

Loftus Peak Global Change Portfolio

Investing | Future Focused



November 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*

November saw two significant events, both related to expectations of slower interest rate rises, which together lifted Loftus Peak investor portfolios by +4.1% net-of-fees for the month, with outperformance of +1.4% relative to the benchmark MSCI All Countries World Index (net) as expressed in AUD from Bloomberg.

The first of these two events was a lower-than-expected 0.4% month-on-month US CPI increase for October which implied a less aggressive series of future rate rises, while the second was the explicit comment by Federal Reserve Chairman Jerome Powell who said last week that if the “promising” inflation numbers continued “the time for moderating the pace of rate increases may come as soon as the December meeting.”

More broadly we do not see these big market moves as reflecting a re-rating of companies in the portfolio based on the prospects of the underlying businesses, but instead as a recovery from oversold positions on the expectation of a more favourable trajectory for interest rates. Even the narrowly based Dow Jones, with only 30 stocks, was up +20% from its September low - enough to state that on the numbers, this index is in a bull market.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+4.26%	-0.05%	-1.34%	-25.47%	+10.50%	+12.89%	+16.03%	+17.27%
Benchmark	+2.70%	+5.55%	+4.41%	-6.47%	+6.91%	+8.99%	+10.23%	+11.05%
Outperformance (gross-of-fees)	+1.56%	-5.61%	-5.75%	-19.00%	+3.59%	+3.90%	+5.80%	+6.22%
Portfolio (net-of-fees)	+4.15%	-0.39%	-2.01%	-26.46%	+7.49%	+10.13%	+13.30%	+14.57%

*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 +14.6% p.a. net-of-fees, outperformance of +3.5% 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

The largest contribution came from our semiconductor holdings, with **AMD** adding +1.5% to portfolio value. Temporary weakness in the company's consumer-facing PC business is being offset by structural market share gains against Intel in the datacentre (the segment was up +45% year-over-year). **Taiwan Semiconductor Manufacturing Company (TSMC)** generated +1.1% most of which came after Warren Buffett was revealed as a significant buyer and against the backdrop of the geopolitics around China and Taiwan.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$190 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

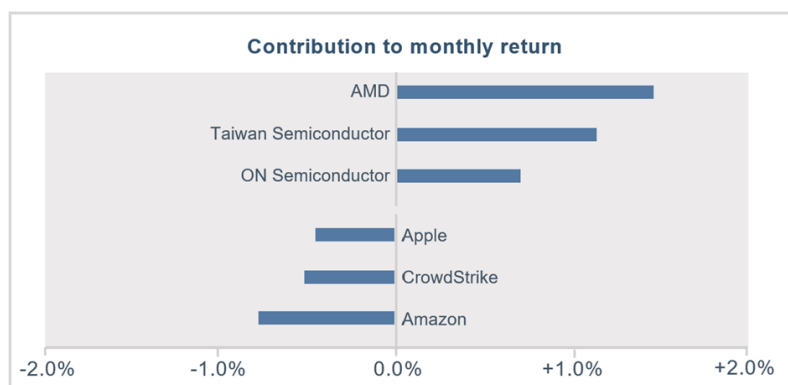
Qualcomm also ended strongly adding +0.4%. The dominant narrative across the semiconductor industry has been that chips are entering a cyclical downturn with revenues and earnings expected to fall as the industry enters a post-pandemic supply glut. It is true that some end-user markets, like smartphones and PCs, are experiencing headwinds due to inflation and recessionary pressures, but the countervailing factor is that the scope of applications for semiconductors continues to expand very significantly. We believe it is this latter point that will drive values higher over time.

The worst performers were Amazon, CrowdStrike and Apple which together cut -1.7% from Portfolio value, with Apple falling on concerns about high-end iPhone production delays as a result of the COVID lockdowns in China. We do not view this as lost demand, but rather delayed demand. In any case, the company is taking significant steps to relocate production and assembly to Vietnam, India and the US.

Elsewhere Netflix is doing much better. Streaming is disrupting the way TV is consumed and further changes are imminent - it is likely that within ten years all TV will be streamed. However, it is a scale game, and Netflix only generated positive operating cashflow in 2020 once it exceeded 175 million subscribers. The company is now comfortably profitable, unlike many of its competitors which are struggling to build scale.

The Australian dollar appreciated +5.4% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 30 November 2022, the Portfolio carried a foreign currency exposure of 99.9%

Selected Contributors and Detractors



Portfolio Construction

At November month end, the Portfolio was 96.6% invested in 28 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	69.9%
Large Cap \$50-100b	7.7%
Mid Cap \$2-50b	19.1%
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.

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

IMPORTANT INFORMATION:

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