



Loftus Peak Global Change Portfolio

Investing | Future Focused

Monthly Portfolio Update
September 2020



Superior

Traditional business models are being disrupted as digitisation and the internet change the way businesses and people connect and consume across all industries – retail, transport, communications, energy and banking to name a few. Loftus Peak generates investment return by positioning investors to profit from these changes. Loftus Peak's strategy complements other sharemarket investments, particularly those in Australia where there is a heavy skew towards banks, resources and the Australian dollar.

Review and Performance*

Many of our core positions traded sharply higher during August, with some stocks hitting our valuation targets, which triggered selected trimming and reallocation to other holdings where valuation was less demanding.

There were a number of reasons for the high valuations - one large player (it was Softbank, we learned last week) attempted a multi-billion dollar trading strategy, which in turn was second-guessed by the big trading houses with prices further skewed by heightened activity from home-based day-traders.

The Loftus Peak Global Change Portfolio was down -0.3% net-of-fees in September, with net underperformance of -0.06% against the benchmark MSCI All Countries World Index net in Australian dollars (which was down -0.3%). One-year net performance to September 30 is +40.1%, with outperformance of +36.1%. We increased the Portfolio's market exposure throughout this weak period and are holding cash of 10.3%.

The solid show for Loftus Peak investors was driven primarily by the fact that many of the Portfolio's businesses can still grow as a result of models which allow contactless transactions in health, retailing, advertising, transport and finance to name just a few.

As we write this, many of the share prices of companies in the Portfolio have fallen back, though this slight cooling comes after a very strong 2020 (to date).

Our broad approach remains unchanged – seek out the best and most efficient companies, with strong balance sheets and winning business models, challenging incumbents across a range of global industries.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-0.22%	+10.59%	+26.61%	+46.35%	+25.93%	+23.49%	+23.48%
Benchmark	-0.27%	+3.89%	+9.69%	+3.93%	+10.36%	+9.81%	+11.34%
Outperformance (gross-of-fees)	+0.05%	+6.69%	+16.91%	+42.42%	+15.57%	+13.67%	+12.14%
Portfolio (net-of-fees)	-0.33%	+10.23%	+22.22%	+40.06%	+22.43%	+20.25%	+20.45%

*Manager estimated returns. The Portfolio Benchmark is the MSCI ACWI (net) (as expressed in AUD from Bloomberg). Portfolio Inception date is 30/06/14. All returns are shown to two decimal places. Returns for periods of more than one year are annualised. Total returns include realised and unrealised gains. Valuations are computed and performance reported in Australian dollars. Gross-of-fees performance returns are presented before management and performance fees but after all trading expenses. Net-of-fees performance returns are presented after management and performance fees. Returns are based on the theoretical performance of a portfolio which implemented the Model Portfolio based on simplifying assumptions and stock weightings. Actual individual returns of each client's portfolio will differ depending on factors such as date of initial investment, timing of transactions, contributions and withdrawals, fees and any customisations. Past performance is not a reliable indicator of future performance and may not be achieved in the future. Each client should also take into account their own taxation situations. All information provided in this Report is correct as at the date of this Report.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$135 million
Product Type	Managed Discretionary Account
Product Sponsor	Mason Stevens Limited
Benchmark	MSCI ACWI (net) (as expressed in AUD from Bloomberg)
Number of Investments	10-35
Minimum Cash Allocation	2%
Maximum Cash Allocation	50%
Maximum weighting per investment	20% at time of purchase
Minimum Investment	AU\$50,000
Liquidity	Daily
Suggested Timeframe	3-5 years

Fees

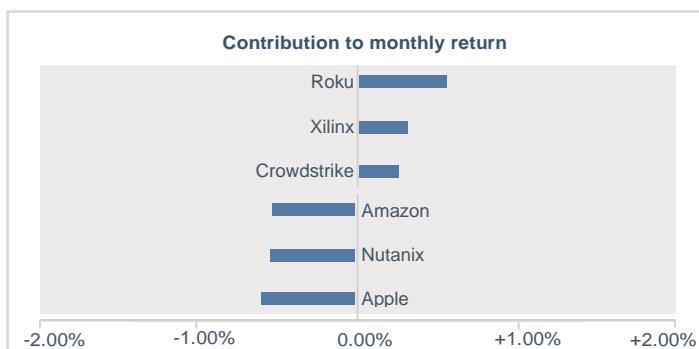
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction cost	0.55% of the value of the transaction

Contributors and Detractors to Return

The August return was driven by very solid contributions from **Qualcomm**, **Apple** and **Nvidia**, with **Alibaba** also doing well. **Qualcomm** was up +13% based on the expectation that the 5G rollout is still on track despite the virus, and also the end of some litigation related to its pricing of licences for mobile across all the 'G's (2-3-4 and 5). The numbers of investors willing to consider **Apple** as a platform with significant recurring revenues - not just mobile phone maker - continues to increase, driving pricing strength.

The Australian dollar depreciated -2.9% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 30 September 2020, the Portfolio carried a foreign currency exposure of 100%.

Selected Contributors and Detractors



Portfolio Construction

At July month end, the Portfolio was 89.7% invested in 23 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Xilinx	9.4%	Mega Cap > \$100b	60.7%
Qualcomm	9.2%	Large Cap \$50-100b	5.1%
Amazon	8.1%	Mid Cap \$2-50b	23.9%
Apple	7.4%	Small Cap < \$2b	0%
Alibaba	7.0%		

Learn more

For the latest on investment in global change and disruption, see us in the Australian Financial Review, the Constant Investor, or the Sydney Morning Herald, or on Firstlinks or visit us at www.loftuspeak.com.au or email enquiry@loftuspeak.com.au

IMPORTANT INFORMATION

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The Team



Alex Pollak CIO and Founder

With 25 years' experience in disruptive business models gained during a career with Macquarie Bank, Alex heads one of the best-performing teams in global listed disruptive business investment in Australia.

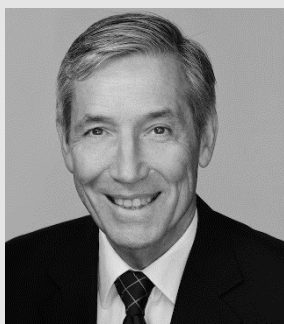
He was instrumental in bringing both Seek and Carsales.com to the Australian stock market. He has a deep knowledge of investment and global change companies.



Anshu Sharma Portfolio Manager

Anshu started his career in global disruption investment almost a decade ago at TechInvest. This was followed by Portfolio Manager and technology Analyst responsibilities for the Asia region at Eight Investment Partners.

Being mentored by the best in this space early on in his career and having extensively travelled in Asia to meet hundreds of companies, Anshu brings a wealth of experience to investing globally.



Rick Steele CEO

Drawing on more than 30 years in funds management and government Rick is the CEO of Loftus Peak. After a successful career in the Australian Treasury, Rick held senior positions at Prudential Assurance, Morgan Grenfell Australia, BT Funds Management, TechInvest and Eight Investment Partners.

Rick is also Chairman of CitizenBlue, an impact enterprise operating a container recycling service for its environmental members.

How can investors access Loftus Peak's global equity disruption capability?

- For **retail** investors, the Loftus Peak Global Disruption Fund
- For **wholesale** or **sophisticated** investors, the Loftus Peak Global Change Portfolio

While offered by way of two different legal structures, the two products are managed according to the same underlying investment objective.