

# Loftus Peak Global Change Portfolio

Investing | Future Focused



## January 2023 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<sup>1</sup>

January saw a significant rebound in equity markets following December's sell-off. The Portfolio gained +12.3% net-of-fees, reversing last month's loss of -11.3%. January's outperformance relative to Benchmark was +8.7%.

Markets digested further data points indicating cooling inflation. The United States December CPI print recorded the annual inflation rate at 6.5% - down from 7.1% in November. Monthly CPI was negative for the first time since early 2020 at -0.1% as energy prices normalised and food price growth slowed. December's employment figures were also stronger than expected - a sign the US economy is holding up well - which would usually give more credence to further rate hikes by the Fed if it weren't for wage growth coming in below expectations.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+12.45%	+4.09%	-3.46%	-19.38%	+8.01%	+12.26%	+15.32%	+16.89%
Benchmark	+3.67%	+0.66%	+1.42%	-7.82%	+5.02%	+8.38%	+9.18%	+10.56%
Outperformance (gross-of-fees)	+8.78%	+3.43%	-4.89%	-11.55%	+2.99%	+3.88%	+6.13%	+6.32%
Portfolio (net-of-fees)	+12.33%	+3.74%	-4.12%	-20.45%	+5.13%	+9.63%	+12.68%	+14.21%

<sup>1</sup> 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 +14.2% p.a. net-of-fees, outperformance of +3.7% 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 Portfolio's investments performed well across the board. By weight, 94% of the Portfolio's holdings produced positive returns for the month, including all of the Portfolio's semiconductor names. **Qualcomm** – the largest position - was the largest contributor for the month, adding +2.5% to the Portfolio's value. **Advanced Micro Devices, Nvidia, ON Semiconductor and Taiwan Semiconductor Manufacturing Company** added a combined +2.7%. This was in part helped by solid earnings from TSMC, a bellwether for the semiconductor industry, with the company guiding to positive revenue growth in 2023 versus market expectations of a decline.

**Roku** contributed +1.4% as it rose over +40% during the month. Another better-than-expected earnings result from fellow streamer **Netflix** (the Portfolio's 4th largest contributor for the month at +1.1%) helped to assuage fears about the long-term opportunity in streaming.

### Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$188 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

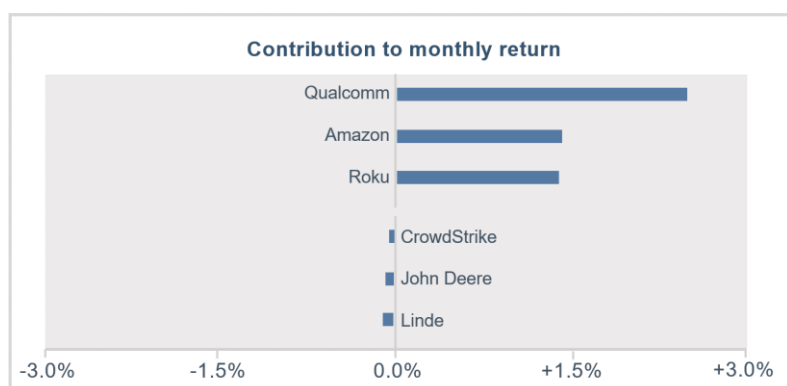
While Roku is benefiting from the ameliorating macro and more positive sentiment for higher investment risk, we think the more important driver of performance going forward will be the streaming landscape itself - Warner Bros. Discovery's decision to license premium content to The Roku Channel is a sign of things to come for subscale, unprofitable streaming services.

Against the backdrop of slowing top line growth and ballooning expenses, **Amazon, Google and Microsoft** were under pressure to announce layoffs. They inevitably succumbed and were rewarded by the market for doing so – Amazon climbed over +20% during the month (contributing +1.4%). Latin American e-commerce giant **Mercado Libre** also experienced strong growth with the stock price up over +39% during the month.

The largest detractors for the month were **Linde** (-9bps), **John Deere** (-7bps), and **CrowdStrike** (-4bps). Linde, John Deere and **Walmart** (-2bps) hit near all-time highs in late November. These companies, while not traditionally associated with disruption, are remaking themselves for the digital world. With strong balance sheets and cash flows they performed well in the harsh interest rate environment of 2022.

The Australian dollar appreciated +3.0% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions decreased. As at 31 January 2023, the Portfolio carried a foreign currency exposure of 100.0%.

## Selected Contributors and Detractors



## Portfolio Construction

At January month end, the Portfolio was 94.0% invested in 30 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	66.6%
Large Cap \$50-100b	7.8%
Mid Cap \$2-50b	19.6%
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<sup>2</sup>, 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](mailto:enquiry@loftuspeak.com.au).

<sup>2</sup> a person qualifying as a sophisticated investor under section 708 (10) of the Corporations Act 2001 (Cth) (Act)

### IMPORTANT INFORMATION:

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