

Loftus Peak Global Change Portfolio

Investing | Future Focused



October 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 U.S. presidential election has been decided post month-end, so commentary on this is not discussed in this month's newsletter. The Portfolio delivered a +4.9% net-of-fees return, outperforming the MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg) by +1.6%. Markets lurched upwards ahead of the U.S. elections with little reaction to escalating conflict in the Middle East. Much of the October gains occurred before earnings.

Companies began reporting in the back half of the month, and results were generally strong. However, market expectations are also relatively high and share price movements have been mixed.

	1m	3m	6m	1y	3y p.a.	5y p.a.	7y p.a.	Inception p.a.
Portfolio (net-of-fees)	+4.91%	+3.67%	+13.74%	+50.31%	+14.55%	+20.09%	+17.68%	+18.66%
Benchmark	+3.29%	+2.00%	+9.52%	+28.18%	+10.34%	+12.15%	+12.00%	+12.45%
Outperformance (net-of-fees)	+1.62%	+1.66%	+4.22%	+22.13%	+4.21%	+7.94%	+5.68%	+6.21%

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 largest contributor to the Portfolio was **Taiwan Semiconductor Manufacturing (+1.7%)** which reported a beat on the top and bottom line. The company points to continued demand for the fabrication of Artificial Intelligence (AI) server chips, which are expected to represent a mid-teen % of total 2024 revenue. The fabrication demand for most end markets has yet to inflect. This includes chips for PCs and smartphones. A cyclical recovery in these end markets would push TSMC into an even stronger position.

Netflix (+0.8%) was the second largest contributor, also surging after earnings. The company continues to add subscribers at a solid pace while increasing pricing, so supporting double digit revenue growth. Management expects this growth to persist through next year even without material impact from the advertising business.

The potential for the ad business to support similar growth beyond 2025 provides valuation comfort. The third largest contributor was Japanese semiconductor testing equipment provider **Advantest (+0.5%)**. The company reported handy beats in all its segments. The semiconductor testing equipment is split between Advantest and Teradyne (which has previously been a holding). The two companies serve different semiconductor end-customers. Advantest operates in datacentre chip companies such as Nvidia and **Advanced Micro Devices (-0.2%)** while Teradyne is more exposed to smartphones and PCs with customers like Apple. At this stage in the cycle, the demand for datacentre chips has made Advantest a more attractive investment.

Alphabet (+0.4%) reported all-around strong earnings. The cloud business was a particular bright spot with subsequent earnings from **Microsoft (+0.1%)** and **Amazon (+0.3%)** also showing strong cloud growth. In Microsoft's case, the cloud was overshadowed by worse-than-expected revenue guidance, driven by weakness in business segments outside of AI.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$1,024 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

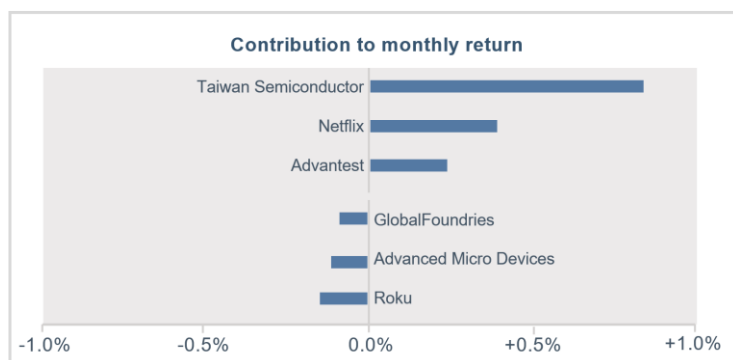
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Roku (-0.3%) was the largest detractor. On the earnings call, Roku stated its monthly active users had grown to 86 million, up +13% year-over-year. However, the revenue from advertising that these users imply is yet to flow through and management has been reticent to guide bullishly. Ultimately advertising dollars will follow eyeballs.

Advanced Micro Devices (AMD) also fell despite raising revenue guidance for its graphics processing unit (GPU) business. AMD GPU's are expected to bring in more than US\$ 5 billion in revenue this year, coming from a base of zero. However, this phenomenal rate of growth has been matched by a high rate of op-ex expansion. The company is not getting the leverage that investors had hoped – thus the shares sold off. Nevertheless, this quarter appears to be a turning point for AMD's cyclical segments, which have been a headwind to the secular AI story. The combination of cyclical and secular growth offers the valuation comfort to hold this company instead of peers like Nvidia.

The Australian dollar depreciated -5.1% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions increased. As at 31 October 2024, the Portfolio carried a foreign currency exposure of 100.0%.

Selected Contributors and Detractors



Portfolio Construction

At October month end, the Portfolio was 97.0% 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 10 Holdings (in alphabetical order)	
Alphabet	Netflix
Amazon	ON Semiconductor
AMD	Qualcomm
Meta	Salesforce
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	66.6%
Large Cap \$50-100b	5.6%
Mid Cap \$2-50b	24.8%
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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