

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



Lonsec Research
- Investment Grade



SQM Research
- 4.25 Stars



Zenith Investment Partners
- Approved

February 2021

Traditional business models are being disrupted as digitisation and the internet change the way businesses and people connect, transact and consume across all industries – retail, transport, communications, energy and banking to name a few. Loftus Peak generates investment return by positioning investors to profit from these changes. Loftus Peak's strategy complements other share-market investments, particularly those in Australia where there is a heavy skew towards banks, resources and the Australian dollar.

Review and Performance

The Loftus Peak Global Disruption Fund was down -2.7% net-of-fees in February, underperforming the benchmark MSCI All Countries World Index net in Australian dollars by -4.0% (it rose +1.3%). One-year net performance to 28 February is +37.1%, which is outperformance of +27.7%.

Most of the underperformance took place towards the end of the month as the spectre of rising interest rates gripped markets, and impacted many of our stocks moderately hard. This is largely to be expected in the beginnings of any correction. However, we would highlight that the Fund tilts away from riskier (and sometimes higher-growth) companies and instead towards quality – large capitalisation names which are highly cash-generative and have strong balance sheets – which we have found over the life of the Fund to produce better outcomes. It is also worth noting that the Fund maintained a high cash exposure in February as the market appeared optimistic and many investee company share prices approached price targets. Some of this cash has since been deployed as share prices fell to more attractive levels.

| | 1m | 3m | 6m | 1y | 3y p.a. | 4y p.a. | Inception p.a. |
|-----------------------------------|--------|--------|---------|---------|---------|---------|----------------|
| Loftus Peak (Net) ¹ | -2.72% | +3.20% | +13.02% | +37.13% | +23.07% | +25.95% | +26.00% |
| Benchmark ² | +1.27% | +1.54% | +8.18% | +9.47% | +10.62% | +12.20% | +13.20% |
| Outperformance (Net) ³ | -3.99% | +1.66% | +4.84% | +27.66% | +12.45% | +13.75% | +12.80% |

Past performance is not a reliable indicator of future performance.

Source: Loftus Peak, MSCI

¹ Net-of-fees performance for the Loftus Peak Global Disruption Fund is based on end-of-month redemption prices after the deduction of fees and expenses and the reinvestment of all distributions. Investment return and the principal value fluctuate, so your units, when sold, may be worth more or less than the original cost. For further details, please refer to the Fund's product disclosure statement and reference guide.

² The benchmark for the Fund is the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg.

³ Outperformance is shown as the Fund (Net) minus the benchmark.

Contributors and Detractors to Return

The best performing stock for February was **Alphabet (Google)** which contributed +0.4 percentage points to return for the month, with **John Deere** second at +0.3 percentage points and **Roku** also positive (it has since sold off) at +0.1 percentage points. John Deere is a first-class example of a company utilising the best available tools to add value to farming. It does this by incorporating sensors and software on equipment to enhance crop yields by managing inputs such as soil quality, moisture, and topography, with the results stored for analysis and comparison. This enables more precise agriculture – the right input at the right time in the right place.

Alphabet has performed well this year, with further monetisation opportunities coming from YouTube, while its cloud business (Google Cloud Platform) is starting to gain traction, albeit from a low base comparatively speaking.

Key Facts

| | |
|--|---|
| Inception Date | 15 November 2016 |
| ASX Code APIR Code | LPGD MMCO110AU |
| Fund FUM (AUD) | \$162 million |
| Strategy FUM (AUD) | \$180 million |
| Product Type | Registered Managed Investment Scheme domiciled in Australia |
| Responsible Entity | Equity Trustees Limited |
| Investment Universe | Listed Global Equities |
| Benchmark | MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg) |
| No. of Investments | 15-35 |
| Minimum Cash | 1% |
| Maximum Cash | 50% |
| Suggested time frame | 3-5 years |
| Minimum Investment | AU\$5,000 ¹ |
| Pricing Frequency | Daily |
| Withdrawal Notice | Generally, notice received by 2pm receives price effective for that business day. |
| Research Ratings (Lonsec, SQM, Zenith) | Click Lonsec, SQM or Zenith logo on our website to request a copy. |

¹ Only applicable to investors who apply for units directly with the Fund.

Fees

| | |
|-------------------------|--|
| Distributions | Paid annually as at 30 June |
| Annual Management Costs | 1.20% per annum (inc. GST) |
| Performance | 15% in excess of the hurdle return with a high watermark payable six monthly as at 30 June and 31 December each year |

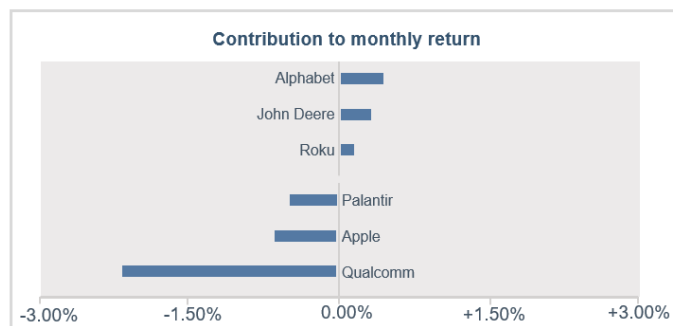
Unit Prices

| | |
|----------------------|------------------|
| Date | 28 February 2021 |
| Entry Price (in AUD) | 2.8685 |
| Exit Price (in AUD) | 2.8541 |

But there were a number of notable detractors, including **Qualcomm** (-2.2 percentage points), **Apple** (-0.6 percentage points) and **Amazon** (-0.3 percentage points). Qualcomm's weakness follows a year in which its share price almost doubled. The company is an important beneficiary of the impending roll-out of 5G phones, into which it is selling much more than the modem, while also emerging as a leader in base station equipment, a beneficiary of the stall that has hurt Huawei.

As we have previously noted, Apple and Amazon were the only "FAANGM" stocks making the list for top ten contributors to the Fund's return in 2020.

Selected Contributors and Detractors



Portfolio Construction

At February month end, the Fund was 83.2% invested in 24 holdings with the balance in cash exposure.

| Top Holdings | Capitalisation USD | |
|--------------|---------------------|-------|
| Qualcomm | Mega Cap > \$100b | 66.1% |
| Amazon | Large Cap \$50-100b | 6.9% |
| Apple | Mid Cap \$2-50b | 10.2% |
| Alibaba | Small Cap < \$2b | 0.0% |
| Tencent | | |

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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 started his career in global disruption investment almost a decade ago at TechInvest. This was followed by Portfolio Manager and technology Analyst responsibilities for the Asia region at Eight Investment Partners.

Being mentored by the best in this space early on in his career and having extensively travelled in Asia to meet hundreds of companies, Anshu brings a wealth of experience to investing globally.



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.

