

Loftus Peak Global Change Portfolio

Investing | Future Focused



June 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

The Portfolio gained +6.3% net-of-fees in June, outperforming the MSCI All Countries World Index (in AUD) from Bloomberg by +4.6%. The month was dotted with economic data pointing to a weakening consumer and a softer economy – all signs that give the green light to the US Federal Reserve to cut rates in the back half of the year, a positive for the market. For the full financial year, the Portfolio gained +44.0% net-of-fees while the benchmark grew +19.3%, outperformance of +24.7%. Apple overtook **Microsoft** as the largest company in the world by market capitalisation. Less than a week later, Apple was supplanted by Nvidia. The chip company then sold off with Microsoft retaking its position from Apple by the end of the month. All three companies are jostling to leverage artificial intelligence (AI) to entice users and investors.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (net-of-fees)	+6.32%	+6.40%	+26.40%	+43.98%	+13.23%	+20.14%	+20.68%	+19.11%
Benchmark	+1.72%	+0.52%	+13.99%	+19.29%	+9.60%	+11.85%	+12.61%	+12.24%
Outperformance (net-of-fees)	+4.60%	+5.89%	+12.41%	+24.69%	+3.63%	+8.29%	+8.06%	+6.86%

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

Taiwan Semiconductor Manufacturing (TSMC) was the largest single contributor for the month, adding +1.5% to the Portfolio. TSMC dominates the fabrication of high-end logic chips. For the last year, demand for datacentre semiconductors from companies like **Advanced Micro Devices** and Nvidia (some of TSMC's largest customers) have helped push revenues higher. More recently, Apple's integration of AI (which requires newer, better chips) as well as the broader cyclical recovery of smartphones has bolstered TSMC's top line. Monthly net revenue for May was the third highest ever and was up +30.1% year-over-year. TSMC has also obtained approval for another USD10.3 billion in subsidies from the Japanese government for the construction of a fabrication plant in Japan.

Broadcom was the second top performer of the month, contributing +0.7% to the Portfolio. The company reported earnings in the first half of the month, posting a strong beat off the back of inflecting demand for AI products. Historically, Broadcom designs the infrastructure behind datacentres, including the switches and adapters. Adding to this are ramping application specific integrated circuits (ASICs) for AI end uses. These ASICs are a less flexible but ultimately cheaper (at scale) alternative to graphics processing units (GPUs). Alphabet's TPU chips are among Broadcom's ASIC offerings.

Amazon was the third largest contributor, adding +0.7% to the Portfolio. Despite being the largest cloud provider in the world, Amazon's AI offering has generally been considered second-rate compared to competitors like **Alphabet** and Microsoft. As much as Microsoft and Alphabet are better positioned to monetise their own AI products to consumers, a large amount of third-party AI workloads will nevertheless find their way onto Amazon Web Services (AWS) given its scale and existing relationships with a significant number of businesses and governments. Across June the share price rose to reflect this. The advertising segment of Amazon's ecommerce business also continues to perform strongly.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$961 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

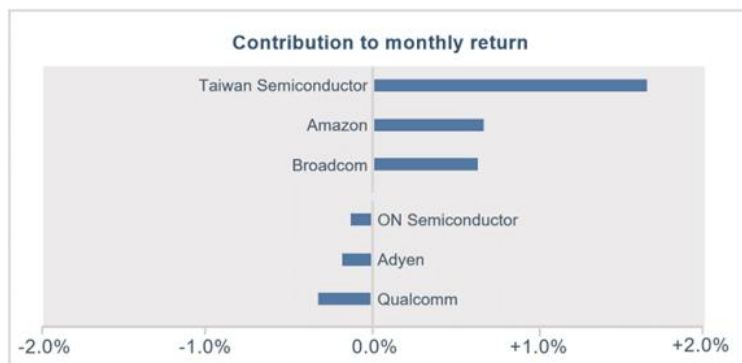
The company recently hit all-time highs, creeping ahead of the previous high in 2021. Microsoft achieved this a year ago while Alphabet did likewise in January this year.

Qualcomm was the worst performing holding for the month, detracting -0.3% from the Portfolio. Qualcomm sold off along with Nvidia (and most of the broader semiconductor sector). We remain bullish. The company is exposed to a cyclical recovery in smartphones as well as the continuing secular expansion into the internet-of-things and automotive end markets. These tailwinds underpin our valuations.

June also saw the much-anticipated launch of Microsoft's Copilot+ PC, which contains Qualcomm's Snapdragon X Elite. This chip - hailed as the hardware behind the first AI PC - is also (arguably) the first meaningful instance of Windows on ARM. This month, we had the chance to test the product ourselves. The improvement to battery life from the ARM architecture is meaningful, bringing Windows products into comparability with Apple devices. The foray into PCs is added optionality for a stock which already has a robust growth story.

The Australian dollar appreciated +0.1% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions decreased. As at 30 June 2024, the Portfolio carried a foreign currency exposure of 100.0%.

Selected Contributors and Detractors



Portfolio Construction

At June month end, the Portfolio was 97.6% invested in 27 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
AMD	Qualcomm
Broadcom	Samsung
Meta	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	75.4%
Large Cap \$50-100b	9.2%
Mid Cap \$2-50b	13.0%
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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