

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



August 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

Not even a return of +2.1% in August was enough to beat our benchmark, the MSCI All Countries World Index in Australian dollars, which rose +3.0%. resulting in underperformance of -0.8%. The sharemarket is up on continuing easy money conditions, as Federal Reserve Chairman Jerome Powell cautioned the central bank not to overreact to this year's inflation surge. At the same time, the "re-opening trade" has buoyed many traditional companies, although even this appears to be running out of steam, with the delta variant of COVID causing cancellations, shortages and delays worldwide. A change in policy direction in China also played into the negative story for the Fund in a small way as we had already significantly reduced the exposure.

	1m	3m	6m	1y	3y p.a.	4y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+2.14%	+13.07%	+14.04%	+28.89%	+23.23%	+25.40%	+26.41%
Benchmark ²	+2.97%	+10.68%	+20.20%	+30.03%	+13.69%	+15.92%	+16.12%
Outperformance (Net) ³	-0.83%	+2.40%	-6.16%	-1.14%	+9.54%	+9.47%	+10.29%

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 Loftus Peak (Net) minus the benchmark.

Contributors and Detractors to Return

The top performers for the month were **Alphabet (Google)**, **Netflix**, **Microsoft**, **Mercado Libre** (Latin-American e-commerce) and **CrowdStrike** (digital security). Google has been on a solid uptrend ever since COVID hit, having almost tripled from a low of US\$1,008, as it showed quarterly revenue growth numbers of over 60% in the most recent quarter, as well as real momentum in YouTube.

Concerns over the past few months that **Netflix** was running out of growth were allayed as the company announced the release of 42 new films. There is ample evidence linking new content to subscription growth, suggesting another surge in uptake. To put Netflix's film commitment in perspective, it is unlikely that any of the other big Hollywood studios could match this Netflix's release pipeline.

Additionally, the company launched a gaming service in selected markets. Blog, Ars Technica, noted that the gaming move seemed less focused on the delivery method and more on pumping out easily accessible games that lean on Netflix's massive library of licenses. "Considering how huge the smartphone-gaming market is and how much room there is for a recognisable service that is ad-free and micro-transaction free, with familiar characters and series, it's arguably a better business call than competing directly with Nintendo, Sony, or Microsoft."

Key Facts

Inception Date	15 November 2016		
ASX Code	LPGD		
APIR Code	MMCO110AU		
Fund FUM (AUD)	\$221 million		
Strategy FUM (AUD)	\$239 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>78% less carbon intensive than benchmark:</p> <p>tCO2e/Mill USD</p> <table border="1"> <tr> <td>36.8 (Fund)</td> </tr> <tr> <td>169.8 (Benchmark)</td> </tr> </table> <p>No exposure to companies involved in fossil fuel extraction, generation and related products and services.¹</p>	36.8 (Fund)	169.8 (Benchmark)
36.8 (Fund)			
169.8 (Benchmark)			
No. of Investments	15-35		
Minimum Cash	1%		
Maximum Cash	50%		
Suggested time frame	3-5 years		
Minimum Investment	\$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

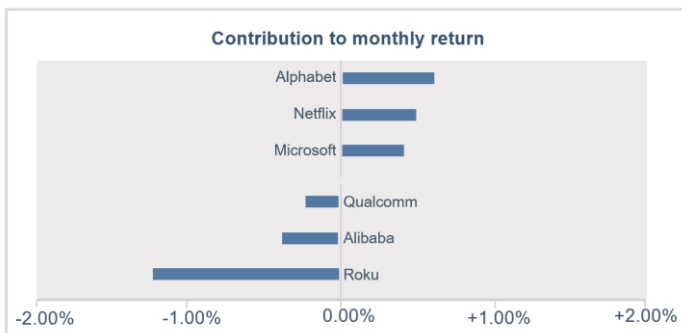
Date	31 August 2021
Entry Price (in AUD)	3.2712
Exit Price (in AUD)	3.2548

Roku performed poorly during the month as the market took an unfavourable view of the sequential slowdown in streaming hours (down 5%) in the June quarter. However we are less concerned – it makes sense that as the US re-opened during the Northern summer, viewers would spend more time outdoors. In fact, relative performance of streaming hours was actually quite strong, with Roku’s streaming hours up +19% year on year globally, compared with declines in traditional TV and other TV streaming platforms of -19% and -2%, respectively.

Qualcomm performance was weak on the back of Apple and others announcing they would fabricate their own 5G chips for mobile devices. We would highlight that firstly, there is no guarantee these companies will be successful (Intel previously threw in the towel), and secondly, if it does happen, Qualcomm’s adjacencies in RF front-end (RFFE), IoT(Internet of Things), automotive are likely to more than make up for the lost revenue.

The Australian dollar depreciated -0.6% over the month against the US dollar, which meant the value of the Fund’s US dollar positions increased. As at 31 August 2021,

Selected Contributors and Detractors



Portfolio Construction

At August month end, the Fund was 88.9% invested in 30 holdings with the balance in cash exposure.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	66.0%
Roku	Large Cap \$50-100b	7.6%
Alphabet	Mid Cap \$2-50b	15.3%
Amazon	Small Cap < \$2b	0.0%
Apple		

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The Fund’s Target Market Determination will be made available on or before 5 October 2021. It will describe who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It will also describe the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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.

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