

# Loftus Peak Global Change Portfolio

Investing | Future Focused



January 2024 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 Performance<sup>1</sup>

Equities had a strong start to the year. Earnings releases for the December quarter are underway and so far, the results have mostly vindicated the positive price movements seen across the last couple of months. The Portfolio gained +8.4% net-of-fees over January, outperforming the Portfolio's benchmark MSCI All Countries World Index (net) as expressed in AUD from Bloomberg by +4.2%.

At the end of the month US Federal Reserve Chair Jerome Powell threw cold water on the aggressive rate cut schedule that some investors were expecting. A seemingly strong labour market in the U.S. as well as restricted international shipping through both the Suez and Panama canals add weight to his outlook.

Predicting the time and scale of Fed decisions is difficult. While an aggressive cutting schedule seems increasingly unlikely, we believe the Fed remains pitched for cuts, not hikes. Confidence in the direction of rates is all the comfort needed for well capitalised companies which have the balance sheets to weather the current target rate for some time.

|                              | 1m     | 3m      | 6m      | 1y      | 3y p.a. | 5y p.a. | 8y p.a. | Inception p.a. |
|------------------------------|--------|---------|---------|---------|---------|---------|---------|----------------|
| Portfolio (net-of-fees)      | +8.41% | +26.44% | +16.95% | +57.51% | +10.01% | +19.39% | +18.75% | +18.11%        |
| Benchmark                    | +4.25% | +10.68% | +6.13%  | +22.59% | +11.46% | +12.34% | +11.70% | +11.76%        |
| Outperformance (net-of-fees) | +4.16% | +15.76% | +10.82% | +34.92% | -1.46%  | +7.05%  | +7.06%  | +6.35%         |

<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. 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

**Netflix** was the biggest contributor, adding +1.6% to Portfolio value as it reported surging earnings, the strongest growth in subscribers since Covid and a share buyback - the second now in four years. Meanwhile, its competitors (Disney, HBO, Paramount) face mounting losses as they struggle with too few servings of top-grade streaming content. There is just one happy place for streaming businesses, and it is reached when new entertainment spending is financed by increases in subscribers, revenues and earnings.

Sentiment toward **Nvidia** was very favourable - it added +1.0% to Portfolio value in the month on a stock price that grew just over 20%, buoyed by a slew of data points around the uptake of generative AI. **Meta** (which contributed +0.6% for the month) has indicated that by the end of the year the company will hold 350,000 Nvidia H100s (~14% of all H100s in existence), spending an estimated USD10.5b in 2024 alone to get there.

**Microsoft's** AI rollout, a subject of many questions from the analyst community, puts the company on track to generate over USD3 billion in revenue from AI-related services across the first full year of the technology. This number alone seemed enough to justify the company's 58% rise over the past year. Microsoft Azure, the cloud on which this AI inference is being run, grew 28% year-over-year in constant currency. **Alphabet's** Google Cloud also reported a strong quarter, growing +27% year-over-year and reaccelerating growth.

## Key Facts

|                                  |  |
|----------------------------------|--|
| Inception Date                   | 30 June 2014   |
| Strategy FUM (AUD)               | \$362 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

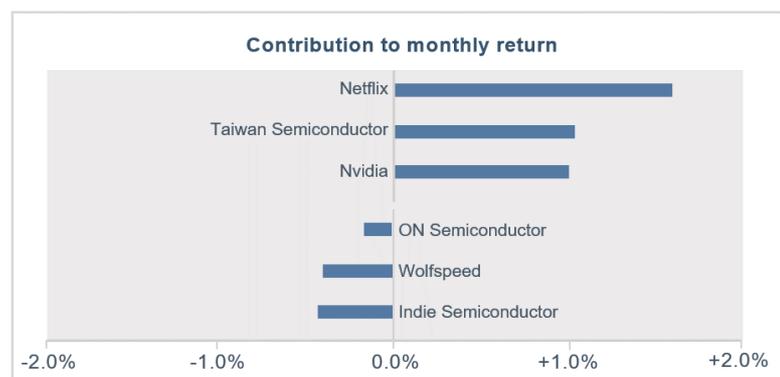
|                                |   |
|--------------------------------|---|
| Management Cost                | 1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears   |
| Administration and Custody Fee | 0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies 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   |

**Advanced Micro Devices** is a distant second to Nvidia in the GPU (graphics processing unit) market for now, but even that position pushed the stock price sharply higher in January, resulting in a +1.0% contribution to Portfolio value. AMD is now pointing to datacentre GPU revenue greater than USD3.5b against previous guidance of USD2b. For context, the company sold a little more than USD400m in datacentre GPUs in 2023.

The Magnificent Seven trade is under pressure as Tesla's earnings sent the digitised electric vehicle maker down almost -25% across the month. We do not hold Tesla on account of valuation and its weakness was sufficient to weigh down high end auto market suppliers. Our automotive exposed semiconductor names were the main detractors for the month including **Indie Semiconductors**, **Wolfspeed** and **ON Semiconductor**, detracting -0.4%, -0.4% and -0.2% respectively.

The Australian dollar depreciated -3.1% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions increased. As at 31 January 2024, the Portfolio carried a foreign currency exposure of 100.0%.

## Selected Contributors and Detractors



## Portfolio Construction

At January month end, the Portfolio was 94.7% 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                             | Netflix              |
| Amazon                               | Nvidia               |
| AMD                                  | Qualcomm             |
| Meta                                 | Roku                 |
| Microsoft                            | Taiwan Semiconductor |

| Capitalisation USD  |       |
|---------------------|-------|
| Mega Cap > \$100b   | 67.2% |
| Large Cap \$50-100b | 7.9%  |
| Mid Cap \$2-50b     | 18.2% |
| Small Cap < \$2b    | 1.4%  |

## 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 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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