

# Loftus Peak Global Change Portfolio

Investing | Future Focused



July 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>

The Portfolio grew +5.6% net-of-fees during July, generating +2.8% outperformance against our benchmark index, the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg, which was up +2.8%.

It now seems that markets were right to rally in the first half of the year, with the US Federal Reserve's program of interest rate rises to curb inflation appearing to have worked. The consumer price index remains controlled and even more pleasing is the absence of the predicted recession, with unemployment sitting around a respectable 4% and second quarter GDP up +2.4% annualised.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+5.70%	+25.13%	+35.53%	+30.84%	+13.17%	+17.54%	+17.70%	+19.63%
Benchmark	+2.80%	+6.76%	+15.52%	+17.16%	+12.67%	+10.44%	+9.65%	+11.60%
Outperformance (gross-of-fees)	+2.90%	+18.37%	+20.02%	+13.68%	+0.50%	+7.10%	+8.06%	+8.03%
Portfolio (net-of-fees)	+5.59%	+24.74%	+34.68%	+29.13%	+11.23%	+15.00%	+15.01%	+16.99%

<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.

## Contributors and Detractors to Return<sup>3</sup>

The Portfolio's performance was underpinned by **Roku** (increasing Portfolio value by an estimated +2.1%), **Qualcomm** (+1.3%) and **Alphabet (Google)** (+0.8%), with good contributions from companies such as **ON Semiconductor** (+0.2%) and **Wolfspeed** (+0.3%), the latter two of which are important players in vehicle electrification. ON reported on the last day of this month, with better-than-expected earnings and revenue for the quarter and an upgrade to guidance to both in the three months to September this year.

Qualcomm, the Portfolio's largest position, advanced because of the perception that smartphone and laptops are set to recover in the coming months. Roku performed very well late in the month from an oversold position. Investors again contemplated the company's commanding lead in free ad-supported streamed television (FAST) at a time when advertising growth is poised to re-accelerate.

Alphabet (Google) surprised with a return to advertising revenue growth and an extension in profitability for the Google Cloud Platform first shown last quarter.

**Taiwan Semiconductor** was the biggest detractor for the month, cutting an estimated -0.2% from the Portfolio's value, with the next three worst detractors (**Netflix**, **Microsoft** and **Arista Networks**) summing to only an estimated -0.4% reduction. Microsoft's relative underperformance is to a certain extent a function of timing - the company is up around +40% this year as it has made all-time highs fuelled by artificial intelligence (AI). Microsoft's AI products have access to one of the broadest groups of enterprise customers in the world today. Already, the company is adding AI to applications including Office, Teams and Enterprise, with new tiered pricing announced earlier in the month.

## Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$263 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

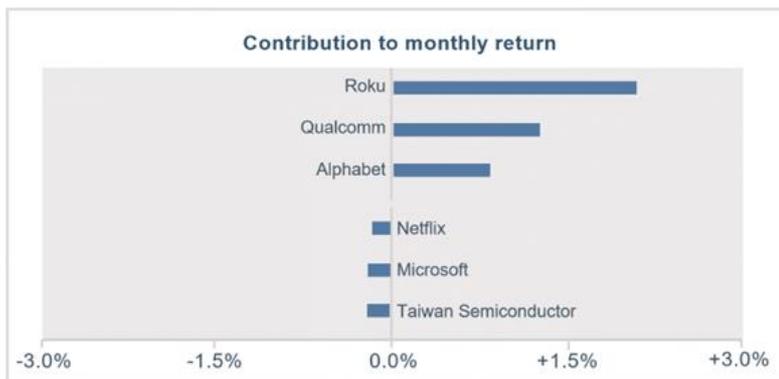
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Arista Networks, which was a detractor for July, reported in the aftermarket of the last day of the month. The company beat consensus on the top and bottom line and recovered well. Arista reported this strong result because of its important position in the AI tools story: very fast connectivity in the datacentre is its core competency.

Netflix too had a pullback on subscriber growth numbers (which were solid nonetheless at 5 million). The market sold the company down because it wanted more, but this view fails to take account of the competitive failure of streaming rivals including Paramount+, the storied HBO and even Disney. Their inability to generate profits as they attempt to scale has scared away investors, who are not prepared to reward an unsuccessful business model with a big valuation.

The Australian dollar appreciated +1.2% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions decreased. As at 31 July 2023, the Portfolio carried a foreign currency exposure of 99.6%.

### Selected Contributors and Detractors<sup>3</sup>



### Portfolio Construction

At July month end, the Portfolio was 97.1% 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	Nvidia
AMD	Qualcomm
Meta	Roku
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	69.8%
Large Cap \$50-100b	11.0%
Mid Cap \$2-50b	14.6%
Small Cap < \$2b	1.7%

## 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)

<sup>3</sup> Attribution data shown in this report refers to the data applying to the Loftus Peak Global Disruption Fund

### IMPORTANT INFORMATION:

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