

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



October 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 and Google (Alphabet) as well as many others that we expect to be household names in the future, such as Roku and Qualcomm. This approach to investment across a wide range of global industries lowers the concentration risk inherent in the typical Australian portfolio, with its heavy skew toward banks, resources and the Australian dollar.

Review and Performance

By the end of October, almost half the portfolio had reported earnings, with generally favourable outcomes other than Apple and Amazon, leading to net-of-fees performance of +1.4% for the month and outperformance of +0.4% relative to the benchmark, the MSCI All Countries World Index in Australian dollars (which was up +0.9%). Since the Fund's inception in 2016, it has returned +24.4% p.a., outperformance of +9.3% p.a.

	1m	3m	6m	1y	3y p.a.	4y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+1.37%	-2.08%	+6.76%	+18.32%	+25.12%	+21.44%	+24.36%
Benchmark ²	+0.93%	+0.99%	+9.86%	+28.29%	+15.14%	+13.25%	+15.08%
Outperformance (Net) ³	+0.44%	-3.07%	-3.10%	-9.96%	+9.98%	+8.19%	+9.27%

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

Microsoft grew revenue 22% in the September quarter relative to the year prior, an outstanding result that made it the world's largest company, dislodging Apple from that spot. The driver was services, which includes the company's cloud business Azure as well as Windows and its collaboration tool Teams, among many others. This segment grew sales 34% relative to the prior corresponding period. This business now makes up 63% of Microsoft's total revenue. The company contributed +0.6 percentage points to the Fund's performance in October.

Our holdings in **AMD** and **Nvidia**, both Intel competitors, together added +0.7 percentage points to performance for the month. Their positions continued to improve relative to Intel, which has lost the high ground with respect to chip power and performance, especially in the datacentre, which is now the largest single end-user class for high-performance processing equipment, and the backbone for services as diverse as movie streaming, transport and retail.

Netflix was also a contributor, adding +0.3% to the Fund, not because of the success of Squid Game, singular though that is as the number one show in 90 countries, but because of what that program represents – an additional content genre which resonates unexpectedly with many demographics. The streaming giant's foreign library has been hugely popular, adding subscribers outside the US while at the same time benefitting from below-Hollywood production costs.

Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMC0110AU
Fund FUM (AUD)	\$218 million
Strategy FUM (AUD)	\$235 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>70% less carbon intensive than benchmark:</p> <p>tCO₂e/Mil USD</p> <p>50.7 (LPGD)</p> <p>171 (Benchmark)</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	\$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 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

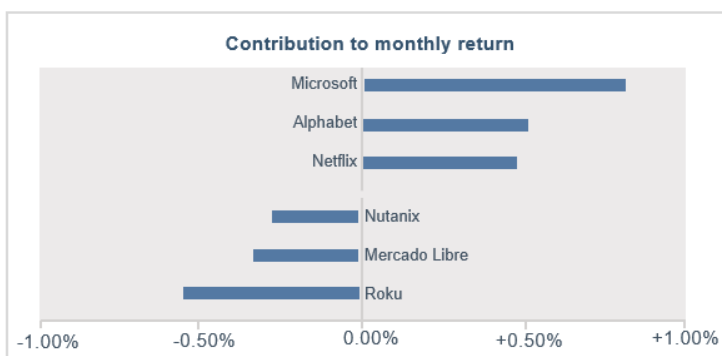
Date	29 October 2021
Entry Price (in AUD)	3.1360
Exit Price (in AUD)	3.1204

There were negative contributions from **Meta (Facebook)** and **Roku**. Roku is in the news because of disputes with giants Google and Amazon, which are coming to terms with a market (advertising-funded TV streaming) in which they are not the incumbents and must therefore vie for prime placement on the TV home screen.

Meta's advertising businesses performed strongly in the September quarter, with revenue up 33% year-over-year, but headwinds created by Apple's privacy changes meant that this wasn't enough for the market. Perhaps the US\$32 billion in capital expenditures the company plans in 2022 to assist in its Metaverse ambitions was a turn-off (for datacentres, network infrastructure and more, and up +66% from US\$19 billion it spent in 2021). More interesting to us over the medium-term is **Meta's** opportunity in ecommerce, which we believe is still on track to deliver meaningful upside in the coming years.

The Australian dollar appreciated +4.0% over the month against the US dollar, which meant the value of the Fund's US dollar positions decreased. As at 31 October 2021, the Fund carried a foreign currency exposure of 98.7%.

Selected Contributors and Detractors



Portfolio Construction

At October month end, the Fund was 98.3% invested in 29 holdings with the balance in cash exposure.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	75.1%
Alphabet	Large Cap \$50-100b	7.9%
Roku	Mid Cap \$2-50b	15.4%
Microsoft	Small Cap < \$2b	0.0%
Amazon		

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The Loftus Peak Global Disruption Fund's Target Market Determination is available at <http://www.loftuspeak.com.au> in the downloads tab. It describes 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 also describes 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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