

Loftus Peak Global Change Portfolio

Investing | Future Focused



June 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

The Portfolio grew +4.0% net-of-fees during June, as markets continued digesting the opportunity in AI and the economy proved more resilient than expected in the face of rising interest rates. The MSCI All Countries World Index (net) as expressed in AUD from Bloomberg rose +2.6%, resulting in outperformance by the Portfolio of +1.5%. Notably, the Federal Open Market Committee elected to pause the benchmark Fed Funds Rate at 5.25% - the first time since the beginning of their inflation-busting campaign in early 2022. The move was guided by May data that showed a drop in the US consumer price index to just 4% year-over-year from a peak of 9.1% in June 2022, giving policy makers some comfort that interest rate hikes are having the desired effect on the economy. Nevertheless, Fed Chair Jerome Powell reiterated his resolve to hike rates further if needed.

The Portfolio's quarterly performance of +13.2% net-of-fees was supported by gains in long-held companies like **Netflix**, **Amazon** and **Microsoft**, together making up almost half of the contribution. Our semiconductor holdings, including **Advanced Micro Devices (AMD)**, **Nvidia** and **Marvell Technology** enjoyed a boost from the advent of generative artificial intelligence and its potential future iterations and uses. Loftus Peak has always held exposure to this megatrend, recognising its nascent potential. For the six-month period to end June, the Portfolio grew +43.3% net-of-fees which was attributable primarily to our core exposures to semiconductors, hyperscalers and streamers.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+4.14%	+13.52%	+44.19%	+36.27%	+13.14%	+16.63%	+18.13%	+19.30%
Benchmark	+2.57%	+6.65%	+16.50%	+20.78%	+12.20%	+10.36%	+10.11%	+11.48%
Outperformance (gross-of-fees)	+1.57%	+6.86%	+27.69%	+15.49%	+0.94%	+6.27%	+8.02%	+7.81%
Portfolio (net-of-fees)	+4.03%	+13.16%	+43.27%	+34.48%	+11.20%	+14.11%	+15.43%	+16.62%

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

Samsara was the largest contributor to return in June, increasing Portfolio value by +1.2% in the month. The company's June performance cemented its strong run in 2023 thus far, becoming one of the Portfolio's top performers year-to-date. Samsara's first quarter earnings revealed revenue growth of +43% year-on-year and improving operating margins, raising the stock price early in the month. **Netflix** was the second largest contributor, adding +0.8% to Portfolio value. The company is currently embarking on a campaign to monetise the ~100 million users accessing Netflix via password sharing. Preliminary third-party data released during the month has suggested the crackdown has been effective. We await confirmation of these figures at Netflix' second quarter earnings result in July.

Following May's extraordinary earnings report, **Nvidia** maintained momentum and was a large contributor to June Portfolio performance. Investors are increasingly aware of Nvidia's position at the top of the food chain for high power compute and how integral the supply of their GPUs is to AI workloads.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$229 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

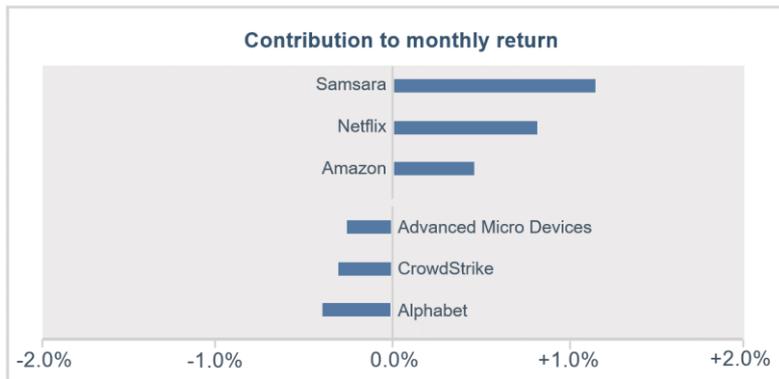
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

The biggest detractors for the month were **Alphabet** and **AMD** - two stocks that made significant gains in the first few months of the year. Regulatory headwinds contributed to Alphabet's June fall with news that both Canada and California were moving to institute legislation aimed at charging big platforms for linking to news stories. The bills echo the familiar Australian legislation passed in 2021.

AMD also cooled off slightly in June. We are confident in the long-term growth trajectory of AMD given its growing market share in the more traditional (CPU-based) compute and strategic positioning in relation to artificial intelligence. Oracle Chairman, Larry Ellison, suggested that while the company was spending "billions of dollars" on Nvidia GPUs for its datacentres, it would spend "three times that" on CPUs from AMD and Ampere (an arm-based cloud-native CPU company).

The Australian dollar appreciated +2.3% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions decreased. As at 30 June 2023, the Portfolio carried a foreign currency exposure of 99.9%.

Selected Contributors and Detractors



Portfolio Construction

At June month end, the Portfolio was 96.1% 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
John Deere	Roku
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	68.7%
Large Cap \$50-100b	9.8%
Mid Cap \$2-50b	15.6%
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:

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