

Loftus Peak Global Change Portfolio

Investing | Future Focused



October 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, Alphabet (Google) and Alibaba, as well as many others that we expect to be household names in the future, such as Roku and Qualcomm. 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*

By the end of October, almost half the portfolio had reported earnings, with generally favourable outcomes other than Apple and Amazon, leading to net-of-fees performance of +1.3% for the month and outperformance of +0.4% relative to the benchmark, the MSCI All Countries World Index in Australian dollars (which was up +0.9%). Since the Portfolio's inception in 2014, it has returned +20.4% net-of-fees p.a., outperformance of +7.1% p.a.

| | 1m | 3m | 6m | 1y | 3y p.a. | 5y p.a. | Inception p.a. |
|--------------------------------|--------|--------|--------|---------|---------|---------|----------------|
| Portfolio (gross-of-fees) | +1.41% | -2.16% | +7.62% | +19.44% | +27.28% | +26.10% | +23.40% |
| Benchmark | +0.93% | +0.99% | +9.86% | +28.29% | +15.14% | +15.01% | +13.32% |
| Outperformance (gross-of-fees) | +0.48% | -3.15% | -2.24% | -8.84% | +12.14% | +11.09% | +10.08% |
| Portfolio (net-of-fees) | +1.30% | -2.48% | +6.93% | +16.41% | +23.82% | +22.72% | +20.38% |

*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

Netflix was the top contributor for the month, buoyed by talk of its new gaming venture and a 42-strong movie slate for release over the US winter. It would be remiss of us not to mention the breakout Korean hit TV show *Squid Game*, which quickly became Netflix's number one title in 90 countries. We believe this is an excellent example of why global streaming is a better business model than traditional linear TV: diverse content, direct to the consumer with global reach.

The other contributors were only marginally accretive which was not enough to counteract the weak performance of some of our holdings, including **Qualcomm**, **Roku** and **Alphabet (Google)**. In Roku's case the company is cycling last year's strong seasonal numbers which saw Americans huddle at home around the (Roku) TV during the COVID winter. For the record, the history of growth in subscriber TV is not linear, so we are looking through this weaker period to better numbers ahead. The company was down around -11.1% over the past few months but is still 8x the price at which we first entered.

Key Facts

| | |
|----------------------------------|--|
| Inception Date | 30 June 2014 |
| Strategy FUM (AUD) | \$235 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

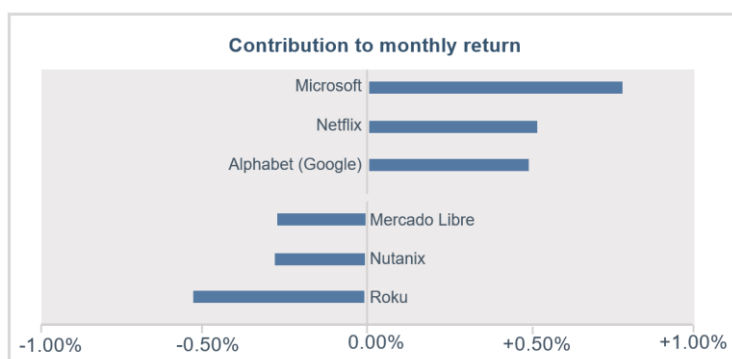
| | |
|--------------------------------|---|
| Management Cost | 1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears |
| Administration and Custody Fee | 0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million. |
| Performance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

Qualcomm was also a poor performer – it detracted -1.7 percentage points from the Fund's performance in September as concerns continue around semiconductor shortages as well as the move by **Apple** to fabricate its own 5G chips.

Frankly, we are fascinated by the opportunity that the company presents. Two years ago, Qualcomm was viewed as troubled as a result of legal issues both in the US with Apple and also in Asia. It has rebounded, recording a 40% rise in the quarter to 30 June in its core handsets business of modems for 3G, 4G and 5G phones. More importantly there was an 83% jump in its automotive and connected devices divisions to US\$1.7b, putting it on track to record US\$7b annually. These are new revenue streams which did not exist two years ago. Looking ahead, Qualcomm's products will be critical for various end markets in which cars and objects are connected over mobile networks.

The Australian dollar appreciated +4.0% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions decreased. As at 31 October 2021, the Portfolio carried a foreign currency exposure of 100%.

Selected Contributors and Detractors



Portfolio Construction

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

| Top Holdings | Capitalisation USD | |
|-------------------|---------------------|-------|
| Qualcomm | Mega Cap > \$100b | 75.7% |
| Alphabet (Google) | Large Cap \$50-100b | 8.0% |
| Roku | Mid Cap \$2-50b | 14.0% |
| Amazon | Small Cap < \$2b | 0.0% |
| Microsoft | | |

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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