

Loftus Peak Global Change Portfolio

Investing | Future Focused



March 2022

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. Our Portfolio comprises some of the best and fastest-growing companies in the world – companies that we believe are driving change across all industries globally, constructed on the basis of strict criteria at carefully determined valuations. Holdings include large capitalisation names like Apple and Google (Alphabet), 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*

Global stock markets recovered somewhat in March as the worst-case scenario of the unprovoked war in Ukraine – meaning an escalation involving NATO troops, or worse – did not eventuate. Still, the Portfolio lost -3.0% of its value with higher oil prices and interest rates the major negative factors. This was underperformance of -1.8% against our benchmark MSCI All Countries World Index (Net) as expressed in Australian Dollars from Bloomberg (which was down -1.2%). Since the Portfolio's inception in 2014, it has returned +17.9% p.a. net-of-fees, outperformance of +5.9% p.a.

We believe the market has started to recognise the value of quality companies – those with robust business models, pricing power, strong balance sheets and cash flows. We expect this trend to continue as the macroeconomic environment begins filtering through to company earnings.

We took advantage of the market lows in March to increase our weighting to equities by around 5%, purchasing a number of quality companies that had been on our watchlist but were previously precluded from the Portfolio on the basis of valuation.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-2.87%	-14.77%	-6.15%	+2.83%	+20.19%	+21.40%	+20.80%
Benchmark	-1.16%	-8.13%	-2.85%	+9.01%	+11.70%	+12.09%	+12.01%
Outperformance (gross-of-fees)	-1.71%	-6.64%	-3.29%	-6.18%	+8.49%	+9.32%	+8.79%
Portfolio (net-of-fees)	-2.97%	-15.04%	-6.75%	+1.51%	+16.92%	+18.20%	+17.92%

*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 positions we opened in March, including **Airbnb**, added +0.6% to the Portfolio's value, with a further +1.6% from companies that the Portfolio already held, including **Nvidia**, **John Deere** and **Amazon**. **Nvidia** briefed the market at its annual investor/industry day, highlighting a prospective total addressable market of US\$1 trillion across its traditional semiconductor business, automotive, AI enterprise software and more. **Amazon** was also strong as it announced a 20-for-one stock split and US\$10b buyback, both of which are viewed favourably as they encourage consideration by smaller individual retail investors. **Qualcomm**, the Portfolio's largest position, accounted for a majority of the deduction from return, as investors fretted about slowing demand for consumer electronics in the wake of economic pressures brought on by inflation and interest rate hikes. Severe lockdowns in China related to COVID also added to these fears.

These concerns are behind the broader fall in the share prices of other key semiconductor companies including **Taiwan Semiconductor Company** and **AMD**. We see some justification in this but would highlight that for a majority of our semiconductor holdings demand still far outstrips supply, which implies over the short-term that any reduction in consumer electronics demand is likely to be taken up by other verticals such as the internet of things, automotive and cloud. There are also limits to how far consumers can push out their hardware upgrades.

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

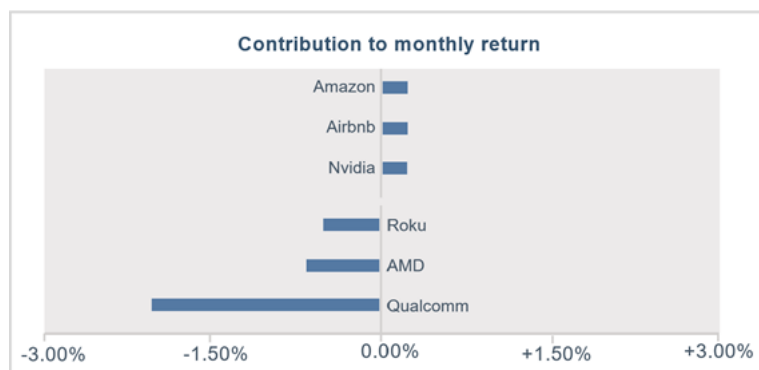
Fees

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

Our two streaming companies, **Roku** and **Netflix**, rallied strongly toward the end of the month but still detracted -0.8% from the Portfolio's value. We maintain our conviction in Roku becoming an integral part of ad-supported television globally, however in the short-term the company has been impacted by supply chain issues on two fronts: its ability to add active accounts (as less TVs are being sold) and the monetisation of its userbase (less demand for advertisements as inventory issues persist). We believe both of these pressures should abate in the coming months.

The Australian dollar appreciated +3.0% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions decreased. As at 31 March 2022, the Portfolio carried a foreign currency exposure of 98.5%.

Selected Contributors and Detractors



Portfolio Construction

At March month end, the Portfolio was 92.8% invested in 30 holdings with the balance in cash.

Top Holdings (in alphabetical order)	
Alphabet	Netflix
Amazon	ON Semiconductor
AMD	Qualcomm
Apple	Roku
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	73.5%
Large Cap \$50-100b	6.9%
Mid Cap \$2-50b	12.4%
Small Cap < \$2b	0.0%

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 as an analyst in global disruption investment more than 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