Market Commentary

The second quarter of 2026 (the Quarter) proved to be one of the most powerful equity market recoveries in recent history, as optimism prevailed despite significant geopolitical uncertainty. Global equities rallied +14.9% (in USD) over the Quarter, fuelled by a decisive rotation back into the artificial intelligence (AI) trade, a robust corporate earnings season, and the de-escalation of the Iran conflict that saw Brent Crude fall from peaks earlier in the year.

Over the Quarter, US hyperscalers continued to raise capex guidance for 2026 to a collective $700 billion, reinforcing investor confidence that the AI infrastructure buildout remained largely unaffected by the Middle East conflict. Against this backdrop, global earnings growth estimates were revised up over the Quarter with information technology the key driver. Growth equities delivered 19.9% (in USD) outperforming value (+10.8% in USD), and small-mid caps delivering 13.5% (USD) over the Quarter.

US equities gained 15.2% (USD) over the Quarter as the 1Q26 earnings season proved the strongest in recent memory, with 85% of companies beating consensus expectations, the most since 2021 and well above the long-term average of 73%. The Federal Open Market Committee (FOMC) held rates at 3.50–3.75%, with both the statement and press conference taking a hawkish tone under new Fed Chair Kevin Warsh, as consumer price index (CPI) inflation remained elevated at 4.2% year-on-year in May, driven largely by the residual impact of higher energy costs.

European equities rallied on Middle East de-escalation and resilient economic sentiment (+10.9% in USD). Eurozone manufacturing Purchasing Managers' Index (PMI) remained above 50 (ie. expansionary territory) over the Quarter, and consumer confidence recovered from April lows. The European Central Bank (ECB) delivered its first rate hike after an 11-month pause, raising its deposit rate to 2.25%. UK equities delivered modest gains despite lagging other regions due to outsized exposure to the commodity downturn. UK Prime Minister Sir Keir Starmer's resignation added a degree of domestic political uncertainty, though markets took the news largely in their stride, with Andy Burnham widely expected to succeed him.

Asian and Emerging Market equities were the standout of the Quarter. Emerging markets surged 30.2% (USD), the largest quarterly gain since 2Q09, driven by extraordinary performance in Korea (+87.6% in USD) and Taiwan (+49% in USD), as investors heavily favoured the "picks and shovels" of the AI boom. Index heavyweights SK Hynix tripled and Samsung Electronics doubled in value, both joining the exclusive club of companies with a market capitalisation exceeding USD $1 trillion. Japan also delivered strong gains (14.2% in USD), supported by a weaker yen, a steepening yield curve, and the Bank of Japan delivering a widely anticipated rate hike to 1.0% in June. The MSCI China underperformed (+1.6% in USD) following weaker retail and auto sector activity and lingering domestic consumer confidence concerns.

Elsewhere, Brent Crude fell 29.8% (USD) over the Quarter as the Iran conflict de-escalated and a memorandum of understanding between the US and Iran signalled the reopening of the Strait of Hormuz. Gold and precious metals fell more than 12%, and industrial metals rose on technology and infrastructure investment demand. The US Dollar was broadly stable.

Portfolio Commentary

The Antipodes Global strategy (the Strategy) delivered strong relative performance across three of the four quarters in the 12 months to 30 June 2026. However, the June 2026 quarter unwound much of this outperformance, as benchmark returns became increasingly concentrated in a narrow cohort of stocks. As a result, the Strategy underperformed the benchmark over the 12 months to 30 June 2026.

Performance was supported by stock selection in the consumer staples and consumer discretionary sectors. Information Technology, in particular Technology Hardware & Equipment and Semiconductors & Semiconductor Equipment was a notable detractor, amid a significant rotation over the Quarter into a narrow cohort of hardware companies which saw the SOX Semiconductor index gain ~95% (in USD).

Memory, a key segment within this hardware complex, has traditionally been deeply cyclical. We acknowledge the current cycle is being supported by plausible structural tailwinds in the form of AI capex build-out. Our caution is more specific. Memory remains a largely commoditised product, so even with strong end-demand these businesses have limited control over their own pricing. The following risks stand out:

- Share prices already appear to extrapolate peak-cycle pricing far into the future, leaving little room for disappointment.
- High prices invite capacity additions, and if the industry learns to use memory more efficiently, through better software, architecture or compression, demand growth could moderate just as new supply arrives. Either path could expose the cyclicality that the structural narrative is currently masking.
- At current valuations, that leaves a thin margin of error precisely when expectations are highest. Instead, Antipodes has continued to lean into analog, power, RF and specialty-semiconductor names: businesses where growth is structural, valuations are more reasonable, and the investment case does not depend on extrapolating today's AI capex cycle indefinitely, as detailed in **Portfolio changes** below.

