

Loftus Peak Global Change Portfolio

Investing | Future Focused



July 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 +1.0% net-of-fees in July, underperforming the benchmark MSCI All Countries World Index net in Australian dollars by -1.8%. One-year net performance to July 31 was +30.5%, with outperformance of +0.1%.

Our Chinese holdings Tencent and Alibaba were the reason for this, the share price falls brought on by harsh regulatory actions from Chinese President Xi Jinping. It would have been worse but for the strength in many of our core positions including Qualcomm, Alphabet (Google), Xilinx, AMD and Roku, the first four of which reported very strong earnings numbers in the month.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+1.07%	+10.00%	+8.65%	+33.90%	+27.49%	+27.96%	+24.71%
Benchmark	+2.79%	+8.78%	+18.22%	+29.59%	+14.18%	+14.55%	+13.67%
Outperformance (gross-of-fees)	-1.72%	+1.22%	-9.57%	+4.31%	+13.32%	+13.41%	+11.04%
Portfolio (net-of-fees)	+0.96%	+9.65%	+7.95%	+30.50%	+24.03%	+24.53%	+21.60%

*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

Qualcomm was the top performer, adding +1.0 percentage points for the month. What was originally a handset (mobile phone) technology company has built additional significant businesses in automotive, radio frequency front-end and the internet-of-things, from a negligible base three years ago to one which generates US\$8b+ a year, or 25% of revenue. **Alphabet** (+0.7 percentage points) showed significant strength across every business line (search, YouTube, network, cloud) as digital advertising roared back and then some. **Apple** contributed +0.6 percentage points, with sales this quarter jumping 63% as investors continue switching to 5G phones.

As noted, **Alibaba** and **Tencent** were big detractors, cutting -0.9 percentage points from return between them. Ahead of the crackdown by Chinese regulators in the private tuition and food delivery services – which came not long after the soured IPO's of Ant Financial and DiDi – the Fund had significantly reduced its China direct exposure from around the 25% level in 2018 to 11% at the end of March 2021. In addition, rising geopolitical tensions and diplomatic flare-ups have made investors rethink the magnitude of risk now associated with investing in China. We have as a result increased the risk premia assigned to these two Chinese companies, which in turn materially reduced both of the companies' fair values and weights within the Fund.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$221 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

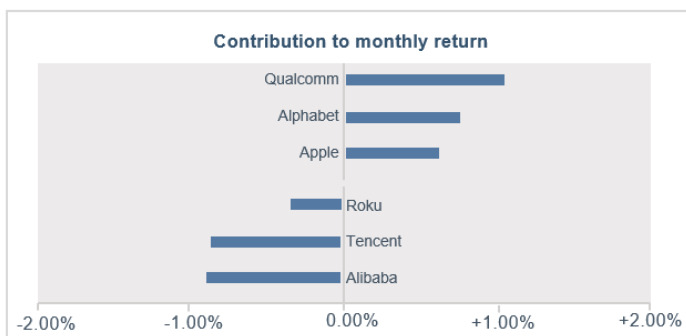
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Amazon surprisingly fell heavily following its results (the stock was down -7.6%). It warned that sales growth would ease on tougher year-ago comparisons, expecting “revenue of between \$106.0 billion and \$112.0 billion, or revenue growth of between 10% and 16% compared with third quarter 2020”. The sting was in the call that operating income would be “flat to down”.

Our holding in German car maker **Volkswagen** was flat for the month, however we are optimistic for its prospects. The company is now on track to produce millions of modular battery-driven motors for use in the flagship brand, as well as Seat, Skoda, Audi and possibly even Porsche. This is exactly the kind of scale required to bring the fight to Tesla, which will doubtless hold onto its premium position for a while, but may struggle against a car maker with the capacity to produce ten million cars/year profitably and cheaply.

The Australian dollar depreciated -2.1% over the month against the US dollar, which meant the value of the Portfolio’s US dollar positions increased. As at 31 July 2021, the Portfolio carried a foreign currency exposure of 99.9%.

Selected Contributors and Detractors



Portfolio Construction

At July month end, the Portfolio was 93.0% invested in 30 holdings with the balance in cash.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	71.7%
Apple	Large Cap \$50-100b	14.3%
Alphabet	Mid Cap \$2-50b	7.0%
Roku	Small Cap < \$2b	0.0%
Amazon		

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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