

Loftus Peak Global Change Portfolio

Investing | Future Focused



May 2022 Update

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*

Inflation and interest rates continued to be front of mind for investors in May. The initial reprieve brought about by commentary from the Fed that suggested more aggressive hikes (than 50bps) were off the table was short-lived as some companies began feeling the economic pinch. These cracks took the form of hiring freezes, excess inventory issues and downward revisions to earnings guidance (which had been made only weeks earlier). This all points to a greater likelihood of economic hardship. However, it wasn't all bad. Many of the semiconductor companies the Portfolio is invested in either reiterated or increased their forward guidance. We believe this highlights the strength of the secular tailwinds these businesses are benefiting from. Although a recession might slow the pace of change, it is unlikely to alter the direction – more workloads will shift to the cloud, electric vehicles will take up greater market share and media consumption will be increasingly digital. Despite economic weakness, consumers and businesses across all industries will continue to make purchasing decisions in favour of better, more efficient solutions. The Portfolio closed out the month down -0.6% net-of-fees, which was outperformance of +0.7% against the benchmark MSCI All Countries World Index (net) as expressed in AUD from Bloomberg (which was down -1.3%). Since the Portfolio's inception in 2014, it has returned +15.9% p.a. net-of-fees, outperformance of +4.7% p.a.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-0.50%	-13.01%	-24.46%	-9.18%	+17.32%	+15.81%	+18.66%
Benchmark	-1.32%	-5.05%	-10.42%	+0.36%	+10.37%	+9.75%	+11.18%
Outperformance (gross-of-fees)	+0.82%	-7.96%	-14.04%	-9.55%	+6.94%	+6.06%	+7.48%
Portfolio (net-of-fees)	-0.61%	-13.30%	-24.95%	-10.35%	+14.13%	+12.75%	+15.85%

*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 Portfolio's semiconductor stocks, Advanced **Micro Devices**, **ON Semiconductor** and **Nvidia** were the best performing companies for the month, with the companies adding +1.7% to the value of the portfolio, having been among the worst performers over the past few months. Roku too was solid with a +0.2 percentage point contribution for May.

We continue to view the semiconductor companies as good value, holding as they do a critical place as enablers of the disruption economy. For example, Nvidia, which reported late in May, posted revenue up +46% and adjusted earnings per share up +49%, with second quarter revenue forecast to be up +24%.

One of the most important companies in the world (and the 12th largest by market capitalisation) it is instructive to consider what the company's top management said in the question and answer session with analysts following the release. Specifically, of the 34 times the word demand was used, it was accompanied by the word "strong" 11 times, twice by the word "growing" and once each for the words "really high", "double", "increased", "exponential", "ramping", and "a lot of". There were 4 negative mentions - 3 referring to "logistics problems" and one for "difficult". The remainder of the mentions were unqualified.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$198 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

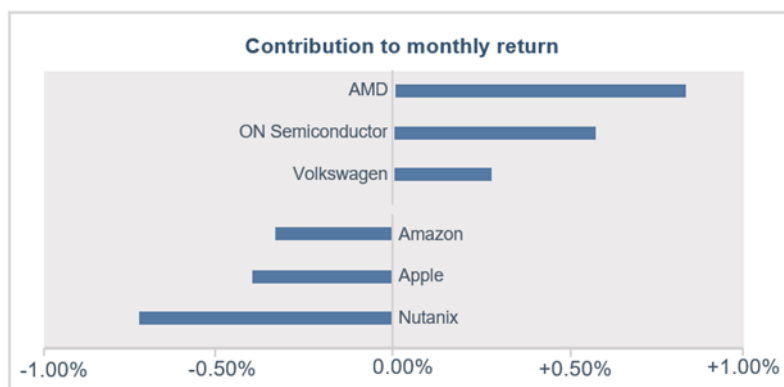
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Having taken the long handle to the high growth names, the market then shifted its focus to stalwarts **Walmart, John Deere, Amazon** and **Apple** – some of the worst performing names for the month, collectively reducing the value of the Portfolio by -1.1 percentage points.

These moves at least show a level of consistency by investors, and in our view adequately capture the impact of rising interest rates and a poor inflation outlook. While there can be another leg down, at month end the Portfolio was down -26.6% from its November high and -23.7% year-to-date against the Portfolio's benchmark (down -11.7%). By way of context, the S&P 500 was off -12.2% for the year-to-date.

The Australian dollar appreciated +0.9% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions decreased. As at 31 May 2022, the Portfolio carried a foreign currency exposure of 98.7%.

Selected Contributors and Detractors



Portfolio Construction

At May month end, the Portfolio was 93.2% invested in 29 holdings with the balance in cash.

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

Capitalisation USD	
Mega Cap > \$100b	65.9%
Large Cap \$50-100b	13.9%
Mid Cap \$2-50b	13.4%
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