 2026 AI ASIC revenue target to US$2 billion, anchored by a Google hyperscaler program. 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. SG Micro benefited from the convergence of domestic China analog chip demand, global price increases by Texas Instruments and NXP, and China's domestic substitution drive. SG Micro achieved double growth in both revenue and profit in Q1 2026, having deployed high-barrier products across automotive-grade, signal chain, isolation and driver chip categories. The Fund exited MediaTek during the quarter following its extraordinary performance - 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.

- **Globant (-38%)** Globant was the Fund's most significant relative detractor outside China-related positions, as the market continued to de-rate traditional IT services businesses on concerns that agentic AI will structurally displace headcount-driven delivery models. Q1 2026 revenue of $607.1 million exceeded the high end of guidance, and AI Pods - Globant's subscription-based AI-native services model - reached $32.8 million in annual recurring revenue with a $352 million pipeline. However, analysts characterised the second-half setup as "increasingly challenging," citing persistent weakness in discretionary IT spending, a more uncertain macro backdrop, and elevated execution risk as the company pivots to an AI-first delivery model. The structural question around AI disintermediation of traditional IT services is real, and the degree to which Globant can accelerate its transition from headcount-based delivery to AI-native, outcome-based services will determine the long-term investment case. We are monitoring the pace of that transition closely.

- **PRIO SA (-21%)** PRIO detracted sharply as the US-Iran ceasefire and subsequent reopening of the Strait of Hormuz drove Brent crude down approximately 30% over the quarter, directly reversing the oil price tailwind that had made PRIO the Fund's strongest contributor in Q1. Operationally, the company delivered one of its best quarters on record. PRIO reported record production of 155,000 barrels per day in Q1 2026, EBITDA of $852 million with a 76% margin, and net income of $460 million, with the Wahoo field achieving first oil production and performing at or slightly better than management expectations. Lifting costs dropped to $9.4 per barrel, and management maintained the long-term leverage target of 1x net debt/EBITDA by end-2027. The operational case remains highly compelling, but PRIO's share price is heavily correlated with oil prices, and the commodity reversal was the dominant driver of the period's underperformance.

- **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.

Portfolio changes

alchip, SGMICRO, LITEON 光寶科技 光電事業部	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.
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.
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.
sabesp	We trimmed our position in **SABESP**, Brazil's largest water and sewage utility, following strong share price performance that narrowed the discount to our assessment of intrinsic value. SABESP continues to execute exceptionally well post-privatisation. Q1 2026 adjusted EBITDA climbed 26% year-on-year to R$3.8 billion, with EBITDA margin expanding to 62.9%; adjusted net income surged 32% to R$1.6 billion; and capital expenditure of R$3.7 billion was up 31% year-on-year as the company accelerates toward its universal coverage targets. The structural investment case - privatisation-driven efficiency gains, a R$84 billion capex programme, and a monopoly franchise serving 28 million people - remains fully intact. The trim reflects disciplined portfolio management following outperformance, and we retain a meaningful position.
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.
ASMPT	We trimmed our **ASM Pacific** position following its extraordinary 139% return over the quarter, reducing it to a more appropriately sized holding relative to the updated risk-reward profile. The structural case for ASMPT's advanced packaging equipment remains compelling, and we retain exposure.

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