

Loftus Peak Global Change Portfolio

Investing | Future Focused



August 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 Microsoft 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

The Portfolio's value fell -1.2% net-of-fees during August, underperforming the Portfolio's benchmark, the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg by -2.2%.

Kicking off August was the worrying news that credit ratings agency, Fitch, had downgraded US sovereign debt from AAA to AA+, sparking fresh concerns surrounding the health of the US economy. Further cuts to ratings of US regional banks by leading ratings agencies Moody's and S&P Global added to these concerns, pushing share markets down in the first half of the month.

Late in the month the US Federal Reserve had its Jackson Hole meeting at which it flagged the possibility of higher rates were the economic data to support it. It has not – immediately following the meeting both job growth and inflation data suggested that the Fed need not raise nor cut, at least until November or even further. Markets subsequently rallied to close out August.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-1.05%	+8.93%	+29.80%	+33.83%	+10.98%	+15.50%	+18.38%	+19.50%
Benchmark	+1.04%	+6.53%	+15.09%	+20.75%	+12.09%	+9.74%	+10.39%	+11.73%
Outperformance (gross-of-fees)	-2.08%	+2.40%	+14.70%	+13.08%	-1.11%	+5.76%	+7.98%	+7.77%
Portfolio (net-of-fees)	-1.16%	+8.58%	+28.97%	+32.09%	+9.07%	+13.01%	+15.67%	+16.84%

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 largest contributor for the month was **Nvidia** at +0.6%, on considerable volatility - starting the month at US\$465, before falling to US\$408 and then rallying into the results and beyond all the way to US\$492. The company exceeded quarterly revenue expectations by 24% and is on track to deliver US\$17 a share EPS in FY25 (CY24), implying a forward price-to-earnings multiple of under 30x. While this may not be viewed as cheap by some, the company's historical EPS was around \$3/share, so growth in earnings is fivefold, which helps to explain the share price move to US\$492.

Beyond Nvidia, there are many other portfolio companies that are benefitting from increased demand for AI solutions, such as **Advanced Micro Devices**, **Arista Networks**, **Marvell Technology**, **Microsoft**, **Alphabet** and **Amazon**. All these companies can lay claim to a valuable piece of the AI puzzle, and so provide diversification away from just one company, thus reducing risk for investors.

Palo Alto Networks, one of the Portfolio's cybersecurity holdings, had a tumultuous month. The stock fell after announcing that it would report earnings on a Friday evening - an unconventional time slot (and one which the market interprets with uneasiness) and fell again after one of its peers indicated slowing growth in a key segment. However, earnings came through strongly. The downtrend reversed and the company showcased the robustness of IT security demand despite the tough macroenvironment. This was similarly reflected in the solid earnings of the Portfolio's other cybersecurity holding **CrowdStrike**.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$264 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

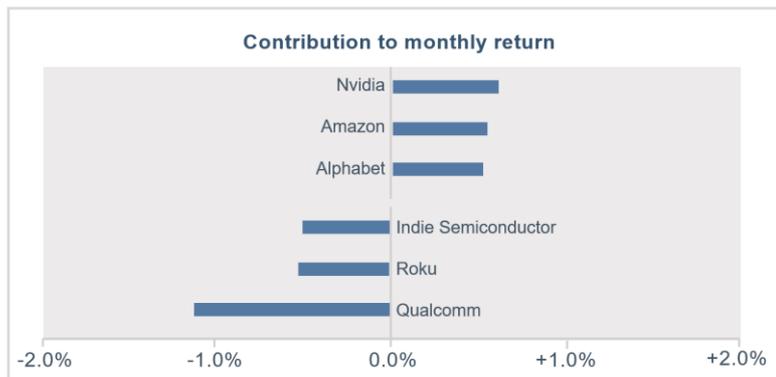
Netflix recovered well in August to add +0.2% contribution to return as the market started to take more seriously the strength of its competitive position relative to Paramount, HBO and even Disney.

Qualcomm was the worst performer, cutting -1.1% from Portfolio value, as investors fretted that the cyclical recovery for mobile phones, notebooks and tablets is being pushed out. We believe that Qualcomm has a substantial runway for growth into the next few years. Its burgeoning automotive and IoT businesses are showing promising signs of growth and it has optionality in offering AI-at-the-edge.

The Portfolio's electrification companies – **Wolfspeed**, **Infinion** and **On Semiconductor** were detractors together generating a negative contribution to return for the month of -0.8%.

The Australian dollar depreciated -3.5% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions increased. As at 31 August 2023, the Portfolio carried a foreign currency exposure of 99.5%.

Selected Contributors and Detractors



Portfolio Construction

At August month end, the Portfolio was 96.4% invested in 26 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	Nvidia
AMD	Qualcomm
Meta	Roku
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	69.1%
Large Cap \$50-100b	7.2%
Mid Cap \$2-50b	18.3%
Small Cap < \$2b	1.8%

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:

This report was prepared by Loftus Peak Pty Limited ("Loftus Peak"), for the purpose of providing general information only, without taking account of your particular investment objectives, financial circumstances or needs. It is not intended to take the place of professional advice and we do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors it may contain. You should consider the Investment Mandate for the Portfolio in deciding whether to acquire, or continue to hold, the product. The Investment Mandate and application form may be requested by emailing enquiry@loftuspeak.com.au. Loftus Peak doesn't guarantee the performance of the portfolio or the repayment of the investor's capital. To the extent permitted by law, Loftus Peak, including its employees, consultants, advisers, officers or authorised representatives, is not liable for any loss or damage arising as a result of reliance placed on the contents of this report. Past performance is not indicative of future performance.

Visit www.loftuspeak.com.au to find more commentary, including investment performance.

Loftus Peak Pty Limited ABN 84 167 859 332 AFSL 503 571