Loftus Peak
Global Change Portfolio

Investing | Future Focused

Loftus Peak

December 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 Performance[1]

Toward the end of December "Trump trade" names cooled after weeks of strong performance. Markets rotated towards well-capitalised companies with platform businesses. There was also heightened interest in application specific integrated circuits (ASICs) designed for Artificial Intelligence (AI).

The Portfolio recorded a +4.0% net-of-fees return for the month, outperforming the MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg) by +1.1%. For the year to 31 December 2024, the Portfolio returned +40.4% net-of-fees, outperforming by +10.6%. The Portfolio's top ten performers generated +35.0% of the calendar year performance. **Taiwan Semiconductor Manufacturing Company** (TSMC) (which contributed +1.0% for the month) contributed +8.6% for the year followed by Netflix at +5.9%. Other solid performers included **Micron**, **Qualcomm** and of course Nvidia, which is no longer in the portfolios we manage.

	1m	3m	6m	1y	3y p.a.	5y p.a.	7y p.a.	Inception p.a.
Portfolio (net-of-fees)	+4.02%	+14.32%	+10.98%	+40.43%	+14.77%	+20.30%	+19.25%	+19.31%
Benchmark	+2.95%	+11.08%	+13.91%	+29.84%	+11.31%	+12.90%	+12.91%	+13.02%
Outperformance (net-of-fees)	+1.07%	+3.24%	-2.92%	+10.59%	+3.46%	+7.40%	+6.34%	+6.29%

[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 strong finish for the year was not based on Trump/Musk names such as Tesla, but on the emergence of ASICs (application specific integrated circuits) as a competitor to Nvidia's graphics processing units (GPUs). ASICs are chips designed for a single specific function-set or workload. ASICs cannot be repurposed beyond their intended use but are more cost-effective at scale than the more flexible GPUs. The scale necessary to make ASIC cost effective in datacentres means that for the most part, they are only feasible for hyperscalers like **Amazon** (+0.6%) and **Alphabet** (+0.7%).

Broadcom was the principal beneficiary of this shift to ASIC's, adding US$200 billion in market cap (or around 20%) in a single day after its quarterly earnings release. It was also the top contributor to Portfolio performance in December, contributing +1.1% to return. The company has been part of the Portfolio since mid-2023 and is now the second chip company to be valued at over US$1 trillion. On its earnings call, the company pointed to multiple opportunities in 2027 each comprising clusters of one million ASIC's worth ~US$20-30b dollars (a figure including some networking chips). Companies such as Marvell, which has been in the Portfolio, as well as Mediatek are also beneficiaries.

In the context of AI models, the implication is that the architecture will not radically change at least in the medium term - rather the cost for running similar architecture will decrease. This is positive for companies with **e**merging revenue lines built on existing AI models like **Salesforce** (+0.3%) and **GitLab** (-0.2%).

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	$1,121 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

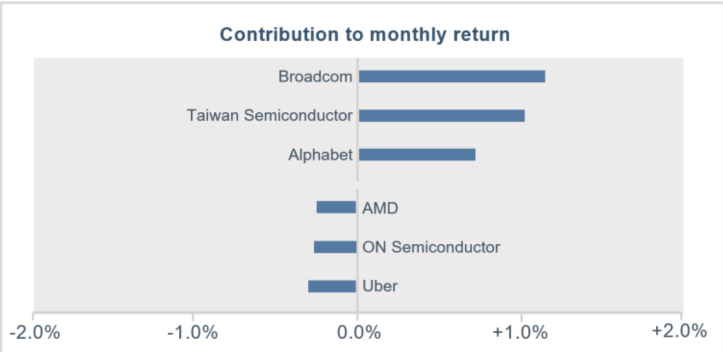
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above $1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

While ASICs will not replace GPUs entirely, they may mitigate the growth rate. Nvidia's growth is dropping back to double digits year over year. Regardless of whether ASICs or GPUs triumph, TSMC is the only company capable of fabricating these chips. TSMC has recovered following offhand Trump comments last month but still trades at a discount to indices including the Philadelphia Semiconductor Index.

Uber (-0.3%) was the largest detractor to the Portfolio. The company continues to fall on investor fears surrounding autonomous driving, namely that fleets of autonomous vehicles will operate on competition such as Google's Waymo, which has already happened in Miami, and Elon Musk's self-driving cybertaxi fleet and service, which exists nowhere. We think these fears are overblown. In the end, we Waymo will need a demand aggregator like Uber to smooth users into their city-by-city deployment.

The Australian dollar depreciated -4.7% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions increased. As at 31 December 2024, the Portfolio carried a foreign currency exposure of 100.0%.

Selected Contributors and Detractors



Portfolio Construction

At December month end, the Portfolio was 97.3% 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	Microsoft
Amazon	Netflix
Broadcom	ON Semiconductor
John Deere	Qualcomm
Meta	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > $100b	60.6%
Large Cap $50-100b	9.8%
Mid Cap $2-50b	26.9%
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 sophisticated[2], may access Loftus Peak's global equity disruption capability by investing in the Loftus Peak Global Disruption Active ETF 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)