

Loftus Peak Global Change Portfolio

Investing | Future Focused



February 2024 Update

Founded in 2014, Loftus Peak is a global fund manager with a focus on investment in listed disruptive businesses. We have extensive experience and 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 and included 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 global industries lowers the concentration risk inherent in the typical Australian portfolio, with its heavy skew toward banks, resources and the Australian dollar.

Review and Performance¹

Many of the Portfolio's holdings reported December quarter numbers in February resulting in a return of +6.4% net-of-fees for the month. This was outperformance of +0.5% relative to the Portfolio's benchmark, the MSCI All Countries World Index (net) as expressed in Australian dollars from Bloomberg.

Large capitalisation companies were the best performers in the Portfolio. We are mindful that there may be significant value in the smaller end, and continue to comb the market for these, but the growth in revenue and earnings growth for the mega-caps is hard to argue.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (net-of-fees)	+6.43%	+19.45%	+25.94%	+62.41%	+13.63%	+19.25%	+19.68%	+18.70%
Benchmark	+5.91%	+11.82%	+11.25%	+28.04%	+13.14%	+12.49%	+12.74%	+12.32%
Outperformance (net-of-fees)	+0.52%	+7.63%	+14.69%	+34.37%	+0.49%	+6.75%	+6.95%	+6.38%

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. 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

Meta was the largest contributor, adding +1.3% to return. In its earnings report, the company referenced its "year of efficiency" with operating costs down -7.9% year-over-year as revenues increased +24.7%. Across the full year, advertising impressions increased +28.0% year-over-year as the price per ad decreased -9.0%. The stock jumped +20.3% overnight, adding approximately USD 200 billion in value – the largest ever one-night increase in a company's market capitalisation (until later in the month, see Nvidia below).

Amazon contributed +1.2% to return, with the company exceeding expectations for revenue and non-GAAP earnings per share. The company's ecommerce business grew at +6.8% year-over-year while its cloud division, the largest in the world, grew +13.2% year-over-year in constant currency. The company appears to have arrested the decline in growth for AWS which began in Q1 2021. This comes as the company has ramped up the use of large language model AI workloads such as Claude which Amazon accesses through a partnership with Anthropic.

Nvidia also reported, again beating expectations. The stock price increased +16.4%, adding around USD 320 billion to the value of the company, breaking the record set earlier in the month by Meta. This move took the semiconductor company to just below USD 2 trillion market capitalisation. Nvidia contributed +0.9% to return. The company reported quarterly year-over-year revenue growth of +409% for its mainstay datacentre business. At its current price, Nvidia's valuation requires the company to sustain this meteoric growth into the future, which in truth is a possibility.

While not quite as exposed to AI as Nvidia (which is arguably the highest possible threshold for comparison), we believe other semiconductor companies do offer exposure, specifically **Taiwan Semiconductor Manufacturing Company** and **Qualcomm**. Another semiconductor company, **Advanced Micro Devices**, has optionality into the datacentre market which underpins Nvidia's monumental growth. These three companies combined contributed +2.5% to return - more than double Nvidia.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$400 million (\$761 million from 1 March 2024)
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

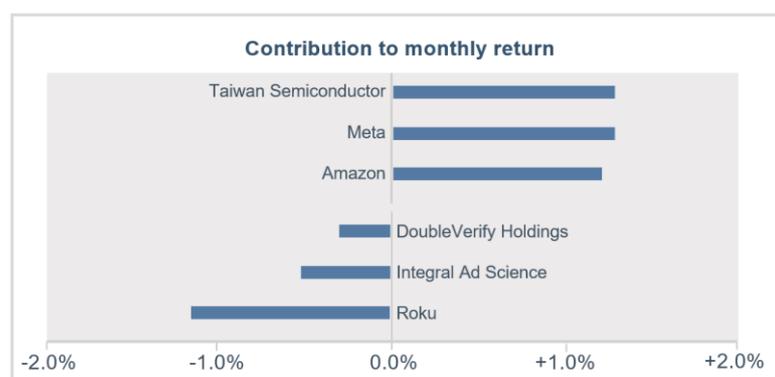
Fees

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

Our mid cap holdings did not keep up. We saw weakness in advertising with the top detractors being **Roku**, **DoubleVerify** and **Integral Ad Science**. The market is pricing a weaker recovery in digital advertising, which heavily impacts the high growth modelled for these companies. While these three companies are disruptive, we acknowledge that their valuations require high growth which entails execution risk. For this reason, they are held at smaller weights. Our commitment to this valuation-based risk-management approach limits the threat of underperformance should a number of these small holdings fall significantly.

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 29 February 2024, the Portfolio carried a foreign currency exposure of 100.0%.

Selected Contributors and Detractors



Portfolio Construction

At February month end, the Portfolio was 95.8% invested in 29 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	Microsoft
Amazon	Netflix
AMD	Nvidia
Broadcom	Qualcomm
Meta	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	73.0%
Large Cap \$50-100b	7.1%
Mid Cap \$2-50b	12.3%
Small Cap < \$2b	3.4%

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 began his career as an analyst in global disruption investment more than fifteen years ago. This was soon followed by portfolio manager responsibilities across information technology and communications services sectors, before taking on the Portfolio Manager role at Loftus Peak as one of the founders of the firm in 2014.

Being mentored by the best in this space early on in his career, and having travelled extensively to meet hundreds of global companies, Anshu brings a wealth of experience to investing in disruption.



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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