LOFTUS PEAK

Loftus Peak Global Change Portfolio

MONTHLY UPDATE OCTOBER 2026

Loftus Peak is a global equities fund manager focused on disruptive businesses. Founded in 2014, Loftus Peak invests in global companies driving industry change, such as Nvidia, first bought in 2016. As well as Microsoft and Broadcom, the diverse portfolio also includes many less well-understood companies which are expected to be household names in the future, such as Advanced Micro Devices and CATL. This global approach aims to reduce concentration risk often associated with home-biased Australian portfolios.

	1m	3m	6m	1y	3y p.a.	5y p.a.	7y p.a.	10y p.a.	Inception p.a.
Portfolio (net-of-fees)	-7.96%	-2.15%	+4.51%	-1.18%	+24.08%	+13.83%	+17.94%	+18.19%	+17.68%
Benchmark	-2.75%	-0.20%	+6.50%	+4.47%	+18.15%	+11.57%	+12.51%	+13.28%	+12.61%
Outperformance (net-of-fees)	-5.21%	-1.96%	-1.99%	-5.64%	+5.93%	+2.26%	+5.43%	+4.91%	+5.07%

Source: Loftus Peak, Bloomberg. Manager estimated returns. Past performance is not a reliable indicator of future performance. Returns greater 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 customisation. Each client should also take into account their own taxation situations.

Review and Performance

It now seems clear that the market sell-off which drove a bad October for Loftus Peak was the precursor to a full-on market rout which followed the shock-sized US mid-term republican election loss. One of the proximate causes for this is the headwind for the build-out of Artificial Intelligence (AI) datacentres. So it was that the value of the Portfolio decreased -8.0% (net-of-fees) in October, while the benchmark was down -2.8%, generating Portfolio underperformance of -5.2%.

Some of these losses appear now to have been staunched, with the market turning up late last week. We believe that the buildout of AI datacentres and AI compute itself, from GPU's (semiconductors) to end customers, will proceed - though not at the pace thought possible as recently as a month ago. There is a usage boom in demand for AI tools from large companies all the way to children doing homework, with the pushback around the siting of the datacentres rather than the AI itself.

When all is said and done, what that means is that AI investment returns may not be as good as predicted. But not as good as… what? Investors who have waited out the AI "bubble" have lost out. While those who have stayed in the trade have benefited mightily. Loftus Peak as a funds manager has historically preferred the players which have carefully mitigated risk and so has not owned shares in companies like CoreWeave (a neocloud) or fringe chip producers or any of the myriad companies pitching for a slice of AI business.

These leveraged players will find it harder if not impossible to find new finance in the coming months. This is a market clearing event which will winnow out the weaker players leaving those with the best technology/biggest balance sheet as the main players.

Key Facts	
Inception Date	30 June 2014
Strategy FUM (AUD)	$1,480 million
Product Type	Managed Discretionary Account - Suitable for Sophisticated Investors
Product Sponsor	Mason Stevens Limited
Benchmark	MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg)
No. of Investments	15-35
Minimum Cash	2%
Maximum Cash	20%
Maximum weighting per investment	20% at time of purchase
Suggested time frame	3-5 years
Minimum Investment	$150,000

Contributors and Detractors to Return

The biggest contributor for October was **Eli Lilly** (+1.3%). The company reported better than expected numbers and guided higher for coming quarters, driven by the existing injectable obesity drugs (the GLP-1's). During the quarter, Lilly grew share in the U.S. and in international markets. Insurer and pharmacy coverage constraints have kept initial revenue from its oral weight-loss treatment, Foundayo, relatively modest; its next-generation injectable GLP-1, Retatrutide, is also awaiting commercial release. Together, these upcoming therapies position the business for further long-term growth.

Spotify (+0.7%) was the second largest contributor after posting solid earnings. The company exceeded expectations for subscriber ads, bringing the total paid user base to 306 million. Spotify continues to draw users into its higher tier and leverage its advertising business to push gross margins higher. **Instacart** (+0.6%) was the third largest - rising after Dash announced its acquisition of the grocery delivery company for US$65 per share.

CATL (-1.9%) was the largest detractor after a sharp turn in the regulatory stance of the Chinese government. The government has imposed a 2% consumption tax on lithium-ion batteries and has reduced the value-added tax rebates on battery exports. Even though the company is leading the shift towards new battery chemistries, these regulations are material and also indicate the government's willingness to crack down on the industry. This is a deterrent for many investors and a structural headwind for the share price.

