Loftus Peak
Global Change Portfolio

Investing | Future Focused

Loftus Peak

December 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 Advanced Micro Devices 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[1]

December saw our worst ever monthly performance, down -11.3% net-of-fees, which was underperformance of -5.9% against the benchmark MSCI All Countries World Index (net) as expressed in AUD from Bloomberg. This rounds off our worst ever year with the Portfolio down -34.0% net-of-fees, the only full calendar year of negative performance since the firm was formed in 2014. This corresponds to an underperformance of -21.2% against the benchmark.

The market moves for the month reflect investor uncertainty in the face of interest rate hikes notwithstanding the November US CPI print, which showed inflation cooling. The US Federal Reserve, which drives global interest rates, remained cautious, so rates were hiked at its December meeting to the highest levels seen since 2007, while rate reductions are to be no earlier than 2024. The disconnect between leading inflation indicators and Fed behaviour drove volatility and a sell-off in December, with a solid January rally further proof of investor confusion.

Beyond the US, China reversed its zero-COVID policy. This may end the looming threat of businesses being abruptly disturbed by snap lockdowns. This is a tailwind for the broader economy and for companies operating out of and selling into China.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-11.21%	-4.59%	-5.49%	-33.14%	+6.03%	+10.99%	+14.14%	+15.46%
Benchmark	-5.46%	+3.50%	+3.67%	-12.88%	+5.04%	+8.13%	+9.17%	+10.20%
Outperformance (gross-of-fees)	-5.76%	-8.09%	-9.17%	-20.26%	+0.99%	+2.87%	+4.97%	+5.26%
Portfolio (net-of-fees)	-11.32%	-4.91%	-6.14%	-34.04%	+3.21%	+8.40%	+11.53%	+12.81%

[1]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 +12.8% p.a. net-of-fees, outperformance of +2.6% 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

Semiconductors were the main detractors from performance for the Portfolio in December on overall market pessimism for demand in 2023. **Qualcomm** and **Advanced Micro Devices** were two of the three largest underperformers, on account of their large weighting in the portfolio, together cutting Portfolio value by -3.4%. The broad market moves contributed to the decline in semiconductor stocks, which traditionally trade as cyclical demand of PC's and smartphones. However, there remains a large and long-term opportunity in segments such as the datacentre, automotives and industrial, which should benefit the Portfolio's holdings.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	$169 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

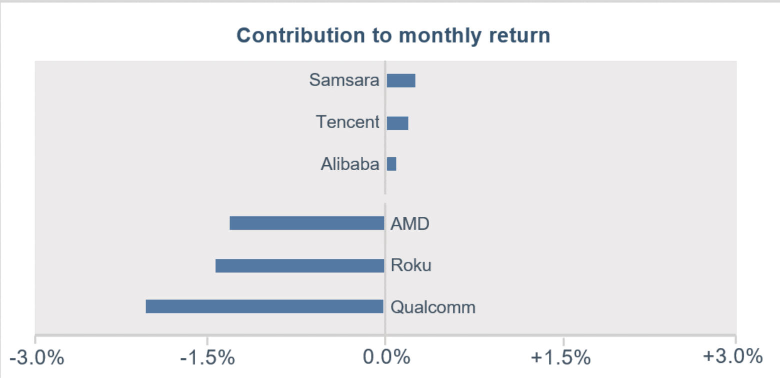
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above $1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Roku was the other top three detractor, reducing the value of the portfolio by -1.4% after it suffered an outsized fall in stock price due to the market perception of the tougher advertising outlook for 2023.

The Portfolio's best performing holdings were the Chinese companies **Tencent** and **Alibaba**, but this amounted only to a +0.3% contribution to Portfolio return for December, since we hold these stocks at very low weights. The stocks were boosted by the end of China's dynamic zero-COVID policy as well as the government's apparent rapprochement towards large Chinese technology companies.

While knowledge work has benefited significantly from digitisation and the cloud, there is also an outsized opportunity in the physical world - vehicles, machinery and worksites all benefit from a higher level of connectivity. **Samsara**, a new Fund position, facilitates this by providing its customers a single platform to manage connected assets, enabling greater efficiency.

Selected Contributors and Detractors



Portfolio Construction

At December month end, the Portfolio was 97.6% invested in 29 holdings with the balance in cash.

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

Capitalisation USD	
Mega Cap > $100b	70.6%
Large Cap $50-100b	4.1%
Mid Cap $2-50b	23.0%
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[2], 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.

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