

Loftus Peak Global Change Portfolio

Investing | Future Focused



August 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

August was a very mixed bag for Loftus Peak investors. The Fund delivered a -0.7% net-of-fees return, outperforming the MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg) by +0.2%. The swoon of early August was caused by the rapid unwind of the 'yen carry trade' – investors borrowing in yen at low rates to invest in US stocks.

The trigger for the unwind was a rapid appreciation in the yen, resulting in a blowout in liabilities and forcing the sale of shares in many US companies at stressed prices. At the same time, there was nervousness over the narrow base of the stock market rally generally (read Magnificent Seven) and renewed fears that the US economy would tip into a recession. By mid-August, the safest course appeared to be a heavier weighting to the digital economy generally, so streaming did well, as did e-commerce and some of the payments companies.

	1m	3m	6m	1y	3y p.a.	5y p.a.	7y p.a.	Inception p.a.
Portfolio (net-of-fees)	-0.73%	+3.81%	+6.95%	+34.69%	+11.23%	+19.02%	+18.51%	+18.49%
Benchmark	-0.90%	+4.67%	+6.23%	+18.18%	+8.58%	+12.04%	+12.72%	+12.34%
Outperformance (net-of-fees)	+0.18%	-0.86%	+0.72%	+16.51%	+2.65%	+6.98%	+5.79%	+6.14%

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

The top performer in the month was **MercadoLibre**, the "Amazon" of Latin America, adding +0.5% to performance after a 20% rally in the stock price in August. Much like Amazon, the company has a burgeoning advertising business. This is in addition to its payments business, which reported 52 million monthly active users in its latest earnings result. **Adyen**, a European payment processor, lifted the Portfolio by +0.4%, with streaming names **Netflix** and **Roku** contributing +0.8% between them.

Cloud computing player **Nutanix** was the second top performer for the month, adding +0.5% to Portfolio value following earnings which came in above expectations and upbeat guidance for the next fiscal year. A poor enterprise spending environment and longer sales cycles meant investors had discounted the likelihood of a strong result although initiatives from the company to move upmarket look to be working. In the longer term, Nutanix is positioned well to take share from its main competitor, VMware, as the company raises prices following its acquisition by Broadcom.

Against this, **Qualcomm**, the largest Portfolio position, reduced value by -1.0%, as the market focused more on its AI capabilities (which are real but suffered slightly as investors fretted about the hype). Less focus was given to cyclical recovery in the mainstay smartphone business or automotive end market (an area of market share expansion for Qualcomm). Recovery in these areas seems likely, as the Fed again hinted at a rate cut in September. Meanwhile, Amazon was affected by concerns about the company's AI-tilted cloud business, driving the Portfolio -0.9% lower.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$954 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

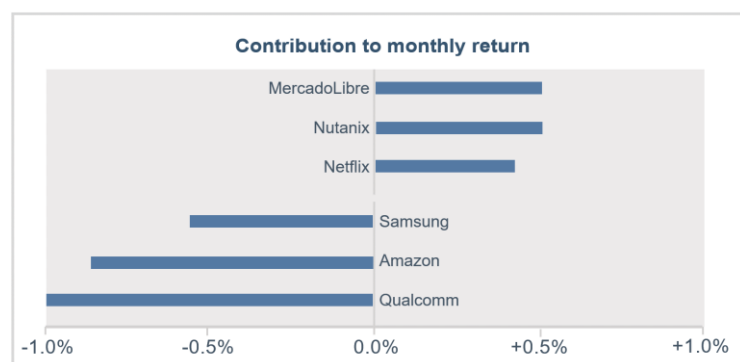
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Salesforce (which detracted -0.2%) reported solid numbers in the final week of August, beating on revenue earnings, and raising margin guidance for the full fiscal year. Notwithstanding this, management commentary flagged a continuation of the soft spending environment that has plagued enterprise software players over the past year. Powell's higher interest rates have constrained enterprise spending, forcing increased scrutiny on costs and so denting revenues. Salesforce management did reveal some encouraging trends around the AI opportunity, with enthusiastic adoption of tools to turn data into actionable services. This is consistent with the strategies of other Portfolio holdings including **ServiceNow, Adobe, Microsoft** and **GitLab**.

All of this points to an evolving AI story. The dramatic revenue growth for companies like Nvidia and AMD, which make the GPU tools, can only continue if that growth morphs into demand for the software applications. These will then populate commerce with better outcomes for customers – more accurate voice recognition, improved sales visualisation and intuitive customer service. Broadly, these are the downstream beneficiaries of the hardware.

The Australian dollar appreciated +4.5% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions decreased. As at 31 August 2024, the Portfolio carried a foreign currency exposure of 100.0%.

Selected Contributors and Detractors



Portfolio Construction

At August month end, the Portfolio was 95.7% invested in 28 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 10 Holdings (in alphabetical order)	
Alphabet	Nutanix
Amazon	Qualcomm
Meta	Roku
Microsoft	Spotify
Netflix	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	70.5%
Large Cap \$50-100b	6.9%
Mid Cap \$2-50b	18.3%
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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