

Loftus Peak Global Change Portfolio

Investing | Future Focused



June 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 up +10.7% net-of-fees in June, outperforming the benchmark MSCI All Countries World Index net in Australian dollars by +6.1%. One-year net performance to June 30 was +36.4%, with outperformance of +8.4%.

The outperformance follows a few tough months during which the Portfolio lagged the broader market indices which were driven higher on the re-opening trade. For example, American Airlines shares almost tripled to close the month at US\$22, with Marriott hotels showing a similar rebound to US\$140.

Commodity prices have been strong as well - copper for example will continue to be in demand because it is one of the raw materials required to re-make the energy network with lower carbon emissions. This is in addition to higher demand generally as the world normalizes post-COVID.

| | 1m | 3m | 6m | 1y | 3y p.a. | 5y p.a. | Inception p.a. |
|--------------------------------|---------|---------|---------|---------|---------|---------|----------------|
| Portfolio (gross-of-fees) | +10.82% | +12.36% | +14.58% | +39.92% | +27.74% | +28.84% | +24.85% |
| Benchmark | +4.57% | +9.11% | +15.25% | +27.99% | +14.04% | +14.46% | +13.39% |
| Outperformance (gross-of-fees) | +6.24% | +3.25% | -0.67% | +11.93% | +13.70% | +14.38% | +11.45% |
| Portfolio (net-of-fees) | +10.71% | +12.01% | +13.85% | +36.38% | +24.27% | +25.38% | +21.72% |

*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 top performer was **Roku**, which added +2.6 percentage points to the Portfolio for the month. This was certainly a function of the important platform that the company has built, but there was also take-over talk, with Comcast mentioned. Roku is already the US market leader in operating systems for smart TVs, holding a critical position in advertising-funded streaming, enabling it to reap the benefits of the network effect (the viewers go where the content is, the advertisers go where the viewers are, Roku sits in between).

There were also good moves by **Qualcomm** (+1.5 percentage points), **Apple** (+0.9 percentage points) and **Nvidia** (+0.5 percentage points). Qualcomm is expanding its market to include additional functionality previously captured by competitors such as Broadcom (the "front end" of the 5G modem). Nvidia continues to outperform on numbers which conclusively demonstrate the superiority of the company's products in a world where Moore's law – i.e., processing power doubles and costs halves – is breaking down.

Key Facts

| | |
|----------------------------------|--|
| Inception Date | 30 June 2014 |
| Strategy FUM (AUD) | \$213 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

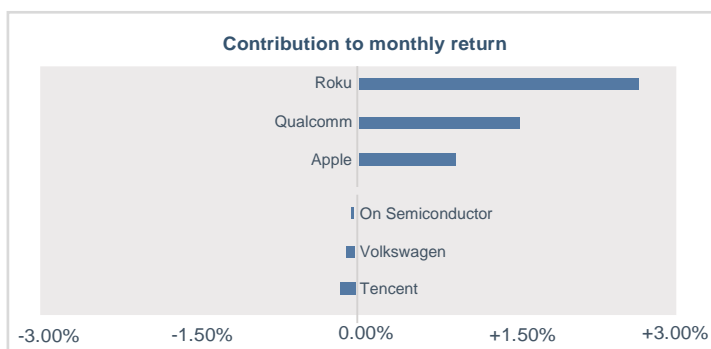
| | |
|--------------------------------|---|
| Management Cost | 1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears |
| Administration and Custody Fee | 0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million. |
| Performance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

There were a few underperformers, including Volkswagen and Daimler (which we own because we expect them to emerge as scale players in battery powered electric vehicles over the coming years) and Tencent, as China ramps up its pressure on home-grown technology giants.

The two top contributors for the month were also the biggest contributors for the 20/21 financial year. Roku contributed +10.2 percentage points and our biggest holding, Qualcomm, contributed +4.0 percentage points. Apple came in fourth, contributing +3.1 percentage points with its March quarter results confirming the company's significant recurring revenues. Alibaba was a detractor, eating -1.0 percentage points of performance, as the company has grown slower amid China's antitrust crackdown (including derailing the IPO of Alibaba backed Ant Group and later fining the e-commerce giant US\$2.8 billion).

The Australian dollar depreciated -3.1% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 30 June 2021, the Portfolio carried a foreign currency exposure of 99.7%.

Selected Contributors and Detractors



Portfolio Construction

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

| Top Holdings | Capitalisation USD | |
|--------------|---------------------|-------|
| Qualcomm | Mega Cap > \$100b | 74.5% |
| Roku | Large Cap \$50-100b | 16.1% |
| Amazon | Mid Cap \$2-50b | 7.1% |
| Apple | Small Cap < \$2b | 0.0% |
| Alphabet | | |

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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