Stock selection within software and internet was the other material detractor from performance. Heading into the 1Q26 SaaS selloff, the Strategy held only selective exposure, a deliberate choice, reflecting the view that AI-driven disruption has materially widened the range of outcomes for software businesses, making resilience far harder to assess than in prior years. We have continued to lean into dominant, incumbent SaaS and IaaS names, where the market continues to discount the resilience, network effects and enterprise lock these businesses possess, as well as the ability for these incumbents to integrate AI into their own offerings.

Short positioning also detracted over the period whereby global equities rose strongly, as may be expected. Shorting within the portfolio serves primarily as a risk management tool that can generate meaningful value in dislocated or crowded markets. Beyond major drawdowns, the strategy's combination of long and short positioning benefits most from market environments characterised by broad valuation dispersion, ultimately aiming to deliver a portfolio with low correlation to the benchmark.

Overall, the portfolio remains positioned for market breadth to widen against a backdrop of unprecedented concentration, the type rotation Antipodes' all-weather approach is designed to benefit from.

- Key positioning themes include:
  - **Energy and infrastructure:** power generation, utilities, grid infrastructure and raw materials for data centre construction and AI buildout - areas where valuations do not yet reflect the scale of demand shift underway.
  - **AI disruption opportunities:** businesses with deeply embedded switching costs, proprietary data, or network effects that have been indiscriminately repriced as perceived AI casualties.
  - **Quality at trough multiples:** the quality factor has de-rated, opening entry points in resilient compounders not seen over the past number of years.
  - **Long-cycle infrastructure capex:** decades of underbuilding in roads, rail and transport infrastructure in the West, at valuations that reflect the neglect.

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

Quarterly performance drivers

Key stock contributors to performance over the Quarter included:

- **Infineon Technologies** posted strong gains as investors responded to accelerating AI-related semiconductor demand and upgraded guidance. Management raised FY2026 sales and margin expectations, citing strong growth in power solutions for AI data centres and strong momentum in automotive microcontrollers. The company also highlighted plans for increased investment in advanced manufacturing capacity, reinforcing investor confidence in longer-term earnings growth. Infineon also benefited from the broader rotation into semiconductor names leveraged to AI infrastructure spending and electrification trends.

- **Similarly**, Taiwanese based **ASE Technology Holding Co.** surged over the Quarter as investors increasingly recognised its strategic position in the AI semiconductor supply chain. Robust demand for advanced packaging (ie. packaging bare semiconductors into completed units) and testing services, particularly for high-performance computing and AI chips, supported improving utilisation and stronger earnings expectations. The market also became more confident that advanced packaging is more likely to remain a structural growth driver rather than a cyclical uplift.

- Japanese wafer fabrication equipment provider **Kokusai Electric Corporation** delivered strong gains over the Quarter with investors increasingly recognising the durability of demand for its deposition equipment, supported by sustained investment in advanced memory and logic semiconductor manufacturing. Strong order momentum and improving earnings visibility reinforced confidence that recent shipment delays were temporary rather than structural. The stock also benefited from continued AI-driven semiconductor capital expenditure and improving utilisation across leading-edge fabrication plants.

Key stock detractors to performance over the Quarter included:

- Offshore drilling operator **Valaris** finished lower in line with lower oil prices and softer investor sentiment toward energy services companies given reduced expectations for offshore drilling activity. Following the strong rally over the CYTD (+39% in local currency) associated with the proposed Transocean acquisition earlier in the Quarter, investors locked in gains as regulatory approvals and integration milestones remained pending. Concerns over slower contract awards and moderating day-rate expectations also pressured sentiment.

- **Alibaba** underperformed as enthusiasm surrounding its AI and cloud businesses moderated after strong performance, prompting valuation normalisation despite broadly resilient operating performance. Investors remained cautious on the pace of recovery in China's consumer economy and e-commerce spending, while persistent competitive intensity limited confidence in accelerating core commerce earnings. In Antipodes' view the pullback appeared driven more by sentiment than by a material deterioration in intrinsic value. Alibaba continues to generate substantial free cash flow, maintain a strong net cash position and continues to return capital through ongoing buybacks, leaving the longer-term investment case largely intact.

- Brazilian pulp and paper producer **Suzano** underperformed as weaker global hardwood pulp prices and cautious demand from Chinese paper producers weighed on earnings expectations. Investor sentiment was also pressured by concerns that new global pulp capacity would delay a meaningful pricing recovery, despite Suzano's position as one of the industry's lowest-cost producers.

- Short positioning, namely tail risk hedging positions against momentum, AI concentration and retail investor participation detracted over the quarter as markets rallied sharply, with performance led by a narrow cohort of companies.

- As covered above, the Strategy's underweight to Semiconductors & Semiconductor Equipment and Technology Hardware & Equipment detracted on a relative basis over the Quarter, most notably not owning Micron Technology, SK Hynix, AMD, Samsung Electronics and Apple. Each contributed strongly to benchmark returns.

