

# Loftus Peak

## Global Change Portfolio

Investing | Future Focused



July 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\*

In July, the Portfolio reversed the June fall and then some – it was up +10.0% in absolute terms (net-of-fees) with outperformance of +4.0% relative to the benchmark MSCI All Countries World Index (net) as expressed in AUD from Bloomberg (which was up +6.0%).

Markets had braced for impact following the US Federal Reserve rate hikes (+2.25% so far this year) with expectations of a recession to hit relatively quickly, so forcing stock prices down in anticipation in the first half of the year. There are many negative indicators which pointed to this, except one very important one - the US unemployment rate which now stands at around a 50-year low. That could deteriorate if US policy makers are forced to raise rates again in the event inflation readings do not fall from currently elevated levels.

Many companies held by the Portfolio did not get the memo that the economy was in a technical recession - earnings were instead driven by many of the strong underlying disruptive trends we have pointed to in recent months, including cloud, auto and the internet of things. The better-than-expected June profit numbers saw many holdings rally in response.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+10.08%	+1.52%	-16.48%	-17.26%	+14.13%	+17.27%	+18.48%	+18.54%
Benchmark	+5.97%	-0.43%	-9.12%	-5.79%	+8.02%	+10.80%	+11.16%	+11.06%
Outperformance (gross-of-fees)	+4.11%	+1.95%	-7.37%	-11.48%	+6.12%	+6.47%	+7.33%	+7.48%
Portfolio (net-of-fees)	+9.96%	+1.18%	-17.03%	-18.34%	+11.03%	+14.41%	+15.69%	+15.76%

\*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.

Since the Portfolio's inception it has returned +15.8% p.a. net-of-fees, outperformance of +7.5% p.a. This outperformance is the outworking of a process that seeks to identify and analyse changes impacting global business using a framework that properly values those changes. We invest in companies profiting from the shift to streamed entertainment, for example, as well as the efficiencies relating to ecommerce and the movement of information technology to the cloud.

### Contributors and Detractors to Return

Our investments in the semiconductors that are foundational to disruption did well, with **Qualcomm** the best performer logging a +1.8% contribution to return, while **Nvidia**, **AMD** and **Taiwan Semiconductor Manufacturing** (among others) added a combined +2.8% to the portfolio value. The share price performance of these companies has been solid, while valuations have not been demanding, so providing significant safety to the portfolio as a whole.

**Amazon** provided the second largest contribution for the month at +1.4% on a share price which surged +10% on the last trading day in July (and +26% for the month). Frankly, quarterly earnings were not terrific, but above consensus. The company did raise guidance for sales in the third quarter, but only just. The high point was the cloud business with sales which jumped +33% from a year earlier to \$19.7 billion (retail revenue fell -2.4%).

### Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$196 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

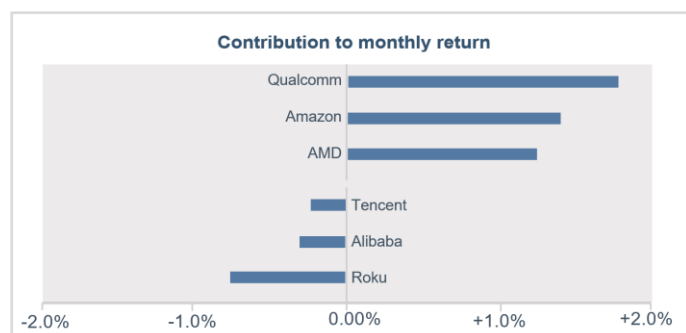
**Microsoft's** profit performance was more robust, with operating income up +8%. Chief executive Satya Nadella stated in comments following the result that "as a percentage of GDP (technology) spend is going to increase because every business is trying to fortify itself with digital tech to navigate this macro environment." Nadella has been saying this for years, and it continues to be a far-reaching and durable observation on the modern global economy. The company was up +9.3% for the month and added +0.7% to the Portfolio value.

There were also detractors, such as **Roku** which fell heavily on rescinded revenue guidance even as **Netflix** jumped almost +30% on less-than-forecast subscriber losses and some excitement around its up-coming advertising tier. Roku, meanwhile, is facing the same macroeconomic advertising headwinds as many smaller players in the industry, however with ~US\$2 billion in cash on the balance sheet and at operating cashflow breakeven the company has the runway to withstand transitory negatives. The long-term opportunity in ad-supported streaming television remains unchanged, though the net contribution from the streamers for the month was zero.

The solid rebound in the portfolio gives us confidence that managing monies with an emphasis on valuation and a view to the long-term value to be harvested from global disruption is the right approach.

The Australian dollar appreciated +1.5% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions decreased. As at 31 July 2022, the Portfolio carried a foreign currency exposure of 98.4%

## Selected Contributors and Detractors



## Portfolio Construction

At June month end, the Portfolio was 90.7% invested in 26 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	63.4%
Large Cap \$50-100b	11.3%
Mid Cap \$2-50b	16.0%
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?

All investors, both retail and sophisticated\*, may access Loftus Peak's global equity disruption capability by investing in the Loftus Peak Global Disruption Fund or the Loftus Peak Global Disruption Fund (Hedged), which are unit trusts. As the name suggests, the hedged class of the Fund seeks to substantially hedge the foreign currency exposure arising from investments in overseas markets back to Australian dollars. The Loftus Peak Global Change Portfolio, reported on in this update is a managed discretionary account which is only open to sophisticated investors. The minimum account size for investments in the Portfolio is \$150,000.

While offered by way of two different legal structures, the Funds and Portfolio are managed according to the same underlying investment objective and carry similar portfolio holdings. The main difference between the two products is that the Funds have 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](mailto:enquiry@loftuspeak.com.au).

\* a person qualifying as a sophisticated investor under section 708 (10) of the Corporations Act 2001 (Cth) (Act).

### IMPORTANT INFORMATION:

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