

Global markets in transition: risks, opportunities and strategy

April 2026



Aaron Viscayno (00:00):

Hello and welcome to The Ideas Exchange, ASX's regular podcast where we cover investment trends, market updates, and ideas for your portfolio. My name is Aaron Viscayno, business development manager from the investment products team here at ASX, and it is our mission to deliver to you the latest in market updates and ideas through the conversations we have with investment experts.

Voiceover (00:22):

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Aaron Viscayno (00:49):

Hello everyone and welcome back to the ASX Ideas Exchange Podcast. I'm your host, Aaron Viscayno, and joining us today on the podcast is James Rodda, co-founder of Antipodes and portfolio manager of the Antipodes Global SMID Active ETF, which listed on ASX in November last year under the ticker code MIDS, M-I-D-S. Established in 2015, Antipodes is a multi-specialist investment firm who employ rigorous bottom-up fundamental research to identify mispriced opportunities in the market. Their aim is to deliver long-term risk-adjusted returns, which is anchored by their philosophy of sound fundamental analysis, disciplined risk management, and responsible investment principles. Today, we will dive into the world of global small to mid-cap equities, but before we get to that, James, could you please introduce yourself to our audience? How long have you worked in financial markets and what led you to co-found Antipodes?

James Rodda (01:40):

Yeah. So about me, Aaron, I'm a stock market lover, investor. I bought my first shares in primary school, saved up \$500 from my grandpa's or grandma's \$5 a week that she gave me, really keenly followed stock markets since then. Professionally, I worked in banking for a period of time with ANZ before moving to Platinum and then Antipodes. And I think with Antipodes, the goal when we started the business was to build something different, a value manager that was more pragmatic, more team-based in terms of the approach of how we all work together and also really focused on industry analysis, which we think is a differentiator for looking at stocks that are pragmatic value.

Aaron Viscayno (02:28):

Great. And look, I had to actually look up the definition of the word antipodes. And for our listeners, it's of Greek origin. It is the points on the earth surface which are diametrically opposite to each other. So James, if I was to pull out my shovel right now, dig all the way to the other side of the Earth, I will end up somewhere in Europe. So the antipodes of Australia, for example, is Europe. Now, you touched on it a little bit, but how did you, as a co-founder, settle on the name and how does it speak to your investment approach?

James Rodda (02:54):

Yeah, look, Jacob definitely came up with the name. For us, it means diametrically opposed. So for the way Australia is seen, I think it's the antipodes of maybe the UK, even though technically if you align in the map, it might be somewhere more like Portugal. But it really means for us that we're covering the world. We're thinking in a contrarian style, looking at both sides of the case. But yeah, truly global, truly contrarian, thinking about things with that global perspective.

Aaron Viscayno (03:28):

Yeah. And look, we're here today to speak on the state of the global small to mid-cap equities. Could you give us a broad update on how that's looking here in early 2026?

James Rodda (03:38):

Yeah, look, at this stage, markets have been really, really challenged over the last few weeks with the war in Iran in particular. Obviously, they've got concerns around private equity surfacing, and then industry disruption and also jobs disruption from AI. So it's a really interesting point in time to be investing, a lot of change. Our process focuses on change a lot, so that makes it very exciting.

(04:09):

In terms of small and mid-caps specifically, we're coming off the back of three years, in fact a decade, but particularly the last few years of material underperformance of the indexes versus large-caps. And it's one of those points in time where I think the outlook is fantastic relative to large-caps and, indeed, potentially Australian stocks as well with global small and mid-caps really being the only equities asset class trading within normal long-term multiple ranges. Most asset classes, when you look at Australian stocks or large-cap globals that maybe a lot of people have exposure to through ETFs, are really trading well above long-term multiple ranges.

(05:01):

So if I put that into context, small, mid-caps, globally, it might be around 17, 18 times PE versus that top 30% of market cap, which we categorize as the cutoff ends up being about 230 billion US dollars, so really, mega companies as a group trading at about a 65% premium to small and mid-caps. And so if we take a really long-term view, there's a lot of empirical research on the reasons, but small and mid-caps do tend to trade at a premium to large. And so I think it makes a great allocation for client portfolios and investor portfolios at the moment in the sense that with a bit of luck, we may re-rate up

to those larger companies, but we've got less potential to re-rate down given we're inside that longer-term band.

(05:53):

And I think there's a perception, and look, at the individual company level, it is true, the perception that small-caps are always more risky. But what I would say is the starting multiple matters. As it matters for an individual stock, it matters on a collective asset class. When the tech bubble ended in 2000, the subsequent performance of the NASDAQ over 18 months was down something like 70% and small-cap value in that period was up 25%. So the outcome for, if you'd put a dollar in at that point in time, it was really different depending on the starting multiples and the starting outlook.

