

Loftus Peak Global Change Portfolio

Investing | Future Focused



September 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 AMD 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 September, the Portfolio fell -7.1% net-of-fees with underperformance of -3.5% relative to the benchmark MSCI All Countries World Index (net) as expressed in AUD from Bloomberg (which was down -3.6%). For the year to September, the Portfolio is down -23.9%, with underperformance of -12.9% against the benchmark. Half the Portfolio's poor result came on the last two trading days of September, with a -4.5% sell-down caused by a major run on the trillion-pound liability-driven investment sector in the UK, essentially a panic in the bond market by large funds managing defined benefit retirement plans.

Of course, the major factor for the month has been the continuing talk of higher interest rates in the US as a mechanism to tamp down inflation (which has started to fall on most measures). As a policy decision, we believe this is the correct course – the world has seen big increases in costs across food, fuel, fertiliser, oil, travel and rents to name just a few of the big ones, and it does not take a lot of imagination to see that such steep price rises then feed into higher wage claims as workers seek to get ahead of the next hike by locking in a lift in salaries.

However, there is more to investment than just interest rate movements. The basis of the Loftus Peak Portfolio is the selection of a group of key companies across themes which will continue to drive disruptive business models, and which will do so for some time. So it is that we do not invest in oil companies, because on a ten-year basis there is likely to be less oil used globally as electric cars go mainstream. Another thematic is networks, which underpins individualised connectivity through broadband, to perform a variety of different functions including banking, shopping, messaging and navigating.

Of course, many companies, such as Coca-Cola and Ford have hundreds of millions of customers around the world on any given day. But their customers are not individually addressable. Never before in history have so many companies had these billions of customers with which they have been able to communicate and bill individually.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-6.99%	-0.95%	-17.79%	-22.84%	+11.69%	+13.71%	+15.65%	+16.63%
Benchmark	-3.58%	+0.17%	-8.38%	-11.00%	+5.43%	+8.67%	+9.68%	+10.07%
Outperformance (gross-of-fees)	-3.40%	-1.12%	-9.40%	-11.84%	+6.26%	+5.04%	+5.97%	+6.56%
Portfolio (net-of-fees)	-7.10%	-1.29%	-18.35%	-23.86%	+8.64%	+10.93%	+12.92%	+13.91%

*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 +13.9% p.a. net-of-fees, outperformance of +3.8% 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.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$173 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

Contributors and Detractors to Return

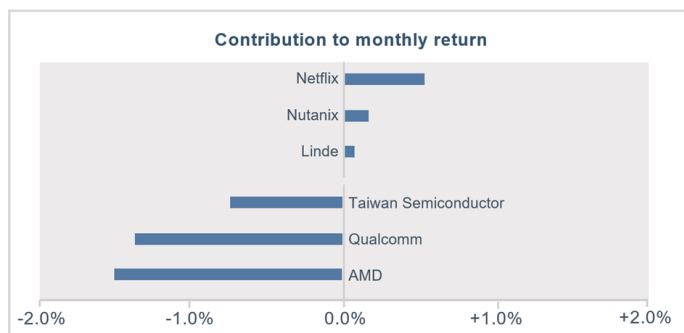
The best-performing stock for the month was **Netflix** which added +0.5% to the Portfolio return as investors came to the view that the new advertising tier will be accretive to overall earnings, leaving premium tier customers to enjoy unaffected content without advertising.

Enterprise cloud computing company **Nutanix** was one of the Portfolio's best performers in September after it reported better than expected second quarter earnings and provided strong revenue guidance to the market. The company has all but completed its transition to a subscription-based revenue model with over 90% of revenues in the second quarter coming from subscribers.

The big detractors were **AMD** (detracting -1.5%) with **Qualcomm** close, cutting -1.4% from Portfolio value. **Taiwan Semiconductor Manufacturing Company** reduced Portfolio value by -0.7% on growing fears that China has imminent plans to take over the independent republic. Investors sold these and other semiconductor stocks on recessionary fears, failing to grasp the significant diversification and market share gains which those companies will enjoy over coming quarters as a result of changes in their business. **Amazon**, **Microsoft**, **Apple**, **Roku** and **Alphabet (Google)** all together cut just over -2.4% from the Portfolio value.

The Australian dollar depreciated -5.7% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 30 September 2022, the Portfolio carried a foreign currency exposure of 99.7%

Selected Contributors and Detractors



Portfolio Construction

At September month end, the Portfolio was 96.4% invested in 26 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	66.7%
Large Cap \$50-100b	12.0%
Mid Cap \$2-50b	17.7%
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. Sophisticated investors may also invest by way of the Loftus Peak Global Change Portfolio (LPGCP) which is a managed discretionary account. The minimum account size for investments in the Portfolio is \$150,000.

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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