

Loftus Peak Global Change Portfolio

Investing | Future Focused



April 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*

Markets remained volatile in April as investors struggled to digest a barrage of news and economic data, including surging inflation and rising interest rates as well as the continuing war in Ukraine and lockdowns in China – all of which added more uncertainty to the short-term outlook. Not even the quality end of the growth market was spared, with companies such as Amazon and Alphabet (Google) down significantly as assumptions around near-term softness in consumer spending began to impact pricing. These assumptions seemed to run contrary to commentary from management in the most recent earnings calls for a majority of the Portfolio's holdings to date, which instead suggested this softness was yet to materialise. So, despite strong fundamentals, it is the negative macroeconomic environment driving the narrative, and which resulted in the one of the worst months in the strategy's eight-year history.

The Portfolio lost -10.1% of its value net-of-fees with higher oil prices and interest rates the major negative factors. This was underperformance of -7.4% against our benchmark MSCI All Countries World Index (Net) as expressed in Australian Dollars from Bloomberg (which was down -2.7%). Since the Portfolio's inception in 2014, it has returned +16.1% p.a. net-of-fees, outperformance of +4.6% p.a.

We were surprised by the speed of the minor bounce towards the end of March/early April and took some profits on positions, some of which were up more than 20% in a few short weeks. The Portfolio closed out the month with cash exposure of 8.3%.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-10.00%	-17.74%	-16.71%	-10.36%	+13.55%	+17.65%	+18.95%
Benchmark	-2.65%	-8.72%	-6.31%	+2.93%	+9.24%	+10.65%	+11.49%
Outperformance (gross-of-fees)	-7.35%	-9.01%	-10.40%	-13.29%	+4.31%	+6.99%	+7.46%
Portfolio (net-of-fees)	-10.10%	-18.00%	-17.25%	-11.51%	+10.46%	+14.54%	+16.12%

*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 biggest detractors were **Netflix** and **Amazon**, which together cut the value of the fund by -3.2% for the month following results which the market interpreted very negatively. Netflix delivered a subscriber miss and guided to net subscriber losses of 2 million (almost unheard of in the company's history) – these are certainly concerning numbers, but do not change the long-term trajectory for streaming services. The Netflix subscriber base of 222 million remains only a fraction of the number of 1 billion+ broadband connections globally, with every one of these households a potential subscriber, even if at a lower monthly fee. If anything, the company's disclosure of an additional 100 million households watching Netflix, but not paying, shows a clearer path to the next 100 million than ever before. Subscriber growth is rarely if ever linear. Netflix is having a tough time now – but for how long?

Amazon is potentially more problematic, with a much higher fixed cost base (warehouses, transportation, vehicles) – a blessing as customer spend rises, but a deadweight in a slowdown. However, the company's recently announced *Buy with Prime* (Prime checkout and delivery speeds for third-party online merchants) could contribute meaningfully to utilisation of this fixed cost base.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$200 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

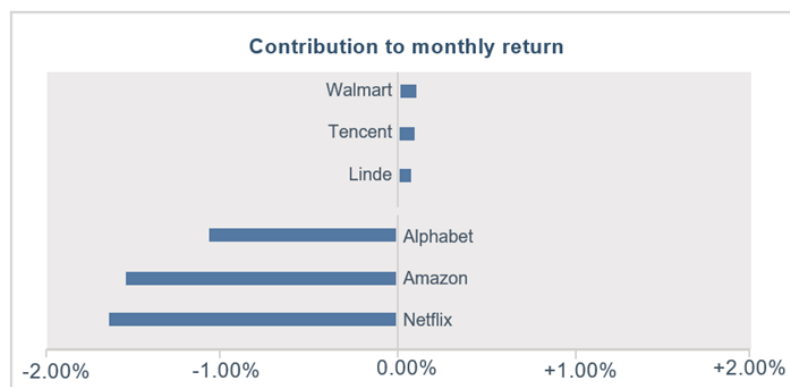
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Alphabet (Google) cut -1.1% from the value of the Portfolio as competition from TikTok hurt the company's YouTube advertising business.

Nvidia and **AMD**, both of which are executing to a very high standard, together reduced the value of the Fund by -1.4%. These companies have not yet reported and are likely to show good numbers when they do, but investors are selling down now on the basis that the recession is coming and will inevitably hit all companies, including those in the notoriously cyclical semiconductor industry. We can see this too but believe that beyond the cyclical forces there is a much larger structural move toward a world that requires more silicon everywhere – in cars, whitegoods, life sciences, utilities, retail, enterprise, traffic management and more.

The Australian dollar depreciated -5.0% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 29 April 2022, the Portfolio carried a foreign currency exposure of 98.5%.

Selected Contributors and Detractors



Portfolio Construction

At April month end, the Portfolio was 91.7% invested in 29 holdings with the balance in cash.

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

Capitalisation USD	
Mega Cap > \$100b	67.0%
Large Cap \$50-100b	11.9%
Mid Cap \$2-50b	12.8%
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:

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