(06:32):

So we think expected returns are really good in our portfolio, as you would expect and hope. Certainly, a lot going on with the Iran war, the private equity issues and the AI displacement issues, but we're trying to navigate those things well, be on the right side of that change that's occurring in the world and see sort of really good returns in our stocks and importantly, for the asset class, relatively better returns than the large-cap stocks that most investors will have their global portfolio allocation in that S&P 500 or NASDAQ ETF.

Aaron Viscayno (07:13):

Great. Thanks. And it sounds like there are a lot of parallels to be drawn with that dot-com crash back in the early 2000s. You did actually mention it a little bit earlier there, but as of the start of the year, there's no doubt that the discussion on global markets have kind of revolved around that conflict in the Middle East. So we are seeing extreme volatility in the prices of oil that's leading to energy-driven inflation, subsequent supply disruption, et cetera, et cetera. Do you foresee a big impact to the global small and mid-cap markets as a result? And how does that look, say, relative to large-caps?

James Rodda (07:46):

I think it's sector by sector, company by company in terms of the impact. Obviously, whenever there's any change in the world, be it a cyclical change or a structural change or a socio-macro change, there's winners and losers, and I think this will be no different. So if you've got gas feedstock from the US, you're a winner, and there's a lot of smaller companies in that bucket. Or if you're involved in offshore oil exploration outside of the Middle East, you're a winner, but you could be in the exact same sector focused on the Middle East and you've got a problem.

(08:22):

So I would look at it at a business level trying to understand winners and losers. I do think it's a period of heightened risk for markets and for portfolio returns. So that's always tricky. The market's already down a little bit. Let's call it roughly 10% in Australian dollar terms. So you're getting more attractive future returns, and we all know this can turn on a tweet, and so investing in that setup's difficult because you really can't predict what's about to happen.

(09:00):

But we would say this is something that creates maybe... It's a start of something. So we've been particularly worried about private credit and companies with using private credit and leverage there, and that change around AI or private credit has a lot of software investment, that change around energy, well, it reduces corporate profitability, right? And so triggers like this can start credit issues in private credit, which could spread more broadly. And I think that's the thing to watch in terms of Iran specifically, whilst it would be great if the war itself would end. I think that the major thing for markets is going to be, will energy flow? Will the Australia [inaudible 00:09:48] be opened? And that actually can be a separate outcome if the war has ended or not, and I think that's the thing that markets will turn on.

Aaron Viscayno (09:57):

Great. Thank you. Hopefully, that kind of lays the land for our listeners in the small and mid-cap market space. James, let's change tack a little bit here and let's take a closer look at the Antipodes Global SMID Active ETF, ticker code again is MIDS, M-I-D-S, on ASX. As of the end of February 2026, the top 10 equity loans are showing representation from a wide range of countries. So for example, you have International Workplace Group from the UK, Brookdale Senior Living from the US, PT Pakuwon Jati from Indonesia, Barrick Mining from Canada, et cetera, et cetera. What regions are you expecting the best performance from over the next year?

James Rodda (10:33):

Yeah, I think it's really hard to forecast exact regions, but I do think that when you're investing globally, you should be looking for diversification. So the fund has, let's call it 42% of its capital allocated to North American stocks, where I would add, a lot of what we have there are actually global businesses. And again, back to the index fund-type ETF, typically people are globally allocated to something that follows the MSCI benchmark, which might be 65% or above in US stocks, or they just go straight to the S&P 500. And so really, what you want to be thinking of at this point in time where America's budget is pressured, where their global leadership is pressured, I mean, if this strait is not opened soon, the Middle East and US partners, they're really going to be disappointed, but also that US military that they rely on will have shown weakness, which applies to US leadership. And so we've got a bunch of currency issues around America as well.

(11:45):

And then we've just got the general standing of their relationships with the rest of the world, which have been damaged by Trump's tariffs, where whilst countries may have agreed and may have not seen too many direct impacts, I think the relationship of the US with the rest of the world is ruined. And so these things can flow through over time and have a lot of impact, I would think, on the country. And so I would just think from a global portfolio perspective for investors, that means you don't want two-thirds of your offshore money allocated to the US right now. A lower number is more appropriate, and there are maybe not 200 markets you can invest in, but there's over 200 different countries in the world. The world is a very diverse place. And so we have a really geographically diversified portfolio, and we think there are opportunities to make

money for our clients in all parts of the world. We think it's sort of prudent to be allocated that way, and we don't think we have to sacrifice any return in doing that. In fact, we think it enhances our return.

