

Loftus Peak Global Change Portfolio

Investing | Future Focused



November 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

Market sentiment across November was dominated by the election of Donald Trump. Higher risk small cap names popped as did sectors considered insulated from the expected Trump tariffs. Of course, a rally in higher risk names is at odds with the inflationary pressures of tariffs and lower taxes, so conclusions are uncertain. The Portfolio delivered a +4.8% net-of-fees return, outperforming the MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg) by +0.3%.

	1m	3m	6m	1y	3y p.a.	5y p.a.	7y p.a.	Inception p.a.
Portfolio (net-of-fees)	+4.76%	+9.40%	+13.56%	+39.76%	+12.84%	+19.40%	+17.90%	+19.03%
Benchmark	+4.46%	+7.52%	+12.54%	+27.72%	+10.78%	+12.17%	+12.18%	+12.81%
Outperformance (net-of-fees)	+0.30%	+1.87%	+1.02%	+12.04%	+2.06%	+7.22%	+5.72%	+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 best performing holdings in November are what the market might classify as Trump agnostic. **Netflix** (+1.1% contribution to return) was the top performer. The company is relatively tariff proof (no Chinese revenue and lacking tariff-able physical products) and a second order beneficiary of Trump's disdain for mainstream media. In terms of disruptive milestones, Netflix showcased its first venture into live sports streaming with the bout between Jake Paul and Mike Tyson. Other alternative streaming names: **Roku** (+0.3%) and **Spotify** (+0.5%) performed well, with the latter also delivering a strong earnings result.

Software performed strongly. With a cyclical recovery likely, and (in some cases) as beneficiaries of artificial intelligence, these are reasons to like the exposure. **Datadog** (+0.6% contribution to return), **GitLab** (+0.5%), **Salesforce** (+0.4%) and **Nutanix** (+0.2%) all contributed despite their relatively smaller weights in the portfolio.

Amazon (+0.6%) was the outlier, notching most of its performance before the election following a strong earnings result. After the election, the company traded sideways with the other big technology names: **Microsoft** (+0.2%), **Alphabet** (-0.1%) and **Meta** (+0.1%). Nvidia, another of the Magnificent Seven, also traded sideways despite another beat and raise in earnings. The company is priced for excellence with little valuation safety.

Semiconductor companies have underperformed since the election. A literal interpretation of Trump's tariff and Taiwan rhetoric would be bleak for chips. However, the application of such measures is not practical. **Taiwan Semiconductor Manufacturing** (-0.2%) has been pilloried for its purported "theft" of the U.S. chip industry. The suggestion of theft considers too narrowly the semi-conductor industry: it is so much more than fabrication. In fact, by most metrics, the U.S. chip has never been stronger. Case in point: Nvidia is the second largest company by market capitalisation in the world despite not fabricating its chips. Nvidia today is capitalised at ten times the size of Intel (one of the last U.S. chips fabricators) at its 2000 peak.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$1,069 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

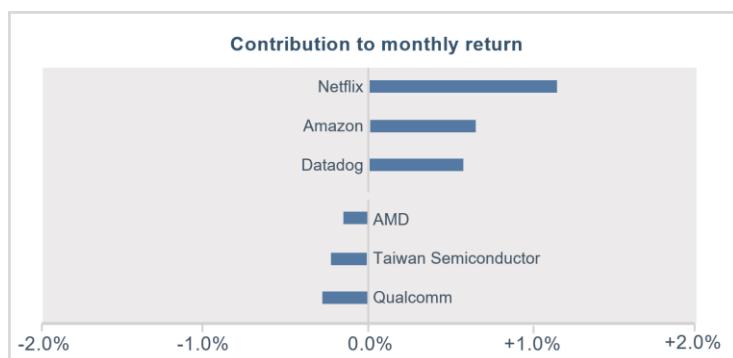
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Trump has also threatened China with blanket tariffs, which would distress the semiconductor supply chain as well as the broader supply chain of electronic products. From raw materials to final assembly, the Chinese economy is intertwined with the physical products that use chips designed by U.S. companies with the Chinese government showing willingness to hit back at the U.S. by denying the export of rare earth metals. Very few modern-day products would be unaffected by blanket tariffs, however the market concern was focused on the semiconductors which traded slightly down in a month of strength for the broader market. In the portfolio, this was seen through **Advanced Micro Devices** (-0.1%), SK Hynix and Mediatek.

Qualcomm (-0.3%) faced the same headwind in addition to concerns over its impending loss of the Apple modem business and fears of litigation with ARM. These risks are already priced while the disruptive opportunity is not, so offering upside.

The Australian dollar depreciated -1.1% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions increased. As at 30 November 2024, the Portfolio carried a foreign currency exposure of 100.0%.

Selected Contributors and Detractors



Portfolio Construction

At November month end, the Portfolio was 93.5% 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 10 Holdings (in alphabetical order)	
Alphabet	Netflix
Amazon	ON Semiconductor
John Deere	Qualcomm
Meta	Salesforce
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	60.8%
Large Cap \$50-100b	12.4%
Mid Cap \$2-50b	20.3%
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 more than 15 years ago as a global investment analyst, covering companies that have now been at the forefront of disruption for over a decade. He then took on a similar role with a focus on the Asian market, gaining a unique perspective on the global scale and impact of disruptive businesses. In 2014, Anshu became one of the founding members of Loftus Peak and quickly progressed to portfolio management, assuming the role of Portfolio Manager.

At Loftus Peak, his focus has been on developing a standardised repeatable process to unearth, value, and risk-adjust portfolio positions to stay ahead of the market.



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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