

# Loftus Peak Global Change Portfolio

Investing | Future Focused



## October 2023 Update

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. 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 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 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<sup>1</sup>

The Portfolio grew +0.1% net-of-fees during October, outperforming the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg by +1.6%. The +0.1% net-of-fees return masked some much larger moves as a slew of companies reported late in the month and effectively turned a negative month into one that was essentially flat.

October began with a recovery from September's weakness only for markets to end the month even lower. The U.S. House of Representatives solved its gridlock with the appointment of a speaker while half a world away the conflict between Israel and Palestine flared with an intensity not seen since the six-day war 50 years ago. Israeli tanks are now on the ground in Gaza City. The added turmoil was reflected in bond yields which pushed to levels not seen since 2006.

That said, the U.S. economy is not in bad shape, with September quarter real GDP growth up +4.9% annualised, more than doubling June quarter's figure. Rates, although showing no sign of coming down, are also not expected to rise further. The soft-landing scenario for the U.S. economy seems credible. By the end of October, half the S&P 500 has reported earnings and 78% of them have beaten analyst estimates according to the London Stock Exchange Group.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (net-of-fees)	+0.11%	-7.51%	+15.38%	+29.23%	+5.20%	+13.68%	+13.59%	+15.69%
Benchmark	-1.45%	-4.11%	+2.37%	+11.50%	+10.37%	+9.85%	+9.19%	+10.88%
Outperformance (net-of-fees)	+1.56%	-3.39%	+13.01%	+17.74%	-5.17%	+3.83%	+4.40%	+4.81%

<sup>1</sup> 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

**Netflix** was the single largest contributor for the month after being the largest detractor in September. The company increased the portfolio value +1.1% as it reported subscriber growth ahead of expectations, adding 8.8 million users to reach a total of 247 million. Adoption of Netflix's cheaper advertising-supported subscription helped to bolster these figures and the announcement of immediate price hikes for two of its subscriptions was received well by investors.

**Microsoft** and **Amazon** were the next two largest contributors. Like Netflix, both companies were detractors last month and have reversed this in October following strong earnings with significant improvements in their cloud businesses. **Google**, the third largest US hyperscaler, was unable to keep up with its peers. Its earnings report showed good revenue growth from the mainstay advertising business but weakness in cloud. The stock dropped in response.

The largest detractor for the month was **Roku**, cutting -0.7% from portfolio value with heightened anxiety in markets and climbing treasuries hurting the company in the month. All of which was swept away post month-end when the company reported and its share price promptly jumped +30%, with its Roku Channel in the top ten most-viewed streaming services in line with Paramount+, Max (HBO) and Peacock.

### Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$271 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

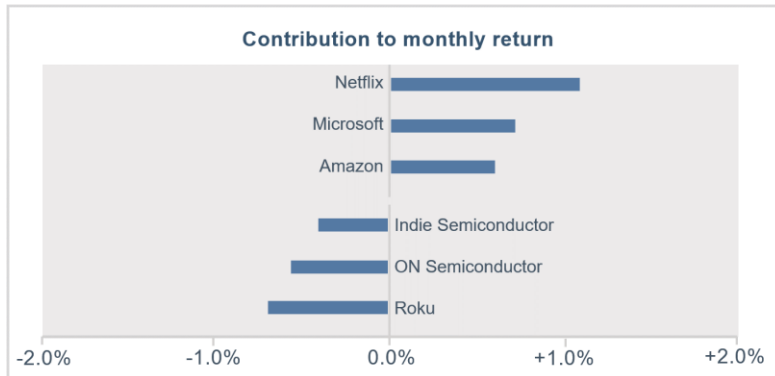
### Fees

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

**ON Semiconductors** generated a -0.6% contribution, after posting strong earnings but dire guidance for the demand of power semiconductors in electric vehicles (EVs). Interest rates are impacting car loans, EVs more so than internal combustion engine (ICE) cars due to their higher average price. 18 months into the interest hike cycle and the demand for EVs is waning. This is what hurt Tesla as well as European EV manufacturers. These are the primary customers of ON Semiconductor.

The Australian dollar depreciated -2.2% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions increased. As at 31 October 2023, the Portfolio carried a foreign currency exposure of 100.0%.

## Selected Contributors and Detractors



## Portfolio Construction

At October month end, the Portfolio was 97.2% invested in 25 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	Netflix
Amazon	Nvidia
AMD	Qualcomm
Meta	Roku
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	72.4%
Large Cap \$50-100b	4.0%
Mid Cap \$2-50b	17.8%
Small Cap < \$2b	3.0%

## 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 sophisticated<sup>2</sup>, 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](mailto:enquiry@loftuspeak.com.au).

<sup>2</sup> a person qualifying as a sophisticated investor under section 708 (10) of the Corporations Act 2001 (Cth) (Act)

### IMPORTANT INFORMATION:

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Loftus Peak Pty Limited ABN 84 167 859 332 AFSL 503 571