Loftus Peak Global Change Portfolio

Change. The way you should invest.

Loftus Peak

February 2025

Loftus Peak is a global equities fund manager focused on disruptive businesses. Founded in 2014, the Portfolio invests in global companies driving industry change, such as Nvidia, first bought in 2016. As well as Microsoft and Google, the diverse portfolio also includes many less well-understood companies which are expected to be household names in the future, such as AMD and Qualcomm. This global approach aims to reduce concentration risk often associated with home-biased Australian portfolios.

	1m	3m	6m	1y	3y p.a.	5y p.a.	7y p.a.	Inception p.a.
Loftus Peak (Net)	-6.02%	+2.95%	+12.63%	+20.46%	+19.56%	+18.90%	+17.82%	+18.87%
Benchmark	+0.20%	+5.41%	+13.34%	+20.40%	+14.95%	+13.80%	+13.05%	+13.05%
Outperformance (Net)	-6.22%	-2.45%	-0.71%	+0.06%	+4.60%	+5.10%	+4.77%	+5.81%

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.

Review and Performance

February was a poor month for the Portfolio, which dropped -6.0% net-of-fees, underperforming the benchmark MSCI All Countries World Index in Australian dollars by -6.2%.

As we noted in last month's Insight, some of this poor performance is a factor of the uncertain policy coming out of the White House - investors withdraw when uncertainty increases, and we have weathered considerable uncertainty in the past few weeks. Notably, the CEO's of the big three US car companies (Ford, GM and Stellantis, the maker of Dodge and Chrysler) complained directly to Trump about the rapid changes in tariff policy, with at least one saying it could cause significant harm to the companies. Encouragingly, Trump repealed those tariffs, but the stock market has remained unconvinced, and so has fallen.

These abrupt shifts are not necessarily bad - they provide important buying opportunities for the portfolios managed by Loftus Peak. When lower stock prices allow entry into quality companies with strong cashflows and balance sheets, it has in the past turned out well for investors.

Contributors and Detractors to Return

The biggest positions, those companies which we believe have the best return for the lowest risk, underperformed the most. For example, **Taiwan Semiconductor Manufacturing Company** generated -0.9% of the Portfolio's negative performance, with **Qualcomm** only just better with a -0.5% detraction. A number of the Magnificent Seven constituents also featured negatively, with Fund holdings in **Amazon**, **Alphabet**, **Meta** and **Microsoft** hit, for a combined negative contribution of -1.2% for the month.

What ties all these names together is their reliance on AI to provide the next level of growth. **Nvidia**'s earnings report at the end of February, while well received, arrived against a backdrop of these White House policy shifts. Obviously, with some US$300b to be invested in AI capacity by these big names, investors became increasingly nervous.

Results were better outside the big names and where there is an easily understood narrative. For example, **Uber** performed well (+0.3%) with solid contributions from **Eli Lilly** (+0.3%) and Latin American e-commerce player **MercadoLibre** (+0.1%).

In Uber's case, there has been nervousness about the possibility of a driverless car fleet disrupting its business model. More likely is that the driverless fleet would need to be one of the many services already offered by Uber. Otherwise any such fleet would need to be big enough to provide city-by-city competition to Uber at a fleet size which would need to be large enough to ensure ride certainty for users and commercial viability for the provider. The capital involved in doing this would itself be large – even 10k cars would be a cash cost of $300m, and this would be in just one city.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	$1,124 million
Product Type	Managed Discretionary Account - Suitable for Sophisticated Investors
Product Sponsor	Mason Stevens Limited
Benchmark	MSCI ACWI (net) (as expressed in AUD from Bloomberg)
No. of Investments	15-35
Minimum Cash	2%
Maximum Cash	20%
Maximum weighting per investment	20% at time of purchase
Minimum Investment	$150,000
Liquidity	Daily
Suggested time frame	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

