

Loftus Peak Global Change Portfolio

Investing | Future Focused



March 2024 Update

Founded in 2014, Loftus Peak is a global 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 tail end of December quarter company reporting in March was generally positive for Portfolio holdings, resulting in a return of +3.0% net-of-fees for the month. This was outperformance of +0.2% relative to the Portfolio's benchmark, the MSCI All Countries World Index (net) as expressed in Australian dollars (AUD) from Bloomberg.

March saw the year's second U.S. Federal Reserve meeting, which yielded a widely anticipated result of no change to the Fed Fund rate. Despite some economic data pointing to a relatively robust U.S. economy (a stronger economy gives the Fed less leeway to cut rates), Fed Chair Jerome Powell struck a rather dovish tone. The dot plots (which indicates Fed member predictions of future rates) indicates three rate cuts across 2024.

Investment returns for the quarter were also strong. The so-called "Magnificent Seven" has now slimmed down to the "Fab Four" and continue to rise higher.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (net-of-fees)	+2.95%	+18.79%	+38.70%	+53.12%	+15.18%	+19.20%	+20.07%	+18.88%
Benchmark	+2.71%	+13.40%	+18.65%	+26.57%	+12.64%	+12.81%	+13.10%	+12.51%
Outperformance (net-of-fees)	+0.24%	+5.39%	+20.05%	+26.55%	+2.54%	+6.39%	+6.97%	+6.37%

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

Micron Technology, the largest contributor for the month, added +0.8% to the Portfolio. The share price soared following its earnings report. Micron designs memory chips, the necessary component needed to complement the logic chips of Nvidia and **Advanced Micro Devices**. Memory is historically a cyclical industry, however the additional demand from AI as well as incremental internet of things (IoT) use cases have pulled forward the demand for memory. This has allowed the company to significantly increase earnings as it heads back into the cyclical tailwind of its traditional end markets in consumer electronics (much like TSMC).

Consumer electronics are themselves being disrupted with **Qualcomm**, a mainstay player in mobile phones and the second largest contributor for the month. The company contributed +0.6% after releasing further information on its upcoming Snapdragon X Elite, which will be the company's first meaningful foray into chips for laptops and perhaps the first meaningful debut of the ARM architecture into personal electronic devices. This disrupts incumbent computer chip producers, like Intel, by offering customers devices that have longer battery life and are most able to run AI models locally.

The third largest contributor for the month was **Taiwan Semiconductor Manufacturing**, which contributed +0.5% to the Portfolio's return. The company is the linchpin for the global high end semiconductor industry. AI chips from **Nvidia** to **Broadcom** are manufactured by TSMC. Despite last year's movements in Artificial Intelligence (AI) related semiconductors, TSMC continues to trade at a discount to the S&P 500. The company is the beneficiary of the uptick in demand for AI chips as well as cyclical recovery of traditional end markets in electronic devices.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$818 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

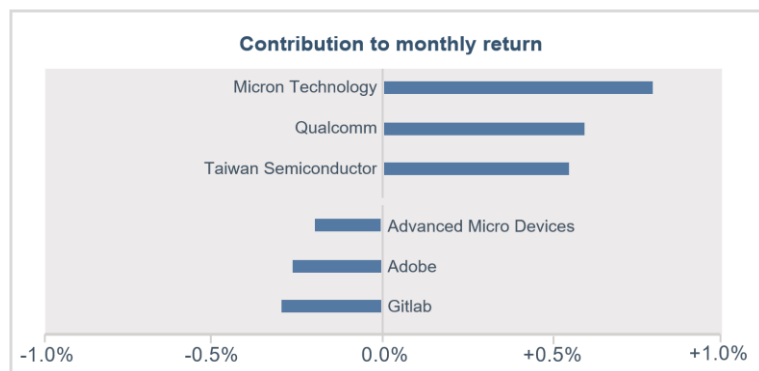
Of course, Nvidia remains the key company underpinning the deployment of AI. The company hosted its GPU Technology Conference where it showcased its next generation of data centre chip, the GB200. This chip will use 4nm wafers made by Taiwan Semiconductor Manufacturing. CEO Jensen Huang has touted the chip as being capable of processing trillion-parameter AI models up to 30 times faster and at one-quarter power usage.

The company is expected to ramp chip shipments in 2025 and will be dilutive to gross margins. This has negative read through for AMD as the lesser margins suggest higher volumes which could crowd out Nvidia alternatives. AMD was among our largest detractors for the month.

The other largest detractors for the month were software names: **Adobe** and **GitLab**. The two companies reported during the month. Despite both eclipsing expectations for their earnings, these holdings offered weaker than expected near term guidance. Nevertheless, both these companies retain their longer-term optionality as they roll out generative AI offerings.

The Australian dollar appreciated 0.3% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions increased. As at 28 March 2024, the Portfolio carried a foreign currency exposure of 100.0%.

Selected Contributors and Detractors



Portfolio Construction

At March month end, the Portfolio was 96.5% invested in 29 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	Microsoft
Amazon	Netflix
Broadcom	Nvidia
Meta	Qualcomm
Micron Technology	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	75.2%
Large Cap \$50-100b	8.6%
Mid Cap \$2-50b	11.6%
Small Cap < \$2b	1.1%

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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