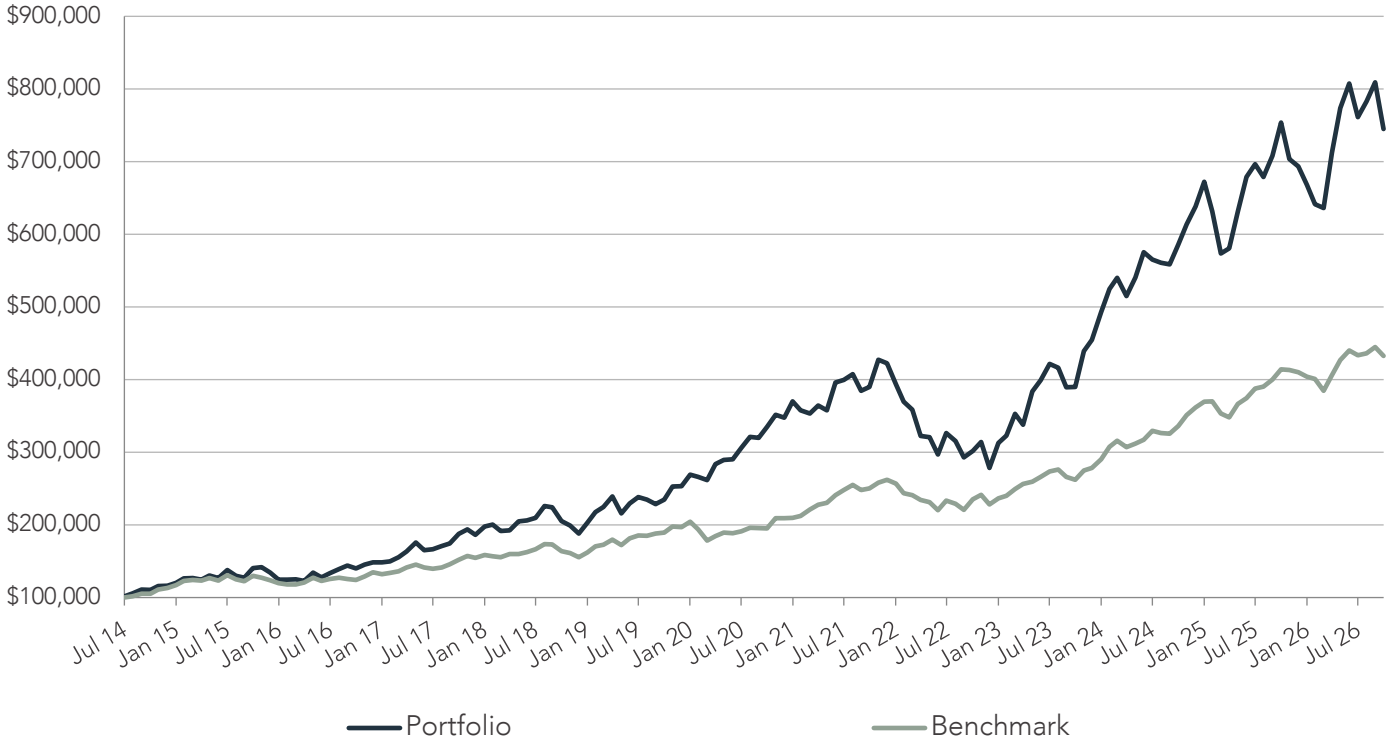
AI hardware as a group was the key detractor for October. **Nvidia** (-0.9%) was the second largest detractor on account of its larger weight. Other detractors include **TSMC** (-0.7%), **Seagate Technology** (-0.6%), **ASML** (-0.5%), **Marvell Technology** (-0.5%), **MKS Instruments** (-0.4%), **AMD** (-0.4%) and others. Some of these companies have already reported, delivering relatively strong results on top of undemanding valuations. Although risks around funding and regulation exist, we see incremental data points demonstrating the sustainability of AI businesses. As the AI hardware valuations become more compelling, we are looking to steer the position into the stocks with the cleanest path to material upside.

The Australian dollar appreciated +0.8% against the US dollar over the month, decreasing the value of the Portfolio's US-dollar denominated positions. At month-end, the Portfolio carried a foreign currency exposure of 100.0%.

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 Team	
Alex Pollak	CIO and Founder
Anshu Sharma, CFA	Portfolio Manager and Founder
Harry Morrow, CFA	Senior Investment Analyst
Raymond Tong, CFA	Head of Research

Cumulative Performance



Past performance is not a reliable indicator of future performance.
Benchmark is MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg).

Portfolio Exposure



- AI and Data Infrastructure (24.9%)
- Digital Media (15.1%)
- Cloud and Software (15.1%)
- Internet of Things and Robotics (14.5%)
- Health and Life Sciences (11.9%)
- Platforms and Ecommerce (10.7%)
- New Energy (4.1%)
- Cash (3.6%)

Portfolio Construction

At month end, the Portfolio was 96.4% invested 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.

Portfolio Statistics	
Number of Holdings	31
Sharpe Ratio[3] (risk-free rate = BBSW3M)	0.85
Information Ratio[3]	0.43
Volatility[3]	18.1%

Capitalisation (USD)		
Mega Cap	> $100b	74.0%
Large Cap	$50-100b	7.7%
Mid Cap	$2-50b	14.7%
Small Cap	< $2b	0.0%

[3] Since inception.

