

Loftus Peak Global Change Portfolio

Investing | Future Focused



April 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

March quarter earnings were reported in the first weeks of April. Five of the so-called “Magnificent Seven” reported with four of those beating expectations - **Alphabet**, **Meta**, **Amazon** and **Microsoft** with broadly positive guidance. These companies represent the key customers for Artificial intelligence (AI) hardware and their earnings show significant growth in capital expenditure (capex) - a strong read-through for the likes of **Nvidia**, **Broadcom** and **Advanced Micro Devices** (AMD) all three of which are vendors.

April was also a turning point in macro sentiment. The market abandoned its aggressive outlook for rate cuts in 2024. For example, UBS went from a forecast of 275 bps of interest rate reductions (this forecast was given in November 2023) to just 50 bps for 2024. At least Fed Chair Jerome Powell did not indicate that rate hikes were on the table.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (net-of-fees)	-4.62%	+4.52%	+32.15%	+52.47%	+12.22%	+16.57%	+19.64%	+18.14%
Benchmark	-2.79%	+5.75%	+17.04%	+19.82%	+10.45%	+11.28%	+12.37%	+12.08%
Outperformance (net-of-fees)	-1.83%	-1.23%	+15.11%	+32.66%	+1.77%	+5.28%	+7.28%	+6.06%

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

Alphabet was the largest contributor for the month, adding +0.5% to the Portfolio after a strong earnings report. The company beat revenue expectations across most of the major segments. Advertising re-accelerated after lapping weak year numbers with cloud revenue up +28% to USD 9.6 billion. The company referenced meaningful AI uptake across the board, from start-ups, unicorns and large enterprise, demonstrating the importance of existing distribution when monetising AI functionalities. The company expects YouTube and cloud combined to exit 2024 at an annual run rate of over USD 100 billion - roughly equivalent to the entire search business in 2018.

Spotify was the second largest contributor, adding +0.2% to the Portfolio. Spotify, which is already the world's leading audio streaming platform, has an ambition to reach 1 billion users. It delivered accelerating revenue growth to 20%+ with a step change in gross margins. CEO Daniel Ek stated that 2024 will be a year of monetisation as the company seeks to bring the margins of audiobooks and podcasting in line with the mainstay music-streaming business. The margin expansion of these other products is accretive to the bottom line.

Teradyne also reported strongly, adding +0.2% to the Portfolio. Teradyne runs a semiconductor testing business. Demand for data-centre hardware has increased meaningfully due to AI. This demand has persisted leading to a greater-than-usual number of chip designers seeking to design hardware. This includes Nvidia (which is doubling the speed of its product roll out), AMD, Broadcom and more. Teradyne is the direct beneficiary of an increased volume of hardware design. This was reflected in the stronger than expected quarter and the stronger than expected guidance.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$820 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

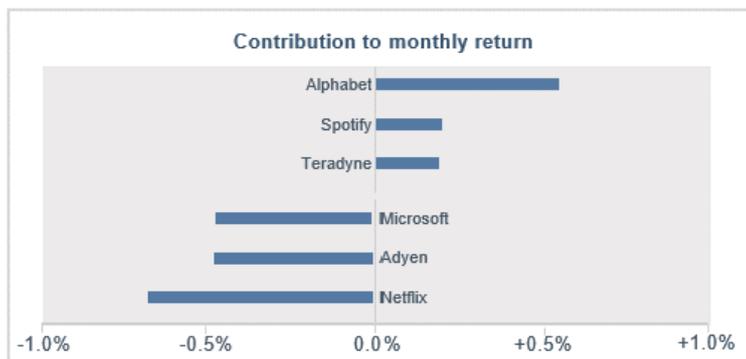
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Netflix was the largest detractor of the month, cutting -0.7% from Portfolio value. The company implied a slower exit rate for revenue heading into FY25 and signalled that subscriber numbers would no longer be regularly disclosed in the future. The market reacted negatively. Our thesis remains unchanged; in our view, cracking down on password sharing and the advertising tier, for example, offer longer term opportunities for more subscriber growth than the market assumes. The company is also slowing the rate of content spend growth relative to revenue growth, directly improving earnings.

Dutch FinTech company **Adyen** provided a quarterly business update. Although payment volumes accelerated as Adyen gains market share, the take rate compressed. This led to less than expected net revenue growth of 21% year-over-year. Adyen cut -0.6% from the Portfolio and was the second largest detractor. Microsoft was the third largest detractor for the month, cutting -0.5% from the Portfolio. Momentum in the stock waned across the month until earnings where the company showed the success (so far) of the AI ramp.

The Australian dollar appreciated +0.2% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions increased. As at 30 April 2024, the Portfolio carried a foreign currency exposure of 100.0%.

Selected Contributors and Detractors



Portfolio Construction

At April month end, the Portfolio was 94.5% 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 Holdings (in alphabetical order)	
Alphabet	Micron Technology
Amazon	Microsoft
AMD	Netflix
Broadcom	Qualcomm
Meta	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	72.0%
Large Cap \$50-100b	7.9%
Mid Cap \$2-50b	14.6%
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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