

Loftus Peak Global Change Portfolio

Investing | Future Focused



November 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 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 Performance¹

The Portfolio increased +12.7% net-of-fees during November, outperforming the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg by +7.8%. November saw major U.S. indices build on their momentum from the end of October. The S&P 500 ended the month just below its 52-week high driven by better-than-expected earnings and even rate cuts – the CME Fedwatch tool is now predicting a >50% chance of a rate cut by March 2024 with bulge bracket brokers largely falling into line on this.

| | 1m | 3m | 6m | 1y | 3y p.a. | 5y p.a. | 8y p.a. | Inception p.a. |
|------------------------------|---------|--------|---------|---------|---------|---------|---------|----------------|
| Portfolio (net-of-fees) | +12.66% | +5.43% | +14.47% | +39.80% | +7.72% | +17.12% | +15.19% | +17.01% |
| Benchmark | +4.83% | -0.51% | +5.99% | +13.81% | +9.56% | +11.27% | +10.12% | +11.34% |
| Outperformance (net-of-fees) | +7.83% | +5.94% | +8.48% | +25.98% | -1.85% | +5.86% | +5.07% | +5.68% |

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. 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

Roku was the single largest contributor for the month on the back of handily beating expectations for the quarter. The results are showing signs of a cyclical re-acceleration in digital advertising, particularly in connected television. The company grew active accounts to 75.8 million. Roku's penetration is approaching half of US households with broadband internet (130 million). Viewing of The Roku Channel grew by more than +50% yearover-year with viewer engagement comparable to Paramount+, Peacock and Max (the re-branded HBO), according to Nielsen.

Qualcomm was the second largest contributor after also posting a solid beat on earnings and revenue expectations. According to Bernstein estimates, 2023 will be the weakest year for global smartphone shipments since 2013. Qualcomm is primed for any cyclical rebound in smartphone demand. Revenue growth is expected to be further supplemented by new end markets for Qualcomm chips in automotive and PC.

Other semiconductor names also performed well across November. **Advanced Micro Devices** was the third largest contributor with the company right at the beginning of its GPU opportunity while also taking significant share of the datacentre from Intel. **Nvidia** posted another powerful quarter of revenue growth while continuing to guide even higher. In CY2022 Nvidia clocked US\$ 27 billion in revenue. The market expects almost US\$ 58 billion in CY2023 – unprecedented growth for a trillion-dollar company.

Indie Semiconductor was another top contributor for the month. One of our smaller holdings, Indie designs the semiconductors needed for radar, lidar, ultrasonic and more. These components are pre-requisites for modern day vehicles. The digitisation of automobiles is requiring semiconductors to represent a larger input cost each year - and not just due to electrification. During November this was demonstrated in Indie's earnings result where chips relating to advanced driver-assistance systems were the key factor behind incoming demand.

The weakest names for the month were **Walmart** and **John Deere**. Both are defensive holdings in a market that is tilting towards risk. Walmart beat on earnings and revenue, but showed margin weakness. Nevertheless, secular segments of the grocery chain – advertising and ecommerce, remain robust.

Key Facts

| | |
|----------------------------------|--|
| Inception Date | 30 June 2014 |
| Strategy FUM (AUD) | \$315 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 |

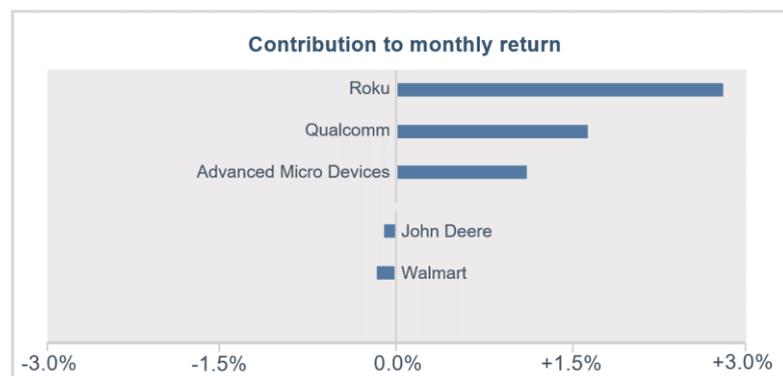
Fees

| | |
|--------------------------------|---|
| 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 |

John Deere fell after offering poor guidance in its earnings call. The digitisation of agricultural equipment is a long-standing tailwind for this stock and has offset a predicted downturn in cyclical demand for several quarters. However, the cycle has caught up and there will likely be a double-digit cut to revenue in 2024. Nevertheless, we believe the secular trend will soften the depth and duration of the cyclical fall and that this long anticipated cycle has already been priced in.

The Australian dollar appreciated +4.2% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions decreased. As at 30 November 2023, the Portfolio carried a foreign currency exposure of 100.0%.

Selected Contributors and Detractors



Portfolio Construction

At November month end, the Portfolio was 94.0% 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 | 66.4% |
| Large Cap \$50-100b | 9.9% |
| Mid Cap \$2-50b | 15.8% |
| Small Cap < \$2b | 1.9% |

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 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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