

Loftus Peak Global Change Portfolio

Investing | Future Focused



April 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 Performance¹

April saw the Portfolio value fall -4.2% net-of-fees as investors fretted over the prospect of a recession of uncertain duration and depth, and one which would be exacerbated by a further interest rate hike. This was despite the bank bailouts the previous month, including the troubled First Republic Bank which limped through April badly wounded. First Republic's issues are part of a larger story around regional banks, however the latest batch of big bank earnings has reassured investors of the health of the overall financial system.

The poor April outcome is not ideal but comes after the +26.6% net-of-fees gain the Portfolio generated in the first quarter of this calendar year, with March alone contributing an uplift of +9.2%. The -4.2% net-of-fees performance by the Portfolio was -6.9% below the Benchmark which gained +2.7% in April.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-4.11%	+8.31%	+12.75%	+6.16%	+8.89%	+14.57%	+15.94%	+17.43%
Benchmark	+2.69%	+8.20%	+8.91%	+9.26%	+11.52%	+9.88%	+9.58%	+11.24%
Outperformance (gross-of-fees)	-6.80%	+0.12%	+3.83%	-3.11%	-2.63%	+4.69%	+6.36%	+6.19%
Portfolio (net-of-fees)	-4.21%	+7.97%	+12.01%	+4.74%	+5.99%	+11.89%	+13.29%	+14.78%

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.

Contributors and Detractors to Return

The downward movement in April came despite decent contributions from **Microsoft** (+0.7%), with **Google** and **Amazon** up just under half that each. Last month we flagged these companies as forming their own emerging "super-cap" category. Their strong performance somewhat vindicates the position weights.

It seems clear that investors in these companies are beginning to price in revenue growth from a new source - the premium that these artificial intelligence leaders will be able to charge their cloud customers for additional functionality on top of the applications that they already sell. Musicians will be able to score soundtracks, copywriters will be able to write marketing materials and IT professionals will have their coding skills supercharged, implying shorter turnaround times and ultimately better productivity.

The big negative contribution came from **Qualcomm**, which cut -1.0% from the Portfolio's value, while **Advanced Micro Devices**, **Taiwan Semiconductor Manufacturing Corporation** and **ON Semiconductor** collectively accounted for a further -1.4% decrement. We are not swayed by short term negativity on these companies, with each playing a specific role within the disruption economy. Each of these names performed well during the first quarter of the year so it is not unexpected that they would pull back as macroeconomic conditions worsen and rates move higher.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$197 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	20%
Maximum weighting per investment	20% at time of purchase
Minimum Investment	AU\$150,000
Liquidity	Daily
Suggested timeframe	3-5 years

Fees

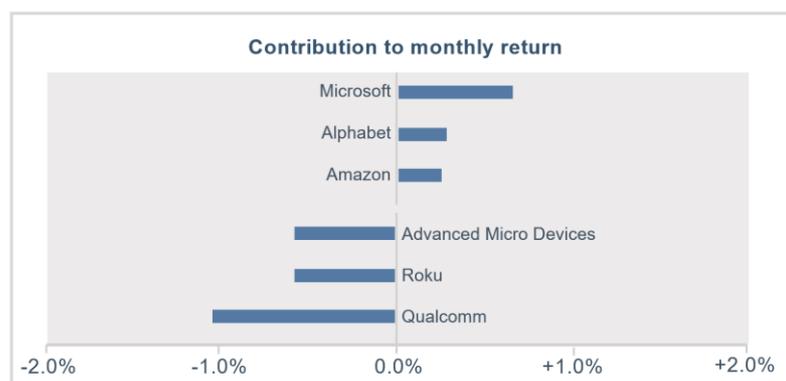
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

The Portfolio's streaming holdings, **Roku** and **Netflix**, cut -0.8% of the Portfolio value for the month as the economic outlook worsened and the more fragile parts of the advertising market remain depressed. In Roku's case, the detractor was despite better-than-expected first quarter earnings which beat expectations on key metrics including earnings, revenue, active accounts and the number of hours streamed. Management also offered guidance that came in above estimates. Meanwhile, the set up for Netflix looks promising. The market hardly reacted to news that the company's less than six months old advertising tier (US\$6.99/month) is already generating more revenue per user than its standard plan (at US\$15.49/month) in the US. Netflix also plans for a broad rollout of its paid sharing initiative in Q2.

The Portfolio had disappointing results from the companies that supply electric componentry to car companies, with ON Semiconductor and **Infinion** cutting -0.5% from the Portfolio value after solid performance in the quarter to March.

The Australian dollar depreciated -1.4% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions increased. As at 28 April 2023, the Portfolio carried a foreign currency exposure of 99.8%.

Selected Contributors and Detractors



Portfolio Construction

At April month end, the Portfolio was 96.7% invested in 27 holdings with the balance in cash exposure. The Portfolio has a high exposure to large capitalisation names which are highly cash generative with strong balance sheets. Focusing on high quality companies helps the Portfolio to withstand difficult periods in the market and drive strong, long-term outcomes for investors.

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

Capitalisation USD	
Mega Cap > \$100b	70.4%
Large Cap \$50-100b	7.0%
Mid Cap \$2-50b	17.7%
Small Cap < \$2b	1.5%

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 sophisticated², 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)

IMPORTANT INFORMATION:

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