

Loftus Peak Global Change Portfolio

Investing | Future Focused



May 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 -1.9% net-of-fees in May, underperforming the benchmark MSCI All Countries World Index net in Australian dollars by -3.1%. One-year net performance to May 31 was +23.5%, with outperformance of +1.8%. Cash exposure at month end was around 3%.

The poor performance for the month was a function of the sell-off in **Apple, Amazon, Qualcomm** and **Alibaba**, the first three of which delivered what can only be described as outstanding quarterly revenue numbers - which the market promptly discounted. Investors appear to be waiting to see whether the strength in earnings of these companies (and many others the Fund holds) will persist – a dangerous game to play given the history of these disruptive players. The question the market appears to be asking is whether trends such as digitisation, the cloud, 5G, as well as shifts to streaming and digital advertising will continue, or whether re-opening will halt and even reverse these developments. We believe they will continue. In our view, these trends facilitate a better way of doing business and consuming, which provides us with comfort in the Fund's holdings, the products and services of which are underpinning much of this progress.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-1.79%	+0.35%	+3.76%	+30.42%	+24.19%	+25.00%	+23.34%
Benchmark	+1.20%	+8.60%	+10.28%	+21.74%	+13.01%	+12.65%	+12.83%
Outperformance (gross-of-fees)	-2.99%	-8.25%	-6.52%	+8.68%	+11.18%	+12.35%	+10.50%
Portfolio (net-of-fees)	-1.90%	+0.02%	+1.78%	+23.49%	+20.44%	+21.64%	+20.23%

*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

It wasn't all bad news. The top performers for the month were **Roku**, contributing +0.2 percentage points, **Nutanix**, contributing +0.2 percentage points, and **Nvidia**, contributing +0.1 percentage points. Roku continues to make investment sense – revenue from advertising and related services doubled to US\$466m for the quarter (relative to a year earlier), active accounts were up 35% to 54m, a figure equivalent to 45% of the total of TV homes in the US. The company's TV operating system is effectively included in 42% of all new smart TV's sold in the US. Roku is emerging as the gateway for advertising on streamed TV. That is the reason we own it.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$193 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\$150,000
Liquidity	Daily
Suggested timeframe	3-5 years

Fees

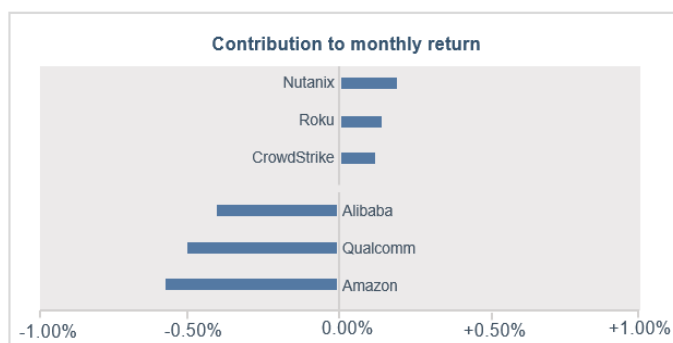
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Nvidia completely fulfilled its promise to investors, doubling its revenue in the datacentre and amongst gamers. It is now annualising half as much revenue as Intel, with 5x the growth.

Share price levels are high, a point noted recently by respected investor Jeremy Grantham in the Financial Times, but we believe this fact alone isn't a signal to sell, as it misses the fundamentals underlying those historically high price levels. Instead, we believe it is a signal to concentrate on investing in the best companies – those with proven business models and strong cash flows and balance sheets – and a relatively lower allocation to smaller, but highly prospective players in important areas. This approach is at the core of Loftus Peak's investment philosophy, and to date it has yielded great results from positions in **Tesla, Roku and Amazon**.

The Australian dollar appreciated +0.2% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions decreased. As at 31 May 2021, the Portfolio carried a foreign currency exposure of 99.7%.

Selected Contributors and Detractors



Portfolio Construction

At May month end, the Portfolio was 96.6% invested in 29 holdings with the balance in cash.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	74.8%
Amazon	Large Cap \$50-100b	6.9%
Roku	Mid Cap \$2-50b	14.9%
Apple	Small Cap < \$2b	0.0%
Google		

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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