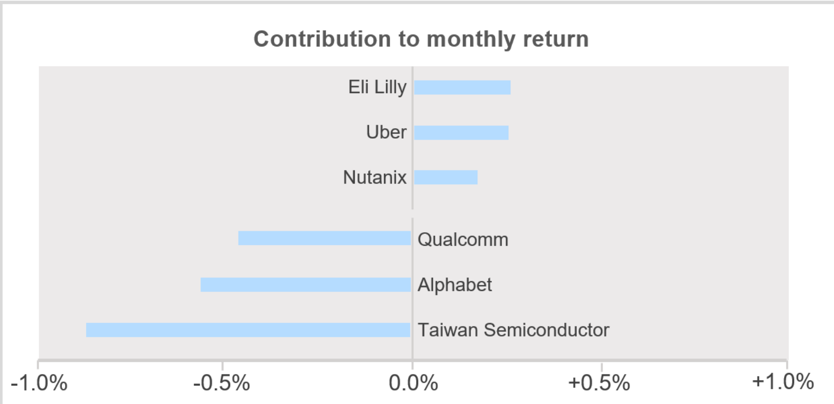
We are seeing this play out with Google's Waymo selectively selling its rideshare inventory through Uber. Up until now, autonomy has been a two-horse race between Waymo and Tesla. This would obviously be bad for an aggregator like Uber which thrives in a market of fragmented supply. So it was that BYD's entry to the advanced-driver-assistance/autonomy space by way of its free 'God's Eye' offering (vs Tesla's $10,000 FSD) provided a data point in favour of a more competitive market in the supply of autonomous vehicle solutions.

Eli Lilly was strong on the back of a series of developments, including the building of 3 new plants to service demand for its obesity medications. The company also announced it was seeking FDA approval as early as 2026 for the oral version of its obesity drug Orfogliperon. The oral version may be preferred relative to its weekly injectable drug Mounjaro, for which approval has also been granted against sleep apnoea and in certain cases heart conditions.

Nutanix was a bright spot and one of the only higher growth companies in the Portfolio that outperformed for the month, adding +0.2% to Portfolio value. The company provides software that enables enterprise customers to operate their digital infrastructure virtually across on-premises IT environments as well as private and public cloud. Nutanix reported a great set of earnings at the end of February, increasing its full fiscal year revenue guidance as it executes on an opportunity to move upmarket.

The Australian dollar depreciated -0.1% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions increased. As at 28 February 2025, the Portfolio carried a foreign currency exposure of 100.0%.

Selected Contributors and Detractors



Portfolio Construction

At February month end, the Portfolio was 97.7% 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 Fund to withstand difficult periods in the market and drive strong, long-term outcomes for investors.

The Team

Alex Pollak	CIO and Founder
Anshu Sharma, CFA	Portfolio Manager and Founder
Harry Morrow, CFA	Senior Investment Analyst
Raymond Tong, CFA	Head of Research

Top 10 Holdings (in alphabetical order)

Advantest	Netflix
Amazon	Nvidia
Broadcom	NXP Semiconductors
Meta	Qualcomm
Microsoft	Taiwan Semiconductor

Capitalisation USD

Mega Cap > $100b	66.8%
Large Cap $50-100b	7.1%
Mid Cap $2-50b	23.8%
Small Cap < $2b	0.0%

Firm Awards

THE AUSTRALIAN FUND MANAGER AWARDS FINALIST 2024 BEST AUSTRALIAN BASED GLOBAL MANAGER Loftus Peak australianfma.org

2024 FINALIST BEST LISTED ALTERNATIVE INVESTMENT PRODUCT HEDGE FUNDS Rock

2024 IMAP MANAGED ACCOUNT AWARDS

IMAP MANAGED ACCOUNT AWARD FINALIST INTERNATIONAL EQUITIES

THE AUSTRALIAN FUND MANAGER AWARDS 2023 WINNER BEST AUSTRALIAN BASED GLOBAL EQUITY MANAGER

FUND MANAGER OF THE YEAR 2022 HIGHLY COMMENDED Global Equities Large Cap FINANCIAL NEWSWIRE SQM RESEARCH