

Loftus Peak Global Change Portfolio

Investing | Future Focused



May 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

May's performance saw the Portfolio rise a strong +13.6% net-of-fees – the Portfolio's best absolute monthly result since inception in June 2014. The benchmark grew a more subdued +1.3% resulting in outperformance by the Portfolio of +12.3%, a record for monthly relative performance.

These figures come after a short but significant rally took hold in the second half of the month. Following **Nvidia's** earnings call - the first time the AI opportunity was enumerated by the company at the revenue level - AI exposed companies soared. This was particularly true of the semiconductor companies which produce the tools driving artificial intelligence.

Across the month, investors wrestled with the risk of the U.S. reaching its debt ceiling and the possibility that the world's largest economy could default for the first time in history. These fears were alleviated following bipartisan support for a bill; increasing the debt ceiling and cutting back future spending modestly. The bill passed the U.S. House of Representatives on the final day of the month.

Year-to-date, the Portfolio is up +37.7% net-of-fees. The Portfolio has generated returns of +16.3% p.a. net-of-fees since inception - which translates to +5.0% p.a. outperformance net-of-fees.

| | 1m | 3m | 6m | 1y | 3y p.a. | 5y p.a. | 8y p.a. | Inception p.a. |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|----------------|
| Portfolio (gross-of-fees) | +13.67% | +19.16% | +22.93% | +21.27% | +12.83% | +16.10% | +17.13% | +18.95% |
| Benchmark | +1.25% | +8.04% | +7.38% | +12.11% | +11.06% | +10.18% | +9.34% | +11.28% |
| Outperformance (gross-of-fees) | +12.42% | +11.12% | +15.55% | +9.16% | +1.77% | +5.92% | +7.79% | +7.67% |
| Portfolio (net-of-fees) | +13.56% | +18.78% | +22.13% | +19.67% | +9.83% | +13.39% | +14.45% | +16.27% |

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

The largest contributor to returns this month was **Advanced Micro Devices**, adding +2.4% to Portfolio value. The AI-exposed semiconductor company first rode high off its own earnings report. It climbed again in the wake of earnings from graphics processing unit (GPU) juggernaut, Nvidia, where management provided guidance which was head and shoulders above expectations. Nvidia contributed almost half of what AMD did - although from a much smaller weight. Despite the company's leading role in the world of generative AI hardware, its valuations make it harder to hold at larger weights, especially as the company presses towards a US\$1 trillion market capitalisation. Custom datacentre chip designer, **Marvell Technology**, also contributed to the Portfolio's strong May result with the stock price rising +48% over the month and contributing +0.8% to the Portfolio's value.

Netflix contributed +1.9% for the month as investors gain confidence around the company's strategy to monetise users who are currently password sharing. Early subscriber data from a third-party provider pointed to early signs of success in the United States (Netflix's largest market), sending the company's shares higher.

Key Facts

| | |
|----------------------------------|--|
| Inception Date | 30 June 2014 |
| Strategy FUM (AUD) | \$223 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 |

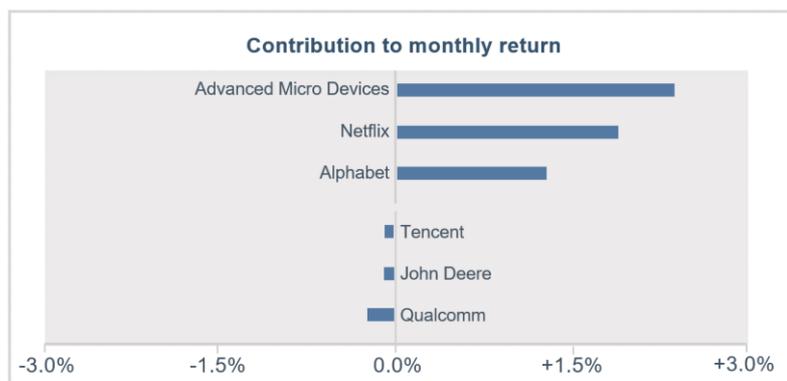
Hyperscalers **Alphabet** and **Amazon** were also strong contributors for the month. Both companies are enablers of AI through their datacentres along with Microsoft, which also performed well across May despite already enjoying an AI uplift in its share price across 2023 thanks to its association with OpenAI.

The largest detractor for the month was **Qualcomm**. The company is viewed as less exposed to generative AI than some of its peers in the Portfolio (despite its chips powering a Stable Diffusion image generation model locally on a smartphone). The company's management estimated on its earnings call that smartphone demand, which continues to be a large portion of revenues, may take longer to normalise than originally thought.

Nevertheless, Qualcomm has increasing exposure to other end-markets including automotive and radio frequency front end. Additionally, we believe a growing number of AI-at-the-edge use cases will emerge (especially where low latency is necessary) that will require Qualcomm's chips.

The Australian dollar depreciated -1.7% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions increased. As at 31 May 2023, the Portfolio carried a foreign currency exposure of 99.9%.

Selected Contributors and Detractors



Portfolio Construction

At May month end, the Portfolio was 95.6% invested in 25 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 | 65.1% |
| Large Cap \$50-100b | 11.1% |
| Mid Cap \$2-50b | 17.3% |
| Small Cap < \$2b | 2.1% |

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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