Loftus Peak
Global Change Portfolio

Investing | Future Focused

Loftus Peak

February 2021

Traditional business models are being disrupted as digitisation and the internet change the way businesses and people connect, transact 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*

The Loftus Peak Global Change Portfolio was down -3.4% net-of-fees in February, with underperformance -4.7% against the benchmark MSCI All Countries World Index net in Australian dollars (which rose +1.3%). One-year net performance to February 28 was +34.5%, with outperformance of +25.0%.

Most of the underperformance took place towards the end of the month as the spectre of rising interest rates gripped markets, and impacted many of our stocks moderately hard. This is largely to be expected in the beginnings of any correction. However, we would highlight that the Fund tilts away from riskier (and sometimes higher-growth) companies and instead towards quality – large capitalisation names which are highly cash-generative and have strong balance sheets – which we have found over the life of the Fund to produce better outcomes. It is also worth noting that the Fund maintained a high cash exposure in February as the market appeared optimistic and many investee company share prices approached price targets. Some of this cash has since been deployed as share prices fell to more attractive levels.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-3.33%	+3.40%	+13.53%	+42.02%	+25.04%	+26.88%	+24.24%
Benchmark	+1.27%	+1.54%	+8.18%	+9.47%	+10.62%	+12.49%	+11.95%
Outperformance (gross-of-fees)	-4.60%	+1.86%	+5.35%	+32.55%	+14.42%	+14.39%	+12.29%
Portfolio (net-of-fees)	-3.43%	+1.75%	+11.36%	+34.48%	+21.26%	+23.47%	+21.06%

*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.

Contributors and Detractors to Return

The best performing stock for February was **Alphabet (Google)** which contributed +0.4 percentage points to return for the month, with **John Deere** second at +0.3 percentage points and **Roku** also positive (it has since sold off) at +0.1 percentage points. John Deere is a first-class example of a company utilising the best available tools to add value to farming. It does this by incorporating sensors and software on equipment to enhance crop yields by managing inputs such as soil quality, moisture, and topography, with the results stored for analysis and comparison. This enables more precise agriculture – the right input at the right time in the right place.

Alphabet has performed well this year, with further monetisation opportunities coming from YouTube, while its cloud business (Google Cloud Platform) is starting to gain traction, albeit from a low base comparatively speaking.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	$180 million
Product Type	Managed Discretionary Account
Product Sponsor	Mason Stevens Limited
Benchmark	MSCI ACWI (net) (as expressed in AUD from Bloomberg)
No. 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

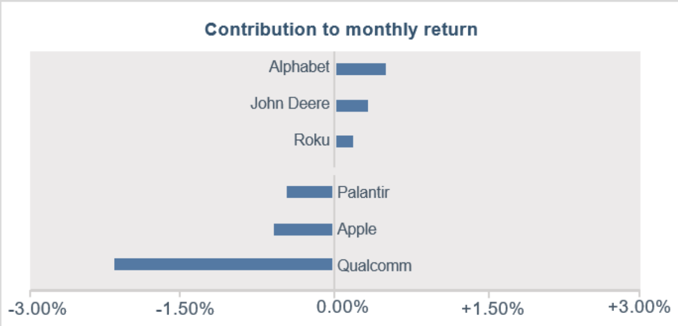
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above $1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

But there were a number of notable detractors, including **Qualcomm** (-2.2 percentage points), **Apple** (-0.6 percentage points) and **Amazon** (-0.3 percentage points). Qualcomm's weakness follows a year in which its share price almost doubled. The company is an important beneficiary of the impending roll-out of 5G phones, into which it is selling much more than the modem, while also emerging as a leader in base station equipment, a beneficiary of the stall that has hurt Huawei.

As we have previously noted, Apple and Amazon were the only "FAANGM" stocks making the list for top ten contributors to the Fund's return in 2020.

The Australian dollar appreciated +0.8% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions decreased. As at 28 February 2021, the Portfolio carried a foreign currency exposure of 99%.

Selected Contributors and Detractors



Portfolio Construction

At February month end, the Portfolio was 88.6% invested in 24 holdings with the balance in cash.

Top Holdings
Qualcomm
Amazon
Apple
Alibaba
Tencent

Capitalisation USD	
Mega Cap > $100b	70.3%
Large Cap $50-100b	7.4%
Mid Cap $2-50b	10.8%
Small Cap < $2b	0.0%

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 and Founder

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 in a number of funds management firms in Australia, including BT Funds Management.

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?

Investors may access Loftus Peak's global equity disruption capability in two ways:

- For **all** investors, the Loftus Peak Global Disruption Fund, which is a unit trust; or
- For **sophisticated** investors, the Loftus Peak Global Change Portfolio, which is a managed discretionary account.

While offered by way of two different legal structures, the two products are managed according to the same underlying investment objective and carry similar portfolio holdings. The main difference between the two products is that the Fund has a greater capacity to hedge market and currency exposure.

If you are uncertain as to which product is appropriate for you, we suggest you speak with your financial adviser or contact us directly at enquiry@loftuspeak.com.au.