Portfolio changes

	Booking Holdings (Entry): Booking Holdings is the leading online travel agency, with room nights and bookings running 2-3x those of its nearest peers, Expedia and Airbnb. The stock has fallen out of favour on concerns that AI agents will divert consumers away from Booking's profitable direct-traffic model. We think the market underappreciates the continued underlying drivers of its no. 1 position, including its deep supply-side relationships with small hotels, paid ad flywheel, loyalty program and metadata. The business is also run by a tenured management team that has navigated it through multiple industry crises. Lingering travel fears tied to the Iran conflict, together with the stock's underperformance versus hotel operators, offer additional margin of safety in a long-term GDP+ travel sector.
	Qorvo and Skyworks Solutions (Entry): We have continued to lean into a cluster of analog, power, RF (radio frequency) and specialty-semiconductor names over the Quarter. Analog and power names offer a different risk-reward relative to memory hardware. Growth is being structurally driven by electrification, industrial automation and rising semiconductor content per device drive demand across numerous end-markets. The businesses tend to be more resilient, characterised by long product lifecycles, sticky customer relationships, and pricing power built on engineering rather than raw capacity. Qorvo and Skyworks Solutions are global RF semiconductor suppliers spanning mobile, infrastructure, aerospace and defence. The market is anchored on their past underperformance and their heavy smartphone concentration. Qorvo/Skyworks have a pending merger which will produce a business with better scale and a structurally lower cost base. The merger should reduce duplicated manufacturing footprint, leverage their combined R&D base and most importantly pool their RF technology to reduce single-socket risk. Beyond handsets, both companies are pivoting into structurally growing markets such as datacentre power and connectivity, automotive connectivity, and defence and aerospace communications.
	Performance Food Group (Entry): Performance Food Group (PFG) is one of the largest and fastest-growing consolidators in the fragmented $385bn US foodservice distribution market. Through its customer-centric service culture, decentralised operating model, and track-record of value-accretive M&A, PFG continues to grow sales at +HSD and take share across various segments, including independent & chain restaurants, convenience retail, and specialty channels. Over the next few years, we also see PFG unlocking further EBITDA expansion from low-single digits to mid-single digits (i.e. in-line with other peers like Sysco) driven by continued operating leverage, product mix-shift benefits, post-acquisition synergies, and procurement gains as the company scales nationwide. Medium term, we expect PFG can grow EPS above +20% CAGR, making it one of the most compelling defensive opportunities within the broader staples complex.
	Alchip Technologies (Entry): Alchip is a leading high-performance AI/HPC Application Specific Integrated Circuit (ASIC) designer and TSMC 3DFabric Alliance member. 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. The company possesses deep hyperscaler relationships, with Alchip named a key design service provider for Amazon's Trainium program.
	Wooodside Energy Group (Exit): We exited Woodside as the margin of safety compressed under weak pricing, contracting difficulties and elevated capex. FY2025 underlying profit fell ~8% to US$2.65b on softer realised prices. Oversupply is core to the thesis breakdown, with ~93mt of new global LNG capacity arrives across 2025-2026 just as demand growth slows, tipping the market decisively towards buyers. Woodside's key US growth project, Louisiana LNG, took FID in April 2025 without a majority of volumes under long-term contract - binding SPAs cover only ~18% of Phase 1, leaving it exposed to a softening price environment as it markets remaining capacity. Combined with elevated spending and a brief 2026 production dip from planned maintenance, the margin of safety no longer compensated for the risk.
	Workday (Exit)**:** Over the Quarter Workday was exited reflective of AI disruption concerns to Workday's business model. As agentic AI reduces headcount growth in finance and HR functions, the seat-based pricing model faces a structural challenge, while AI-driven cost pressures and defensive spending are compressing margins. FY27 guidance is signalling decelerating revenue and margin growth. Whilst Workday's platform remains substantially cash generative, with full-year free cash flow rising 27% to $2.78 billion and subscription backlog reaching $28.1 billion, up 12%, it remains prudent to moderate the position size against structural concerns and a wider range of outcomes.
	Hennan Pinggao Electric (Exit): We exited the Chinese State Grid–controlled leader in high-voltage and UHV switchgear after a period of strong performance. Whilst UHV investment is expected to continue to grow ~30% year-on-year, in Antipodes' view this is largely already reflected in the price, with Hennan Pinggao approaching the peak of its 52-week range.
	Sanofi (Exit): We exited Sanofi following a series of pipeline disappointments, which impacted our confidence in Sanofi's ability to manage the Dupixent loss of exclusivity. Any R&D turnaround is likely to be a multi-year endeavour relying on business development, for which the company's recent track record has been poor.

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
Third Floor, City Tower, 40 Basinghall Street
London EC2V 5DE
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.