

# Loftus Peak Global Change Portfolio

Investing | Future Focused



February 2022

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. Holdings include large capitalisation names like Apple, Alphabet (Google) and Alibaba, as well as many others that we expect to be household names in the future, such as Roku 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 Performance\*

The launch of an unprovoked war in Ukraine caused significant dislocation, with the Portfolio's net-of-fees performance of -6.0% for the month and underperformance of -0.9% relative to the benchmark, the MSCI All Countries World Index in Australian dollars (which was down -5.1%). Since the Portfolio's inception in 2014, it has returned +18.6% net-of-fees p.a., outperformance of +6.3% p.a. In conjunction with expected interest rate rises, which we expect will still happen, albeit likely not as severe, we repositioned the portfolio to reduce risk, which helped avoid the worst blow-ups.

As noted in last month's review, the holdings in semi-conductor companies have assisted performance generally over the past few months, outperforming the higher-risk "app" companies such as Block (Square) and Twitter and indeed Roku.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-5.90%	-13.15%	-8.72%	+4.77%	+22.68%	+23.08%	+21.51%
Benchmark	-5.14%	-5.65%	-4.49%	+14.80%	+12.61%	+12.71%	+12.32%
Outperformance (gross-of-fees)	-0.76%	-7.50%	-4.23%	-10.03%	+10.07%	+10.37%	+9.19%
Portfolio (net-of-fees)	-6.00%	-13.43%	-9.31%	+3.42%	+19.34%	+19.84%	+18.60%

\*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

A number of semi-conductor companies in the portfolio were impacted by perceptions of shortages in neon and palladium, both of which are in part supplied from Ukraine. While the concerns proved overblown, by month end there was damage to the Portfolio, with **Taiwan Semiconductor Company** and **Qualcomm** detracting -1.5% from the Portfolio's value.

Our two streaming companies, **Roku** and **Netflix**, were together off -1.7% as concerns about post-pandemic growth caused investors to fret about valuations.

As we have noted previously, neither company is anywhere near its final size in terms of customer accounts, so the runway for growth remains very long. Roku with 60 million accounts currently has more customers than all of the US cable companies combined and is set to grow revenue this year by 35% - less than half the growth during the pandemic, but still significant. In addition, the competitive threat from Google has thus-far failed to materialise. In December, Google (Alphabet) attempted to launch a rival operating system on the major manufacturer TCL televisions, but they were recalled just a few weeks later.

## Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$225 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	50%
Maximum weighting per investment	20% at time of purchase
Minimum Investment	AU\$150,000
Liquidity	Daily
Suggested timeframe	3-5 years

## Fees

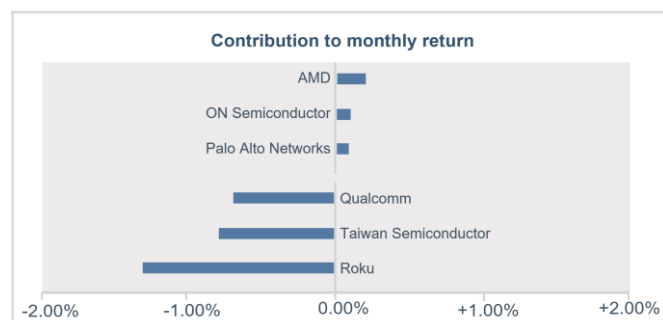
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

In the case of Netflix, its competitive advantage continues to increase – no other company comes close to its streaming content spend (including Disney), and it is still free cashflow positive, so much so that it has been buying back its own stock.

The top five positive contributors – among them **AMD**, **ON Semiconductor** and **Palo Alto Networks**, added only 0.4% between them.

The Australian dollar appreciated +2.8% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions decreased. As at 28 February 2022, the Portfolio carried a foreign currency exposure of 99.7%.

## Selected Contributors and Detractors



## Portfolio Construction

At February month end, the Portfolio was 85.4% invested in 26 holdings with the balance in cash.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	69.2%
Alphabet	Large Cap \$50-100b	4.5%
Amazon	Mid Cap \$2-50b	11.7%
Microsoft	Small Cap < \$2b	0.0%
Apple		

## 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 in global disruption investment almost 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?

Investors may access Loftus Peak's global equity disruption capability in two ways:

- For **all** investors, the [Loftus Peak Global Disruption Fund](#), which is a unit trust; or
- For **sophisticated** investors, the [Loftus Peak Global Change Portfolio](#), which is a managed discretionary account.

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](mailto:enquiry@loftuspeak.com.au).

### IMPORTANT INFORMATION:

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