(12:51):

When you look at regional valuations, North America is statistically expensive versus its own history versus the rest of the world, which is essentially the United States. So yes, it has tended to trade at a premium to the rest of the world, but that premium is elevated significantly versus its history at the moment, whereas you can buy markets like Europe and a lot of emerging countries, particularly in South America, where they're economically correlated to the US at discounts relative to the rest of the world versus their history. So it's just being smart around how you're allocating, paying attention to the opportunities that the market's giving you and trying to diversify.

Aaron Viscayno (13:36):

And going deeper, are there any particular stocks in the portfolio that you would like to highlight for the audience?

James Rodda (13:41):

Yeah, I think at the moment, things that are topical would include AI and energy. So I'll talk about two stocks maybe in the top 10 in the portfolio that have exposure to both. So on the AI side, we own a company called Bandwidth, which is listed in the US. And Bandwidth is one of two or three companies that provide IP-based infrastructure telecom services that connect to public voice networks. So when you make a call on Microsoft Teams or when you make a call on Zoom or Google Meet, or in fact, many of the other voice calling, it's a very fragmented market, services offered around the world, there's a good chance you're doing it via a Bandwidth backbone.

(14:30):

And the stocks traded at a very low multiple for an extended period of time because the voice market is not a growth market. It had a lot of growth in COVID, that particular market, when we all switched to using Microsoft Teams and those types of things at work or voice calls on WhatsApp in our personal lives, but essentially, it stopped growing. I think AI changes that. So at the moment, there's a lot of call centers that might be in lower cost jurisdictions of developed markets or might be in emerging markets that use the local telco providers to make outbound calls via headset with a customer service operator. And I think there's probably a billion of those calls they're going to switch to being AI-based.

(15:17):

And unfortunately for the telcos, their technology can't provide those call services. So they're going to have to move to a backend infrastructure provider like Bandwidth. And Bandwidth is one of two, I'd call it actually two and a half companies in the world that can provide this globally. It's a huge moat in terms of AI. So why does Google use them? Well, you need to get regulatory approval in all 50 states, then you need to get AT&T and Verizon and in Australia, Telstra, to let you install your equipment in their switching

technology to enable you to connect to that mobile phone call that's on that mobile phone or landline that's on their network.

(15:52):

And it'll take five, 10 years to recreate their global footprint. So all these AI startups that want to offer these agents, these voice agents are going to come in and use a Bandwidth as a backend technology provider. Or a company like Salesforce that's already got a large existing base of customers that wants to compete with those startups here, they're going to come in and use a Bandwidth. And so I think the company's actually going to grow much better than what the market thinks from a starting multiple of around nine times earnings. It could grow teens or it could grow more. There's a lot of room there. So that's one I like on the AI that's a software and let's call it infrastructure beneficiary.

(16:35):

In terms of energy, we own the drill rig companies, largest position being in a company called Valaris. And so the thesis there is really that the energy, oil barrel growth globally over the last decade has really come from onshore US and the Permian Basin in particular. And we think growth there has capped out. And so that takes you back to 2008 when we had peak oil and everyone thought you had to go offshore for oil. Turns out it wasn't true because we had a technology revolution in shale onshore, so more oil was produced by the US. If that has peaked, we're going offshore again. And so we think that's a great structural change story. We like the equipment. We can buy the drill rigs for \$300 million a rig. If you want a new one today, it's going to cost you a billion US dollars. So these are very large floating pieces of precision equipment. But you also have to wait five years. And so to order one, you're going to want 20% return on that billion dollars it costs you. So they're going to have to earn \$200 million plus a year before we order one and we can buy them for 300 million.

(17:40):

We thought before Iran, that market was going to tighten and demand was going to get to the point where it outstrips supply, let's call it 2028, somewhere around about then. I think we're now in a position where given the damage to global oil supply, if you're in Brazil or you're in Africa and you've got a well you can turn into production quickly, you're going to be calling on these rigs as fast as you can and you're not going to worry about your day rate. So they're in a position to really benefit from what's going on. And I think if the issue's resolved, which hopefully it is, there's still going to be buyers that are really interested in diversity of supply outside of the Middle East. This will last and have an impact on Middle East supply for an extended period of time. And Middle East supplier tends to be more shallow and not use these types of drill rigs. So yeah, that basically just trades at replacement value. We'll make four or five times on our money for our investors.

Aaron Viscayno (18:46):

And there you have it. To our listeners, hopefully that's given you a bit of an insight on the state of global small to mid-cap equities here in 2026. James, it's great to see you again. Thank you for joining us on The Ideas Exchange.

James Rodda (18:56):

Great. Thanks, Aaron.

Aaron Viscayno (18:57):

For more information on Antipodes, head on over to their website, antipodes.com, or search ticker code MIDS, M-I-D-S, on the ASX website or through your broker app. Until next time, see you then.

Voiceover (19:08):

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