

Loftus Peak Global Change Portfolio

Investing | Future Focused



September 2024 Update

Founded in 2014, Loftus Peak is a global equities fund manager with a focus on investment in listed disruptive businesses. We have extensive experience and 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 and included 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 global industries 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 delivered a -0.5% net-of-fees return, underperforming the MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg) by -0.1%. Global equities were stronger, but this was obscured by the weakness in the US dollar, which reduced the value of many of the Portfolio's international holdings.

The U.S. Federal Reserve made good its intention for a -50 bps rate cut. This was largely priced ahead of time. Subsequent commentary from Fed Chair Jerome Powell cautiously suggested the next interest rate cut would be a smaller -25 bps.

| | 1m | 3m | 6m | 1y | 3y p.a. | 5y p.a. | 7y p.a. | Inception p.a. |
|------------------------------|--------|--------|--------|---------|---------|---------|---------|----------------|
| Portfolio (net-of-fees) | -0.46% | -2.92% | +3.41% | +43.43% | +13.22% | +19.57% | +18.09% | +18.27% |
| Benchmark | -0.35% | +2.54% | +3.07% | +22.30% | +9.49% | +11.57% | +12.18% | +12.20% |
| Outperformance (net-of-fees) | -0.12% | -5.46% | +0.33% | +21.13% | +3.73% | +8.01% | +5.92% | +6.07% |

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

The two largest contributors to the Portfolio were **Meta** and **Roku**, (+0.3% each). Meta CEO Mark Zuckerberg debuted the new Orion augmented reality (AR) glasses. These are not priced for consumers (USD \$10,000 each) but are being treated somewhat as a proof of concept for virtual reality. Meta has spent billions on its virtual reality endeavours. Markets reacted positively to this show of tangible results.

Roku is enjoying some momentum since earnings were released the month prior. The company beat lowered street expectations for the quarter, but offered an in-line guide. Since then, the connected-TV advertising endmarket has strengthened, which appears to support management's view that there will be some revenue reacceleration in the second half of the year and beyond. The market now appears to have accepted that the threat to Roku from **Walmart's** Vizio operating system and **Amazon's** foray into ad supported streaming are less severe than first expected.

Various AI exposed semiconductor players including **Advanced Micro Devices** (AMD, the fourth largest contributor adding +0.2%) and **Broadcom** performed either in line or ahead of Nvidia for the month. Like Nvidia, these companies sell semiconductors necessary for the deployment of AI on datacentres. AMD provides CPUs and GPUs while Broadcom offers TPUs (a custom chip for **Alphabet**) and networking switches. Though exposed to many AI trends, the valuations of these companies are less demanding relative to Nvidia, making them more attractive investments.

Qualcomm's AI edge opportunity remains a sleeper in a valuation sense - the company was the weakest performer, detracting -0.6% from the Portfolio. Rumours that Qualcomm had approached Intel on a possible acquisition weighed on the share price. Nevertheless, the company is well positioned for a cyclical recovery in smartphones and a secular expansion of demand for chips in the automotive end market.

Key Facts

| | |
|----------------------------------|------------------------------------------------------|
| Inception Date | 30 June 2014 |
| Strategy FUM (AUD) | \$969 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 |

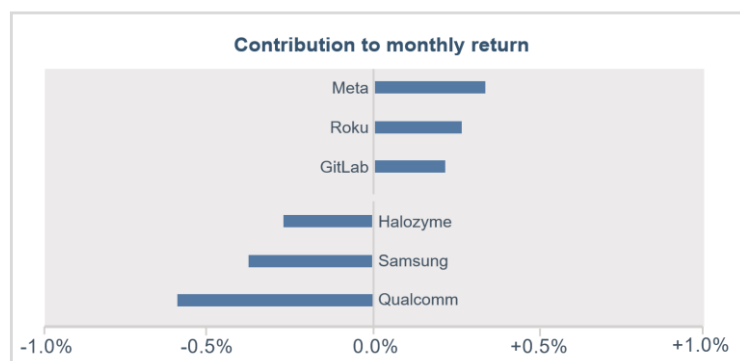
The company's recent foray into the ARM PCs is a new avenue for revenue expansion. With this particular configuration being an improvement in terms of battery life. Meanwhile, Qualcomm trades at a discount to the semiconductor and the S&P 500 index.

Halozyme was the third weakest performer, detracting -0.3% as investors took profits. Nothing during the month suggested a change in the company's long-term fundamentals. Incrementally, Halozyme's Tecentriq Hybreza partnership with Roche for multiple types of cancer was approved, adding an additional royalty revenue stream.

Eli Lilly cut -0.2% from Portfolio value. Broadly, large cap pharmaceutical companies traded down across the month. Lilly, which ran much harder than to its peers, sold off more than its peers. Lilly is enjoying a tailwind due to demand for its GLP-1 obesity medication.

The Australian dollar appreciated +1.8% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions decreased. As at 30 September 2024, the Portfolio carried a foreign currency exposure of 100.0%.

Selected Contributors and Detractors



Portfolio Construction

At September month end, the Portfolio was 96.4% invested in 30 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 10 Holdings (in alphabetical order) | |
|-----------------------------------------|----------------------|
| Alphabet | ON Semiconductor |
| Amazon | Qualcomm |
| Meta | Roku |
| Microsoft | Salesforce |
| Netflix | Taiwan Semiconductor |

| Capitalisation USD | |
|---------------------|-------|
| Mega Cap > \$100b | 66.9% |
| Large Cap \$50-100b | 6.5% |
| Mid Cap \$2-50b | 23.1% |
| Small Cap < \$2b | 0.0% |

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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