Top 10 Holdings (in alphabetical order)

Alphabet	**Alphabet** – key products include Google, Android, Maps, Chrome, YouTube and Google Play which all have over 1 billion active users. The core product is Search where the company is the clear market leader with an estimated desktop search market share of 80% – more than 10x its closest peer. The company is owner-managed and controlled through its founders Larry Page and Sergey Brin and currently operates in more than 40 countries worldwide.
BROADCOM	**Broadcom** – is a leader in wireless, datacentre networking, AI chips, storage, and infrastructure silicon/hardware/software with broad-based exposure to positive trends in these end markets. Broadcom is a technology infrastructure powerhouse with semiconductor leadership positions in AI (#2 global AI semiconductor supplier), custom chip ASIC supplier, cloud datacentre/telco networking, wireless and enterprise storage.
Lilly	**Eli Lilly** – is a global pharmaceutical company known for its innovations in drug development. The company focuses on therapeutic areas such as diabetes, oncology, neuroscience, and immunology, with blockbuster drugs including Trulicity and Mounjaro for diabetes and Zepbound for weight loss. Eli Lilly is also a leader in Alzheimer's research, developing treatments like Donanemab to address cognitive decline. Leveraging biotechnology and advanced research, the company continues to drive medical breakthroughs in both small molecules and biologics. With a strong pipeline and growing presence in obesity and metabolic health, Eli Lilly is shaping the future of healthcare innovation.
Meta	**Meta** – is one of the world's premier advertiser platforms with a user base of over 3bn Daily Active Users and over 10m advertisers. META has invested significantly into AI infrastructure, and this enables the company to drive user engagement and provides advertisers with a range of ad automation and targeting tools. META's two major goals are to: (1) to build the most popular and advanced AI products and services; and (2) invest into building the next generation of augmented, virtual and mixed reality computing platforms.
Microsoft	**Microsoft** – is a multinational technology company that manufactures, licenses, supports and sells computer software, personal computers, consumer electronics and services. The Company's main segments include Intelligent Cloud, More Personal Computing, Productivity and Business Process. Its products include cross device productivity applications, server applications, business solution applications, desktop and server management tools, software development-tools, video games, and training and certification of computer system integrators and developers. The Company also designs, manufactures and sells devices including personal computers, tablets, gaming and entertainment consoles, and other intelligent devices that integrate with its cloud-based offerings.
NETFLIX	**Netflix** – is the leading video streaming provider in the world with over 260m subscribers as of the December 2023 quarter. As the global leader, Netflix will continue to benefit from the shift of linear TV to streaming with still a significant opportunity to grow subscribers (1bn broadband households globally), pricing power and further monetization opportunities through advertising.
NVIDIA	**NVIDIA** – is a leading technology company specialising in graphics processing units (GPUs) and artificial intelligence (AI). Originally known for its dominance in gaming GPUs, Nvidia has expanded into AI, datacentres, autonomous vehicles, and professional visualisation. Nvidia's AI and deep learning technologies power industries ranging from healthcare to robotics, enabling breakthroughs in generative AI and high-performance computing. With its continuous innovation in AI chips and software ecosystems like CUDA, Nvidia remains at the forefront of the AI and semiconductor industries.
Spotify	**Spotify** – Spotify's mission is to unlock the potential of human creativity by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it. Spotify's platform revolutionised music listening forever when it launched in 2008. Spotify's move into podcasting brought innovation and a new generation of listeners to the medium, and in 2022 it entered the next audio market with the addition of audiobooks.. It is the world's most popular audio streaming subscription service with more than 574 million users, including 226 million subscribers in 184 markets. The company was founded by Daniel Ek and Martin Lorentzon in April 2006 and is headquartered in Luxembourg.
tsmc	**Taiwan Semiconductor** – is the largest dedicated global foundry for the manufacture of semiconductor chips. TSMC produces chips for a wide range of uses including datacentres, networking equipment, smartphones, tablets, PCs and gaming consoles. TSMC has a broad customer base of major hardware and fabless semiconductor companies including Apple, Qualcomm, Nvidia, AMD, MediaTek and HiSilicon (Huawei). The company is leveraged to chip demand from emerging themes such as 5G, IoT and artificial intelligence. TSMC was founded in 1987 and is based in Hsinchu, Taiwan.
Uber	**Uber** – is a global technology company that revolutionised ride-hailing and expanded into mobility, delivery, and freight services. Its core platform connects riders with drivers through its app, offering services such as UberX, Uber Comfort, and Uber Black. Uber also operates Uber Eats, a food delivery service, and Uber Freight, a digital platform that connects shippers and carriers for logistics solutions. The company leverages AI, real-time data analytics, and dynamic pricing to optimise driver-rider matching, route efficiency, and demand forecasting. Uber continues to expand its offerings, including autonomous vehicles and electric micromobility solutions.

Firm Awards











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