

Loftus Peak Global Disruption Fund

Investing | Future Focused



ASX:LPGD

Research Ratings:



Lonec Research
- Investment Grade



SQM Research
- 4.25 Stars



Zenith Investment Partners
- Approved

July 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

For July the Loftus Peak Global Disruption Fund recorded a return of +0.5% net-of-fees compared with +2.8% by the benchmark MSCI All Countries World Index (net) in AUD, resulting in -2.3% of underperformance. Our Chinese holdings Tencent and Alibaba were the reason for this, the share price falls brought on by harsh regulatory actions from Chinese President Xi Jinping. It would have been worse but for the strength in many of our core positions including Qualcomm, Alphabet (Google), Xilinx, AMD and Roku, the first four of which reported very strong earnings numbers in the month.

	1m	3m	6m	1y	3y p.a.	4y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+0.50%	+9.02%	+8.61%	+32.76%	+25.25%	+25.49%	+26.37%
Benchmark ²	+2.79%	+8.78%	+18.22%	+29.59%	+14.18%	+15.38%	+15.70%
Outperformance (Net) ³	-2.28%	+0.24%	-9.60%	+3.17%	+11.08%	+10.11%	+10.66%

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

Qualcomm was the top performer, adding +1.1 percentage points for the month. What was originally a handset (mobile phone) technology company has built additional significant businesses in automotive, radio frequency front-end and the internet-of-things, from a negligible base three years ago to one which generates US\$8b+ a year, or 25% of revenue. **Alphabet** (+0.7 percentage points) showed significant strength across every business line (search, YouTube, network, cloud) as digital advertising roared back and then some. **Apple** contributed +0.6 percentage points, with sales this quarter jumping 63% as investors continue switching to 5G phones.

As noted, **Alibaba** and **Tencent** were big detractors, cutting -1.9 percentage points from return between them. Ahead of the crackdown by Chinese regulators in the private tuition and food delivery services – which came not long after the soured IPO's of Ant Financial and DiDi – the Fund had significantly reduced its China direct exposure from around the 25% level in 2018 to 11% at the end of March 2021. In addition, rising geopolitical tensions and diplomatic flare-ups have made investors rethink the magnitude of risk now associated with investing in China. We have as a result increased the risk premia assigned to these two Chinese companies, which in turn materially reduced both of the companies' fair values and weights within the Fund.

Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMMC0110AU
Fund FUM (AUD)	\$204 million
Strategy FUM (AUD)	\$221 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>77% 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 (Lonec, SQM, Zenith)	Click Lonec, 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

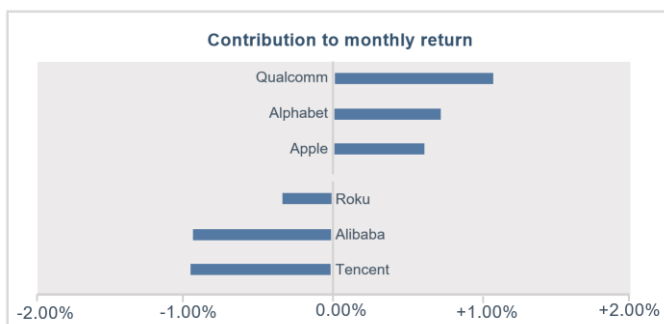
Date	31 July 2021
Entry Price (in AUD)	3.2026
Exit Price (in AUD)	3.1866

Amazon surprisingly fell heavily following its results (the stock was down -7.6%). It warned that sales growth would ease on tougher year-ago comparisons, expecting “revenue of between \$106.0 billion and \$112.0 billion, or revenue growth of between 10% and 16% compared with third quarter 2020”. The sting was in the call that operating income would be “flat to down”.

Our holding in German car maker Volkswagen was flat for the month, however we are optimistic for its prospects. The company is now on track to produce millions of modular battery-driven motors for use in the flagship brand, as well as Seat, Skoda, Audi and possibly even Porsche. This is exactly the kind of scale required to bring the fight to Tesla, which will doubtless hold onto its premium position for a while, but may struggle against a car maker with the capacity to produce ten million cars/year profitably and cheaply.

The Australian dollar depreciated -2.1% over the month against the US dollar, which meant the value of the Fund’s US dollar positions increased. As at 31 July 2021, the Fund carried a foreign currency exposure of 96.7%.

Selected Contributors and Detractors



Portfolio Construction

At July month end, the Fund was 86.6% invested in 30 holdings with the balance in cash exposure.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	66.2%
Alphabet	Large Cap \$50-100b	13.9%
Amazon	Mid Cap \$2-50b	6.5%
Apple	Small Cap < \$2b	0.0%
Roku		

RATINGS DISCLAIMERS

LONSEC: The rating issued 03/2021 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2020 Lonsec. All rights reserved.

SQM: The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person’s particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

ZENITH: The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) (“Zenith”) rating (assigned 25/11/2020) referred to in this document is limited to “General Advice” (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith’s methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at <http://www.zenithpartners.com.au/RegulatoryGuidelines>.

IMPORTANT INFORMATION: This report was prepared by Loftus Peak Pty Limited (“Loftus Peak”), Equity Trustees Limited (“Equity Trustees”) ABN 46 004 031 298 AFSL No. 240975, is a subsidiary of EQT Holdings Limited ABN 22 607 797 615, a publicly listed company on the Australian Securities Exchange (ASX:EQT), and is the Responsible Entity of the Loftus Peak Global Disruption Fund (“Fund”).

This document has been prepared for the purpose of providing general information only, without taking account of any individual person’s investment objectives, financial circumstances or needs. This document is not intended to take the place of professional advice and we do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors this document may contain. You should consider the Product Disclosure Statement (“PDS”) in deciding whether to acquire, or continue to hold, the product.

A PDS and application form is available at www.loftuspeak.com.au. Loftus Peak and Equity Trustees do not guarantee the performance of the Fund or the repayment of the investor’s capital. To the extent permitted by law, neither Equity Trustees, Loftus Peak, nor any of their related parties including its employees, directors, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this report. Past performance is not indicative of future performance.

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.

Visit www.loftuspeak.com.au to find more commentary, including Fund performance.

Loftus Peak Pty Limited ABN 84 167 859 332 AFSL 503 571