

Loftus Peak Global Change Portfolio

Investing | Future Focused



November 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*

November was one of the Portfolio's strongest months of relative performance since inception, with a net-of-fees return of +9.6% resulting in outperformance of +6.4% relative to the benchmark MSCI All Countries World Index (net, as expressed in AUD from Bloomberg). This brings the Portfolio's one-year net-of-fees performance to +21.6%, underperformance of -2.0%. The strong recovery was achieved against the backdrop of uncertainty over the Omicron COVID-19 variant which has unsettled markets after a period of optimism.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+9.71%	+5.11%	+20.22%	+24.74%	+32.55%	+27.49%	+24.66%
Benchmark	+3.21%	+1.23%	+12.04%	+23.55%	+17.01%	+14.91%	+13.65%
Outperformance (gross-of-fees)	+6.50%	+3.88%	+8.18%	+1.19%	+15.53%	+12.58%	+11.01%
Portfolio (net-of-fees)	+9.59%	+4.76%	+19.45%	+21.57%	+28.94%	+24.07%	+21.62%

*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, our highest conviction call by weight since the strategy's inception, delivered a massive +6.6 percentage points contribution to the Portfolio's return in November. The investment team has spent some four years researching the 5G thematic. It is correct to say that 5G simply wouldn't be possible at this time without the company. The market is slowly coming to grips with the size of the opportunity that lies ahead for Qualcomm, which is what underpinned the strong contribution for the month, however the company's valuation is still not challenging. Qualcomm will continue to benefit in the short-term as 5G smartphones become ubiquitous and in the years ahead as the world's appetite for connectivity and processing at the 'edge' grows, powering the company's fast-growing business lines in Automotive and the Internet of Things.

For the second month in a row the Portfolio's holdings in **AMD** and **Nvidia**, both Intel competitors, made solid contributions to return. Nvidia is now four times the size of Intel, having three years ago been one fourth its size. Its principal tool, the graphics processor unit (GPU) has distributed processing loads (formerly concentrated in the central processing unit, or CPU) into thousands of parallel units, speeding up by orders of magnitude the digital systems which drive the economy. We have for some months been delving into power semi-conductors, which make energy from wind, solar and battery useable in cars or on premises. The increase in adoption of electric vehicles, renewable energy generation, charging stations, industrialisation, and growing demand for consumer appliances are driving the growth of usage of products servicing this market.

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Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$261 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

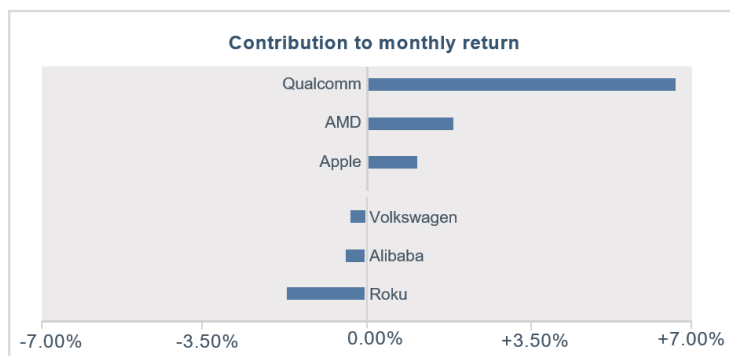
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

The Portfolio's position in Roku continues to underperform against a backdrop of supply chain issues and (yet to materialise) competition concerns. The position has required significant active management, having appreciated almost 200% in 2020 and fallen more than 50% over the past six months. Meanwhile, the company's platform business, which is mostly advertising revenue, grew +82% year-over-year to US\$583 million in the third quarter. Despite robust growth in this critical business segment, the market focused on short-term supply chain issues that caused lagging player revenue (10% of overall revenue) and active account growth. These issues appear short-term in nature, and we continue to believe Roku will be a strategically significant disruptor in advertising supported video globally.

Carmaker **Volkswagen** is still in the shadows relative to Tesla and the newly-listed Rivian, but it will emerge as the low-cost scale producer of electric vehicles across a family of brands including Audi, Seat, Skoda and Porsche.

The Australian dollar depreciated -5.1% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 30 November 2021, the Portfolio carried a foreign currency exposure of 100%.

Selected Contributors and Detractors



Portfolio Construction

At November month end, the Portfolio was 89.1% invested in 27 holdings with the balance in cash.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	70.8%
Alphabet	Large Cap \$50-100b	5.9%
Amazon	Mid Cap \$2-50b	12.4%
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 investment management in Australia.

He was instrumental in bringing both Seek and Carsales.com to the Australian stock market. He has a deep understanding of the mechanisms through which disruption changes business models and the impact it has on company valuation.



Anshu Sharma
Portfolio Manager and Founder

Anshu started his career as an analyst in global disruption investment more than a decade ago. 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 financial services firms in Australia, including more than a decade at 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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