

Loftus Peak Global Change Portfolio

Investing | Future Focused



March 2021

Founded in 2014, Loftus Peak is a global fund manager with a focus on investment in listed disruptive businesses. Our extensive experience means we bring significant discipline to the process. Holdings include large capitalisation names like Apple, Google (Alphabet) and Alibaba, as well as many others that we expect to be household names in the future. This approach to investment across a wide range of industries globally lowers the concentration risk inherent in the typical Australian portfolio, with its heavy skew toward banks, resources and the Australian dollar.

Review and Performance*

The Loftus Peak Global Change Portfolio was down -1.1% net-of-fees in March, with underperformance -5.2% against the benchmark MSCI All Countries World Index net in Australian dollars (which rose +4.1%). One-year net performance to March 31 was +35.0%, with outperformance of +11.1%.

Interest rate fears continued to roil markets through most of March, however there was a solid rebound in the closing days of the month (which continued into April). The pull-back allowed us to continue deploying the cash raised in January and February into companies which were trading at attractive levels relative to our price targets. Cash exposure at month end was around 8%.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-1.03%	+1.98%	+12.61%	+42.57%	+26.50%	+26.50%	+23.72%
Benchmark	+4.09%	+5.63%	+12.90%	+23.85%	+12.38%	+13.37%	+12.46%
Outperformance (gross-of-fees)	-5.12%	-3.65%	-0.30%	+18.72%	+14.11%	+13.13%	+11.26%
Portfolio (net-of-fees)	-1.14%	+1.65%	+10.46%	+35.00%	+22.68%	+23.10%	+20.57%

*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 worst performing stocks in March were some of our biggest gainers over the prior few years, so a pullback was to be expected at some point, and it came in March with Roku, Tencent, Alibaba and Xilinx all off. Roku was particularly hard hit (it is down -30% from its peak) as investors marked down multi-year growth stories because of rising bond prices. This is an understandable response, however we believe that the market broadly has failed to appreciate just how strategically important the company is – Roku is emerging as the de-facto operating system for TV's in the US and elsewhere – with almost 40% of smart TV sales in the US it is the largest single player – at a time when television and advertising is moving heavily toward streaming.

Agricultural equipment maker John Deere and Facebook were the top contributors to return, with Google, Apple, Microsoft and VMW also helpful.

Facebook has deservedly incurred the wrath of regulators for the cavalier ways in which it treats users' privacy, as well as the way it uses its power in the market. Google too. But advertisers still need and use both brands. Facebook has only just begun monetising Instagram, which is emerging as a powerful social commerce tool.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$186 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

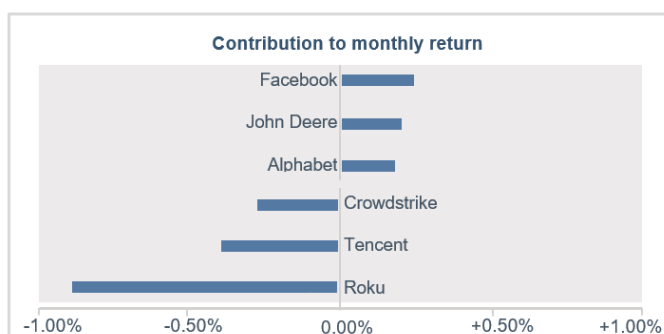
Google is so much broader than just desktop search – Android is the largest mobile phone platform, Gmail the largest global email service and Youtube the most popular video sharing tool. Google maps is an invaluable service, just as much as it is an advertising tool.

If regulators get serious about breaking up either company, it is likely that the sum of the parts would add up to more than the prices at which the respective shares trade.

The Fund will continue to tilt 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. We have found over the life of the Fund that this produces better outcomes.

The Australian dollar depreciated -1.4% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 31 March 2021, the Portfolio carried a foreign currency exposure of 99%.

Selected Contributors and Detractors



Portfolio Construction

At March month end, the Portfolio was 97.7% invested in 29 holdings with the balance in cash.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	74.3%
Amazon	Large Cap \$50-100b	5.9%
Apple	Mid Cap \$2-50b	17.5%
Roku	Small Cap < \$2b	0.0%
Alibaba		

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.

IMPORTANT INFORMATION:

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Visit www.loftuspeak.com.au to find more commentary, including Fund performance.

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