

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



Lonec Research
- Investment Grade



SQM Research
- 4.25 Stars



Zenith Investment Partners
- Approved

November 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

November was the Fund's strongest month of relative performance since inception, with a net-of-fees return of +9.9% resulting in outperformance of +6.7% relative to the benchmark MSCI All Countries World Index (net, as expressed in AUD from Bloomberg). This brings the Fund's one-year net-of-fees performance to +24.0%, outperformance of +0.4%. The strong result was achieved against the backdrop of uncertainty over the Omicron COVID-19 variant which has unsettled markets after a period of optimism.

| | 1m | 3m | 6m | 1y | 3y p.a. | 5y p.a. | Inception p.a. |
|-----------------------------------|--------|--------|---------|---------|---------|---------|----------------|
| Loftus Peak (Net) ¹ | +9.87% | +5.33% | +19.10% | +23.97% | +30.21% | +25.53% | +26.25% |
| Benchmark ² | +3.21% | +1.23% | +12.04% | +23.55% | +17.01% | +14.91% | +15.54% |
| Outperformance (Net) ³ | +6.66% | +4.10% | +7.07% | +0.42% | +13.19% | +10.62% | +10.71% |

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

Qualcomm, our highest conviction call by weight since the strategy's inception, delivered a massive +6.6 percentage points contribution to the Fund's return in November. The investment team has spent some four years researching the 5G thematic. It is correct to say that 5G simply wouldn't be possible at this time without the company. The market is slowly coming to grips with the size of the opportunity that lies ahead for Qualcomm, which is what underpinned the strong contribution for the month, however the company's valuation is still not challenging. Qualcomm will continue to benefit in the short-term as 5G smartphones become ubiquitous and in the years ahead as the world's appetite for connectivity and processing at the 'edge' grows, powering the company's fast-growing business lines in Automotive and the Internet of Things.

For the second month in a row the Fund's holdings in **AMD** and **Nvidia**, both Intel competitors, made solid contributions to return. Nvidia is now four times the size of Intel, having three years ago been one fourth its size. Its principal tool, the graphics processor unit (GPU) has distributed processing loads (formerly concentrated in the central processing unit, or CPU) into thousands of parallel units, speeding up by orders of magnitude the digital systems which drive the economy.

We have for some months been delving into power semi-conductors, which make energy from wind, solar and battery useable in cars or on premises. The increase in adoption of electric vehicles, renewable energy generation, charging stations, industrialisation, and growing demand for consumer appliances are driving the growth of usage of products servicing this market.

Key Facts

| | | | |
|---------------------------------------|--|-------------|-----------------|
| Inception Date | 15 November 2016 | | |
| ASX Code APIR Code | LPGD MMCO110AU | | |
| Fund FUM (AUD) | \$242 million | | |
| Strategy FUM (AUD) | \$261 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> <table border="1"> <tbody> <tr> <td>50.7 (LPGD)</td> </tr> <tr> <td>171 (Benchmark)</td> </tr> </tbody> </table> <p>No exposure to companies involved in fossil fuel extraction, generation and related products and services.¹</p> | 50.7 (LPGD) | 171 (Benchmark) |
| 50.7 (LPGD) | | | |
| 171 (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 (Lonec, SQM, Zenith) | Click Lonec, 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

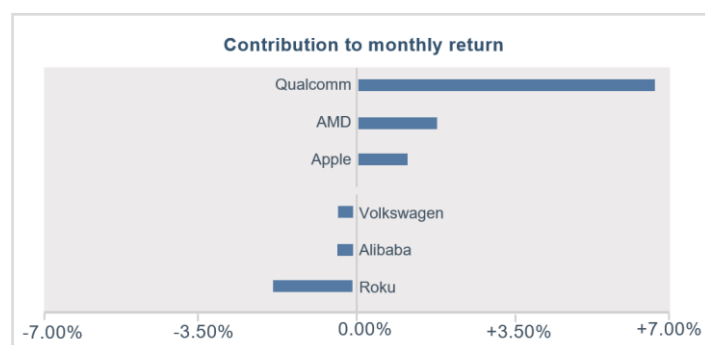
| | |
|----------------------|------------------|
| Date | 30 November 2021 |
| Entry Price (in AUD) | 3.4456 |
| Exit Price (in AUD) | 3.4284 |

The Fund's position in **Roku** continues to underperform against a backdrop of supply chain issues and (yet to materialise) competition concerns. The position has required significant active management, having appreciated almost 200% in 2020 and fallen more than 50% over the past six months. Meanwhile, the company's platform business, which is mostly advertising revenue, grew +82% year-over-year to US\$583 million in the third quarter. Despite robust growth in this critical business segment, the market focused on short-term supply chain issues that caused lagging player revenue (10% of overall revenue) and active account growth. These issues appear short-term in nature, and we continue to believe Roku will be a strategically significant disruptor in advertising-supported video globally.

Carmaker **Volkswagen** is still in the shadows relative to Tesla and the newly-listed Rivian, but it will emerge as the low-cost scale producer of electric vehicles across a family of brands including Audi, Seat, Skoda and Porsche.

The Australian dollar depreciated -5.9% over the month against the US dollar, which meant the value of the Fund's US dollar positions increased. As at 30 November 2021, the Fund carried a foreign currency exposure of 98.6%.

Selected Contributors and Detractors



Portfolio Construction

At November month end, the Fund was 87.9% invested in 27 holdings with the balance in cash exposure.

| Top Holdings | Capitalisation USD | |
|--------------|---------------------|-------|
| Qualcomm | Mega Cap > \$100b | 69.1% |
| Alphabet | Large Cap \$50-100b | 5.5% |
| Amazon | Mid Cap \$2-50b | 13.3% |
| Microsoft | Small Cap < \$2b | 0.0% |
| Apple | | |

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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 investment management in Australia.

He was instrumental in bringing both Seek and Carsales.com to the Australian stock market. He has a deep understanding of the mechanisms through which disruption changes business models and the impact it has on company valuation.



Anshu Sharma Portfolio Manager and Founder

Anshu started his career as an analyst in global disruption investment more than a decade ago. 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 financial services firms in Australia, including more than a decade at 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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