

Loftus Peak Global Change Portfolio

Investing | Future Focused



September 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 fell -6.5% net-of-fees during September, underperforming the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg by -2.8%.

The relief rally that powered the first half of the year faded as investors came to understand that no further interest rate hikes was not the same as an interest rate cut, which some fear will not come until calendar year 2025.

The stellar performance of the magnificent seven – **Apple, Alphabet, Nvidia, Microsoft, Amazon, Meta** and Tesla (which is not a Portfolio holding) – came to a halt days after the June quarter reports were issued before accelerating (down!) in September, generating the first quarterly negative return for the Portfolio this calendar year. Markets don't care for a hiatus. So, there has been discomfort with the lack of visibility of AI applications which some may have thought they were buying when they invested in Microsoft or Google earlier in the year.

It's true AI won't butter toast for you. But deployed at scale in datacentres, even the productivity boost of the already available co-pilot for code writing alone is colossal. Large language model usage will also be behind the ever-increasing instances of AI applications like writing marketing materials for Amazon-sized product sets, summarising long documents, instantaneous translation (which Spotify is considering rendering its podcasts into different languages using the voices of the speakers) among literally thousands of others.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (net-of-fees)	-6.52%	-2.44%	+10.39%	+32.91%	+6.76%	+11.66%	+15.00%	+15.83%
Benchmark	-3.70%	+0.02%	+6.67%	+20.60%	+10.79%	+8.96%	+10.18%	+11.16%
Outperformance (net-of-fees)	-2.82%	-2.46%	+3.72%	+12.31%	-4.03%	+2.69%	+4.82%	+4.67%

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 Return³

The biggest negative for the month was **Netflix** which detracted -1.2% from the portfolio value. The company lowered its 'soft' guidance for operating margins and warned investors that advertising was not yet material to overall revenue. The Portfolio's other streaming play, **Roku**, also declined over the month, detracting -0.5%.

Nvidia generated a negative contribution of -0.7% for the month. Despite the chip company's meteoric guidance beat last month, investors have sold the stock down as the surge in demand obscures the scale of Graphics Processing Units following the initial demand ramp up from generative artificial intelligence.

Amazon, Alphabet and Microsoft together cut -1.3% from the value of the Portfolio. The former two have become embroiled in antitrust litigation. Nevertheless, all three are making progress with their burgeoning artificial intelligence offerings. Amazon has made a substantial investment in Large Language Model (LLM) maker, Anthropic AI, Google is nearing the release of its reinforcement learning based Gemini LLM and Microsoft is committing to defend AI Copilot commercial customers against copyright claims.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$268 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

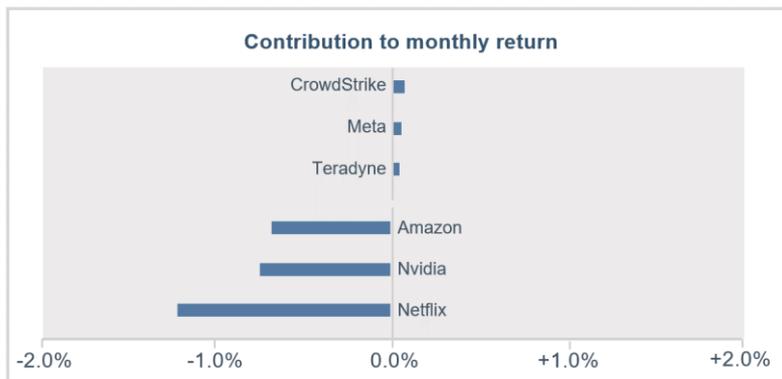
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

CrowdStrike, **Meta** and **Teradyne** made up the Portfolio's top contributors for the month. These three holdings increased Portfolio value by +0.1% collectively. Better-than-expected quarterly financials from CrowdStrike helped to lift the stock price at the beginning of September with the company beating on key metrics including revenue and earnings.

CrowdStrike is benefitting from strong secular tailwinds in cybersecurity which have only intensified with the move to hybrid workplaces and digital transformation. The company's cloud-delivered platform simplifies security management for analysts, making it an attractive proposition for customers looking to consolidate spending onto a harmonious, best-of-breed solution.

The Australian dollar appreciated +0.1% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions decreased. As at 29 September 2023, the Portfolio carried a foreign currency exposure of 99.5%.

Selected Contributors and Detractors³



Portfolio Construction

At September month end, the Portfolio was 97.3% invested in 24 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	73.2%
Large Cap \$50-100b	3.9%
Mid Cap \$2-50b	16.8%
Small Cap < \$2b	3.4%

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)

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

IMPORTANT INFORMATION:

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