

# Loftus Peak

## Global Change Portfolio

Investing | Future Focused



### March 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>

March numbers built on the strong January and February performance with the Portfolio finishing the month up +9.2% net-of-fees. Economic data released early in the month implied that inflation could be more persistent than expected, requiring a more hawkish response from the US Federal Reserve, with comments from Chair Jerome Powell exacerbating these concerns, driving yields up and stocks down. Then Silicon Valley Bank and Signature Bank collapsed, followed by the fire sale of an embattled Credit Suisse to rival UBS. US regulators acted swiftly to guarantee the deposits of American banks, halting a possibly more severe systemic banking crisis. It appeared to spell the end of the aggressive rate tightening from the US Fed, with one wag noting that ‘whenever the Fed taps the brakes, someone goes through the windshield.’ Markets rallied, and Loftus Peak rallied harder: the Portfolio outperformed substantially in March, finishing +5.3% above the benchmark MSCI All Countries World Index (net) as expressed in AUD from Bloomberg.

For the March quarter, the Portfolio gained +26.6% net-of-fees which is outperformance against the benchmark of +17.4%. Through the quarter, the Portfolio benefitted from easing macroeconomic concerns and a rotation back to technology, particularly in semiconductors and big tech.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+9.32%	+27.01%	+21.19%	-0.37%	+13.46%	+15.71%	+16.28%	+18.17%
Benchmark	+3.90%	+9.23%	+13.05%	+3.57%	+11.83%	+9.89%	+9.11%	+11.01%
Outperformance (gross-of-fees)	+5.42%	+17.79%	+8.14%	-3.94%	+1.64%	+5.81%	+7.16%	+7.16%
Portfolio (net-of-fees)	+9.20%	+26.61%	+20.39%	-1.69%	+10.44%	+13.00%	+13.62%	+15.49%

<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

The Portfolio's semiconductor holdings outperformed strongly during the month. Forward earnings estimates look to have reached a bottom following an inventory glut caused by improving supply chains and softer demand in some end markets. However, semiconductor share prices have been reflecting the softness in earnings for more than 12 months, with such stocks broadly underperforming the market in 2022. March performance suggests investors are looking through the trough in earnings.

**Advanced Micro Devices** and **Nvidia** together contributed +2.2% to Portfolio return for March after their stock prices were bolstered by the continuing development of and growing applications in generative artificial intelligence (AI), particularly ChatGPT applications. Semiconductors are the picks and shovels of AI, the key building blocks for the data centres where models for recommendation, computer vision and now large language models like generative pretrained transformers (GPT) are trained and often run. The importance of Nvidia and AMD's accelerator solutions for AI workloads cannot be overstated.

**Microsoft** is another one of the Portfolio's holdings that has benefitted from the rise of generative AI, namely through its relationship with the creators OpenAI. The two companies have a complex partnership structure where Microsoft's investments into OpenAI will be upwards of US\$10 billion.

### Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$209 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	50%
Maximum weighting per investment	20% at time of purchase
Minimum Investment	AU\$150,000
Liquidity	Daily
Suggested timeframe	3-5 years

### Fees

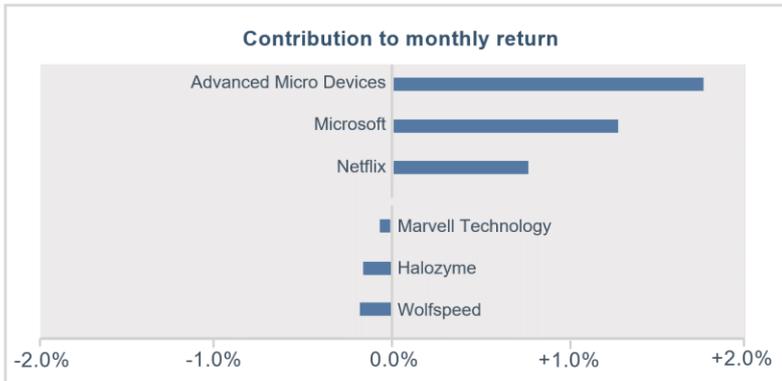
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

In return, Microsoft is able to integrate OpenAI's latest technology into its ecosystem, including the company's office suite of products (Microsoft 365 Copilot), search engine (Bing) and more. Investors reacted positively to Microsoft's early lead to the megatrend, with the stock rising +16% in March.

**Wolfspeed**, which is the Portfolio's pure play into the silicon carbide power semiconductor industry, detracted -0.2% from March return after Tesla indicated its intention to substantially reduce its use in (cheaper) new generation vehicles. Silicon carbide chips increase the efficiency of electric vehicles by reducing the energy lost in the conversion from DC to AC power, increasing range and improving performance. Tesla engineers said at an event that they had found a way of maintaining performance and efficiency without the use of silicon carbide, driving these stocks down. **ON Semiconductor**, another Portfolio power semiconductor holding, with a smaller silicon carbide business, ended the month as a contributor with demand in the broader automotive and industrial end markets remaining strong.

The Australian dollar depreciated -0.8% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions increased. As at 31 March 2023, the Portfolio carried a foreign currency exposure of 99.8%.

## Selected Contributors and Detractors



## Portfolio Construction

At March month end, the Portfolio was 97.6% 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
Apple	Roku
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	69.0%
Large Cap \$50-100b	10.2%
Mid Cap \$2-50b	16.8%
Small Cap < \$2b	1.6%

## 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)

### IMPORTANT INFORMATION:

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