

Loftus Peak Global Disruption Fund

Investing | Future Focused



ASX:LPGD

Research Ratings:



Lonsec Research
- Investment Grade



SQM Research
- 4.25 Stars



Zenith Investment Partners
- Approved

December 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

The last month of 2021 ended with a whimper. The net-of-fees return of -1.5% resulted in underperformance of -3.0% 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 +21.2%, underperformance of -4.1%. The strong absolute result was achieved against the backdrop of the even stronger COVID-19 "re-opening trade". Looking to the year ahead, we remain particularly confident in the Fund's exposures to 5G and Internet of Things, cloud computing, digital advertising as well as the semiconductors underpinning these disruptive changes; we will continue to position our clients to benefit from these long-term secular trends.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	-1.45%	+9.77%	+6.57%	+21.20%	+32.04%	+24.68%	+25.41%
Benchmark ²	+1.50%	+5.74%	+8.74%	+25.33%	+19.08%	+14.21%	+15.60%
Outperformance (Net) ³	-2.95%	+4.03%	-2.18%	-4.13%	+12.96%	+10.47%	+9.81%

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

Apple was a solid performer for the month, adding +0.3 percentage points to return, on the back of growing certainty that the company will launch a fully autonomous car (without a steering wheel or pedals) most likely in 2025. Codenamed "Titan", it has been on the drawing board since 2014. Apple has recently purchased a test site in Arizona for US\$125m and briefed assembly partner Foxconn (among others, including Toyota and Hyundai, possibly to handle the manufacture).

ON Semiconductor and **Volkswagen** together contributed +0.5 percentage points. ON Semiconductor was added recently because of its role in providing the components for conversion of power from DC to AC/DC for use with wind and solar energy, as well as in electric cars. Volkswagen has been underperforming generally, which is not unexpected given the Tesla/Rivian hype, but we believe the company will ultimately emerge as the scale player in electric cars, meaning the production of around 10 million electric vehicles a year across its family of brands including Skoda, SEAT, Audi and Porsche, among others.

Qualcomm did little in December following a massive +6.6 percentage point contribution to the Fund's return in the previous month. We believe the company is in a very strong position. It has for years been developing increasingly powerful chips while at the same time reducing their energy requirements – highly desirable characteristics for 'edge' computing. Examples include advanced driver assistance applications, and virtual and augmented reality (which will find use in work situations, just as the first mass-produced computers became enterprise productivity tools), and much more.

Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMC0110AU
Fund FUM (AUD)	\$241 million
Strategy FUM (AUD)	\$260 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 as at 30 November 2021.

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

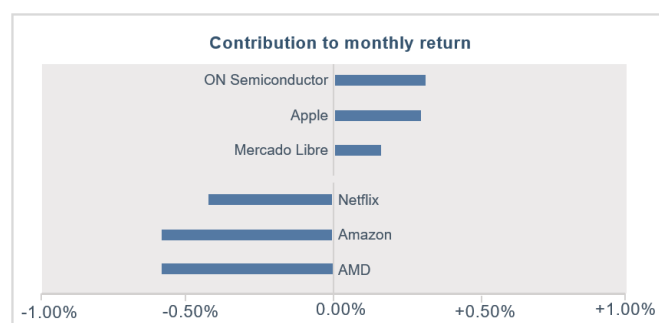
Date	31 December 2021
Entry Price (in AUD)	3.3958
Exit Price (in AUD)	3.3788

Netflix and **AMD** were both weaker for the month, cutting a combined -1.0 percentage point from return. **Netflix** has been weaker of late, in part because of the “re-opening trade”, but we would remind investors that the company is significantly outperforming competitors in terms of streamed content, generating positive free cash flow on an annual basis, and has initiated a share buyback program. Meanwhile its competitors are bleeding red ink on their streaming services. Despite **AMD’s** underperformance for the month, it remained a top five contributor for 2021 as the market recognised its strong competitive position in high performance computing.

The Fund’s position in **Roku** performed better in December, as its dispute with **Google (Alphabet)** regarding carriage of the YouTube app was resolved. In addition to the issues with Roku, Google had another important loss against Disney. The company has toyed with the possibility of controlling mainstream TV content and the advertising which funds it, without much success. In truth, its considerable talents lay elsewhere.

The Australian dollar appreciated +2.54% over the month against the US dollar, which meant the value of the Fund’s US dollar positions decreased. As at 31 December 2021, the Fund carried a foreign currency exposure of 98.3%.

Selected Contributors and Detractors



Portfolio Construction

At December month end, the Fund was 93.2% invested in 28 holdings with the balance in cash exposure.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	71.3%
Amazon	Large Cap \$50-100b	6.3%
Microsoft	Mid Cap \$2-50b	15.6%
Alphabet	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.



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

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