

Loftus Peak Global Change Portfolio

Investing | Future Focused



June 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*

The Portfolio closed out the month down -7.4% net-of-fees, which was underperformance of -2.6% against the benchmark MSCI All Countries World Index (net) as expressed in AUD from Bloomberg (which was down -4.8%).

While these numbers are disappointing, we remain confident that we have positioned the Portfolio to benefit from how we see the world changing over the coming three to five years. Since the Portfolio's inception in 2014, it has returned an annualised +14.6% p.a. net-of-fees, outperformance of +4.2% p.a. The outperformance is the outworking of a process that values, at individual company level, the disruptive changes affecting businesses and consumers in areas such as streaming, ecommerce, manufacturing, primary production and the movement of IT to the cloud, to name a few.

This outperformance is still there for the taking. For example, we see credible evidence of significantly higher demand for semiconductors than has been the case in the past 20 years. We base this on broad industry affirmation of increased use of compute power in agriculture, cars, banking, retail and many others. A recently-published study by McKinsey & Company stated: "The global semiconductor industry is poised for a decade of growth and is projected to become a trillion-dollar industry by 2030."

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-7.31%	-17.00%	-29.26%	-24.04%	+11.99%	+15.23%	+17.33%
Benchmark	-4.79%	-8.53%	-15.97%	-8.62%	+6.71%	+9.28%	+10.37%
Outperformance (gross-of-fees)	-2.53%	-8.46%	-13.29%	-15.42%	+5.27%	+5.95%	+6.95%
Portfolio (net-of-fees)	-7.42%	-17.28%	-29.72%	-25.03%	+8.94%	+12.42%	+14.56%

*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

As good as the long-term outlook is, it was not enough to dissuade investors that a global slowdown was the next item on the agenda. The major detractors to Portfolio return were our semiconductor company holdings, after a relatively solid May, with AMD responsible for a -1.1% fall in Portfolio value, while Nvidia accounted for -0.9%, Qualcomm -0.8% and TSMC -0.7%. The market continues to view these companies as cyclical in nature – in line with the broader semiconductor industry – despite a number of increasingly clear secular growth drivers (datacentre, auto, IoT).

Elsewhere, it is difficult to find any informed industry participant who does not believe that all TV will be streamed by decade's end. Indeed, in 2022 streaming across the US eclipsed cable TV in popularity for the first time ever. But both Roku and Netflix have had a bad six months, with June seeing a combined -0.5% detractor.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$177 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

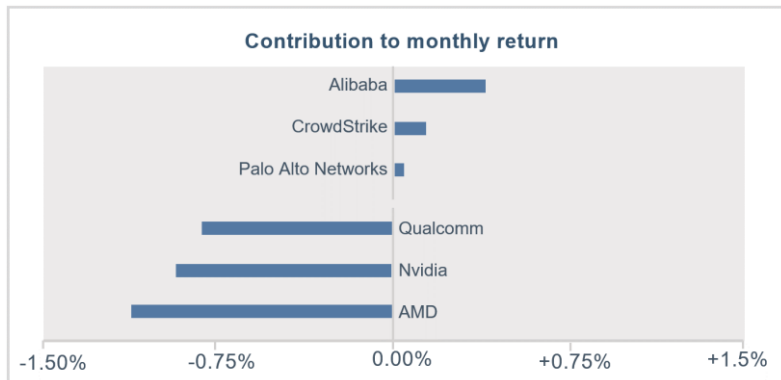
Our China holdings, principally Alibaba, had a modest month generating +0.4% to the value of the Portfolio, as lockdowns eased following a directive by the Politburo to bolster the economy.

Cloud computing services, in which the Portfolio is invested, is an evolving megatrend brimming with promise as the convergence point for the miscellany of remote work, connected supply chains, networks and more. Amazon, Google, Microsoft, Tencent and Alibaba form part of the Portfolio's cloud computing exposure, but together the companies were flat for the month.

It is possible that these cloud businesses may one day eclipse the legacy businesses of their parent companies (especially true of Amazon and AWS). Information technology is moving to the cloud and is only a fraction of the way there. The five companies listed account for 73% of the cloud infrastructure market by revenue. Amazon alone accounted for almost half of market share, while Microsoft had the largest market share growth.

The Australian dollar depreciated -4.1% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 30 June 2022, the Portfolio carried a foreign currency exposure of 97.9%

Selected Contributors and Detractors



Portfolio Construction

At June month end, the Portfolio was 93.3% invested in 27 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	65.1%
Large Cap \$50-100b	11.3%
Mid Cap \$2-50b	16.9%
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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