

Loftus Peak Global Change Portfolio

Investing | Future Focused



December 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*

The last month of 2021 ended with a whimper. Net-of-fees performance of -1.1% for the month and outperformance of -2.6% relative to the benchmark, the MSCI All Countries World Index in Australian dollars (which was up +1.5%). Since the Portfolio's inception in 2014, it has returned +21.2% net-of-fees p.a., outperformance of +7.5% p.a. The strong absolute result was achieved against the backdrop of the even stronger COVID-19 "re-opening trade". Looking to the year ahead, we remain particularly confident in the Portfolio's exposures to 5G and Internet of Things, cloud computing, digital advertising as well as the semiconductors underpinning these disruptive changes; we will continue to position our clients to benefit from these long-term secular trends.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-1.03%	+10.11%	+7.37%	+23.03%	+34.61%	+26.60%	+24.18%
Benchmark	+1.50%	+5.74%	+8.74%	+25.33%	+19.08%	+14.21%	+13.71%
Outperformance (gross-of-fees)	-2.52%	+4.38%	-1.37%	-2.30%	+15.54%	+12.40%	+10.47%
Portfolio (net-of-fees)	-1.13%	+9.76%	+6.68%	+21.45%	+30.96%	+23.26%	+21.17%

*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

Apple was a solid performer for the month, adding +0.3 percentage points to return, on the back of growing certainty that the company will launch a fully autonomous car (without a steering wheel or pedals) most likely in 2025. Codenamed "Titan", it has been on the drawing board since 2014. Apple has recently purchased a test site in Arizona for US\$125m and briefed assembly partner Foxconn (among others, including Toyota and Hyundai, possibly to handle the manufacture).

ON Semiconductor and **Volkswagen** together contributed +0.5 percentage points. ON Semiconductor was added recently because of its role in providing the components for conversion of power from DC to AC/DC for use with wind and solar energy, as well as in electric cars. Volkswagen has been underperforming generally, which is not unexpected given the Tesla/Rivian hype, but we believe the company will ultimately emerge as the scale player in electric cars, meaning the production of around 10 million electric vehicles a year across its family of brands including Skoda, SEAT, Audi and Porsche, among others.

Qualcomm did little in December following a massive +6.6 percentage point contribution to the Portfolio's return in the previous month. We believe the company is in a very strong position. It has for years been developing increasingly powerful chips while at the same time reducing their energy requirements – highly desirable characteristics for 'edge' computing. Examples include advanced driver assistance applications, and virtual and augmented reality (which will find use in work situations, just as the first mass-produced computers became enterprise productivity tools), and much more.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$260 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

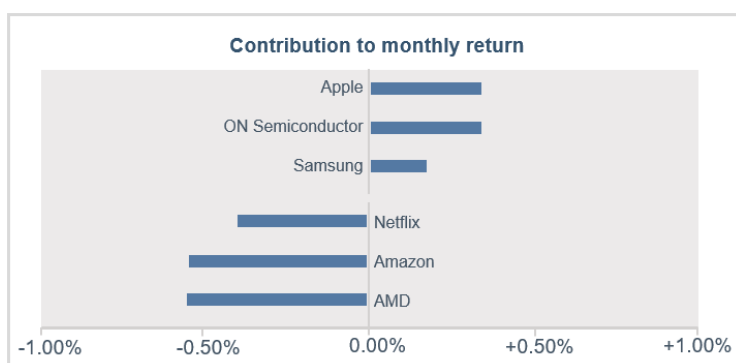
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Netflix and **AMD** were both weaker for the month, cutting a combined -0.9 percentage point from return. Netflix has been weaker of late, in part because of the “re-opening trade”, but we would remind investors that the company is significantly outperforming competitors in terms of streamed content, generating positive free cash flow on an annual basis, and has initiated a share buyback program. Meanwhile its competitors are bleeding red ink on their streaming services. Note: **AMD** was not a top 5 contributor for the Portfolio in 2021 like it was for the Fund.

The Portfolio’s position in **Roku** performed better in December, as its dispute with **Google (Alphabet)** regarding carriage of the YouTube app was resolved. In addition to the issues with Roku, Google had another important loss against Disney. The company has toyed with the possibility of controlling mainstream TV content and the advertising which funds it, without much success. In truth, its considerable talents lay elsewhere.

The Australian dollar appreciated +1.9% over the month against the US dollar, which meant the value of the Portfolio’s US dollar positions decreased. As at 31 December 2021, the Portfolio carried a foreign currency exposure of 99.6%.

Selected Contributors and Detractors



Portfolio Construction

At December month end, the Portfolio was 94% invested in 28 holdings with the balance in cash.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	72.0%
Amazon	Large Cap \$50-100b	6.5%
Alphabet	Mid Cap \$2-50b	15.5%
Microsoft	Small Cap < \$2b	0.0%
Apple		

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:

This report was prepared by Loftus Peak Pty Limited (“Loftus Peak”), for the purpose of providing general information only, without taking account of your particular investment objectives, financial circumstances or needs. It is not intended to take the place of professional advice and we do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors it may contain. You should consider the Investment Mandate for the Portfolio in deciding whether to acquire, or continue to hold, the product. The Investment Mandate and application form may be requested by emailing enquiry@loftuspeak.com.au. Loftus Peak doesn’t guarantee the performance of the portfolio or the repayment of the investor’s capital. To the extent permitted by law, Loftus Peak, including its employees, consultants, advisers, officers or authorised representatives, is not liable for any loss or damage arising as a result of reliance placed on the contents of this report. Past performance is not indicative of future performance.

Visit www.loftuspeak.com.au to find more commentary, including Fund performance.

Loftus Peak Pty Limited ABN 84 167 859 332 AFSL 503 571