

Loftus Peak Global Change Portfolio

Investing | Future Focused



August 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 +2.0% net-of-fees in August, underperforming the benchmark MSCI All Countries World Index net in Australian dollars by -1.0%. One-year net performance to August 31 was +27.0%, with underperformance of -3.0%. The sharemarket is up on continuing easy money conditions, as Federal Reserve Chairman Jerome Powell cautioned the central bank not to overreact to this year's inflation surge. At the same time, the "re-opening trade" has buoyed many traditional companies, although even this appears to be running out of steam, with the delta variant of COVID causing cancellations, shortages and delays worldwide. A change in policy direction in China also played into the negative story for the Portfolio in a small way as we had already significantly reduced the exposure.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+2.12%	+14.38%	+14.78%	+30.30%	+25.14%	+27.37%	+24.75%
Benchmark	+2.97%	+10.68%	+20.20%	+30.03%	+13.69%	+14.94%	+13.96%
Outperformance (gross-of-fees)	-0.84%	+3.70%	-5.42%	+0.27%	+11.45%	+12.43%	+10.79%
Portfolio (net-of-fees)	+2.01%	+14.02%	+14.04%	+27.00%	+21.74%	+23.95%	+21.66%

*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 performers for the month were **Alphabet (Google)**, **Netflix**, **Microsoft**, **Mercado Libre** (Latin- American e-commerce) and **CrowdStrike** (digital security). Google has been on a solid uptrend ever since COVID hit, having almost tripled from a low of US\$1,008, as it showed quarterly revenue growth numbers of over 60% in the most recent quarter, as well as real momentum in YouTube.

Concerns over the past few months that **Netflix** was running out of growth were allayed as the company announced the release of 42 new films. There is ample evidence linking new content to subscription growth, suggesting another surge in uptake. To put Netflix's film commitment in perspective, it is unlikely that any of the other big Hollywood studios could match this Netflix's release pipeline.

Additionally, the company launched a gaming service in selected markets. Blog, Ars Technica, noted that the gaming move seemed less focused on the delivery method and more on pumping out easily accessible games that lean on Netflix's massive library of licenses. "Considering how huge the smartphone-gaming market is and how much room there is for a recognisable service that is ad-free and micro-transaction free, with familiar characters and series, it's arguably a better business call than competing directly with Nintendo, Sony, or Microsoft."

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$239 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

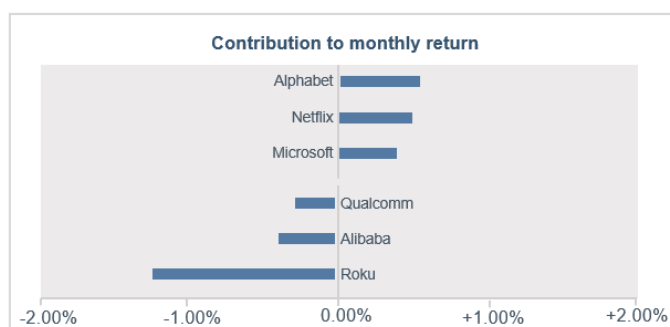
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Roku performed poorly during the month as the market took an unfavourable view of the sequential slowdown in streaming hours (down 5%) in the June quarter. However we are less concerned – it makes sense that as the US re-opened during the Northern summer, viewers would spend more time outdoors. In fact, relative performance of streaming hours was actually quite strong, with Roku's streaming hours up +19% year on year globally, compared with declines in traditional TV and other TV streaming platforms of -19% and -2%, respectively.

Qualcomm performance was weak on the back of Apple and others announcing they would fabricate their own 5G chips for mobile devices. We would highlight that firstly, there is no guarantee these companies will be successful (Intel previously threw in the towel), and secondly, if it does happen, Qualcomm's adjacencies in RF front-end (RFFE), IoT (Internet of Things), automotive are likely to more than make up for the lost revenue.

The Australian dollar depreciated -0.4% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 31 August 2021, the Portfolio carried a foreign currency exposure of 99.9%.

Selected Contributors and Detractors



Portfolio Construction

At August month end, the Portfolio was 95.1% invested in 30 holdings with the balance in cash.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	72.4%
Roku	Large Cap \$50-100b	8.0%
Alphabet	Mid Cap \$2-50b	14.7%
Apple	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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