

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



May 2021

Founded in 2014, Loftus Peak is a global fund manager with a focus on investment in listed disruptive businesses. Our extensive experience means we bring significant discipline to the process. Our Fund (**ASX code: LPGD**) 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 at carefully determined valuations. Holdings include large capitalisation names like Apple, Google (Alphabet) and Alibaba, as well as many others that we expect to be household names in the future. This approach to investment across a wide range of industries globally lowers the concentration risk inherent in the typical Australian portfolio, with its heavy skew toward banks, resources and the Australian dollar.

Review and Performance

The Loftus Peak Global Disruption Fund was down -1.5% net-of-fees in May, underperforming the benchmark MSCI All Countries World Index net in Australian dollars by -2.7%. One-year net performance to 31 May is +28.8%, which is outperformance of +7.1%.

The poor performance for the month was a function of the sell-off in **Apple, Amazon, Qualcomm** and **Alibaba**, the first three of which delivered what can only be described as outstanding quarterly revenue numbers - which the market promptly discounted. Investors appear to be waiting to see whether the strength in earnings of these companies (and many others the Fund holds) will persist – a risky game to play given the growth history of these disruptive players. The question the market appears to be asking is whether trends such as digitisation, the cloud, 5G, as well as shifts to streaming and digital advertising will continue, or whether re-opening will halt and even reverse these developments. We believe they will continue – these trends facilitate business in ways which continue to scale, and provide adjacencies, for example Apple moving into payments with Apple Pay.

	1m	3m	6m	1y	3y p.a.	4y p.a.	Inception p.a.
Loftus Peak (Net) ¹	-1.52%	+0.85%	+4.09%	+28.82%	+22.34%	+21.08%	+24.64%
Benchmark ²	+1.20%	+8.60%	+10.28%	+21.74%	+13.01%	+12.23%	+14.49%
Outperformance (Net) ³	-2.72%	-7.75%	-6.19%	+7.08%	+9.33%	+8.85%	+10.15%

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 performers for the month were **Roku**, contributing +0.2 percentage points, **Nutanix**, contributing +0.2 percentage points, and **Nvidia**, contributing +0.1 percentage points. Roku continues to make investment sense – revenue from advertising and related services doubled to US\$466m for the quarter (relative to a year earlier), active accounts were up 35% to 54m, a figure equivalent to 45% of the total of TV homes in the US. The company's TV operating system is effectively included in 42% of all new smart TVs sold in the US. Roku is emerging as the gateway for advertising on streamed TV, which is the reason we own it.

Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMCO110AU
Fund FUM (AUD)	\$178 million
Strategy FUM (AUD)	\$193 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)
Carbon Intensity	<p>81% less carbon intensive than benchmark:</p> <p>tCO₂e/Mil USD</p> <p>No exposure to companies involved in fossil fuel extraction, generation and related products and services.¹</p>
No. of Investments	15-35
Minimum Cash	1%
Maximum Cash	50%
Suggested time frame	3-5 years
Minimum Investment	AU\$5,000 ²
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 Source: Sustainalytics

² There is no minimum investment for units purchased on the ASX

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

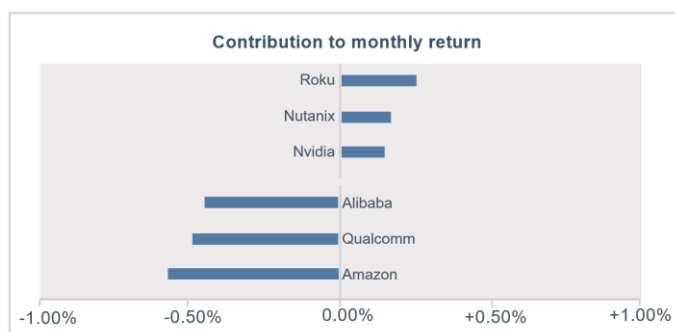
Date	31 May 2021
Entry Price (in AUD)	2.8929
Exit Price (in AUD)	2.8785

Nvidia completely fulfilled its promise to investors, doubling its revenue in the datacentre and amongst gamers. It is now annualising half as much revenue as Intel, with 5x the growth.

Share price levels are high, a point noted recently by respected investor Jeremy Grantham in the Financial Times, but we believe this fact alone isn't a signal to sell, as it misses the fundamentals underlying those historically high price levels. Instead, we believe it is a signal to concentrate on investing in the best companies – those with proven business models and strong cash flows and balance sheets – and a relatively lower allocation to smaller, but highly prospective players in important areas. This approach is at the core of Loftus Peak's investment philosophy, and to date it has yielded great results from positions in **Tesla, Roku and Amazon**.

The Australian dollar appreciated +0.2% over the month against the US dollar, which meant the value of the Fund's US dollar positions decreased. As at 31 May 2021, the Fund carried a foreign currency exposure of 97.1%.

Selected Contributors and Detractors



Portfolio Construction

At May month end, the Fund was 91.7% invested in 29 holdings with the balance in cash exposure.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	71.5%
Amazon	Large Cap \$50-100b	6.2%
Apple	Mid Cap \$2-50b	14.0%
Roku	Small Cap < \$2b	0.0%
Alibaba		

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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 more than 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.

