

# 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

February 2022

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 launch of an unprovoked war in Ukraine caused significant dislocation, with the Fund's net-of-fees return of -5.7% resulted in underperformance of -0.6% relative to the benchmark MSCI All Countries World Index (net, as expressed in AUD from Bloomberg). In conjunction with expected interest rate rises, which we expect will still happen, albeit likely not as severe, we repositioned the portfolio to reduce risk, which helped avoid the worst blow-ups.

As noted in last month's review, the holdings in semi-conductor companies have assisted performance generally over the past few months, outperforming the higher-risk "app" companies such as Block (Square) and Twitter and indeed Roku.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) <sup>1</sup>	-5.73%	-13.00%	-8.36%	+4.50%	+20.85%	+21.33%	+21.25%
Benchmark <sup>2</sup>	-5.14%	-5.65%	-4.49%	+14.80%	+12.61%	+12.71%	+13.28%
Outperformance (Net) <sup>3</sup>	-0.60%	-7.35%	-3.87%	-10.29%	+8.24%	+8.62%	+7.97%

**Past performance is not a reliable indicator of future performance.**

Source: Loftus Peak, MSCI

<sup>1</sup> 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.

<sup>2</sup> The benchmark for the Fund is the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg.

<sup>3</sup> Outperformance is shown as the Loftus Peak (Net) minus the benchmark.

## Contributors and Detractors to Return

A number of semi-conductor companies in the portfolio were impacted by perceptions of shortages in neon and palladium, both of which are in part supplied from Ukraine. While the concerns proved overblown, by month end there was damage to the Fund, with **Taiwan Semiconductor Company** and **Qualcomm** detracting -1.5% from the Fund's value.

Our two streaming companies, **Roku** and **Netflix**, were together off -1.9% as concerns about post-pandemic growth caused investors to fret about valuations.

As we have noted previously, neither company is anywhere near its final size in terms of customer accounts, so the runway for growth remains very long. Roku with 60 million accounts currently has more customers than all of the US cable companies combined and is set to grow revenue this year by 35% - less than half the growth during the pandemic, but still significant. In addition, the competitive threat from Google has thus-far failed to materialise. In December, Google (Alphabet) attempted to launch a rival operating system on the major manufacturer TCL televisions, but they were recalled just a few weeks later.

## Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMC0110AU
Fund FUM (AUD)	\$209 million
Strategy FUM (AUD)	\$225 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><b>53% less carbon intensive</b> than benchmark: tCO<sub>2</sub>e/Mil USD</p> <p>82.5 (LPGD) 176.1 (benchmark)</p> <p>No exposure to companies involved in fossil fuel extraction, generation and related products and services.<sup>1</sup></p>
No. of Investments	15-35
Minimum Cash	1%
Maximum Cash	50%
Suggested time frame	3-5 years
Minimum Investment	\$5,000 <sup>2</sup>
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.

<sup>1</sup> Source: Sustainalytics as at 28 February 2022.

<sup>2</sup> 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

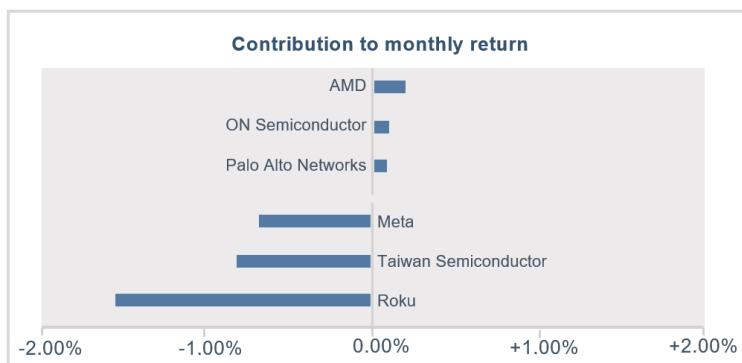
Date	28 February 2022
Entry Price (in AUD)	2.9976
Exit Price (in AUD)	2.9826

In the case of Netflix, its competitive advantage continues to increase – no other company comes close to its streaming content spend (including Disney), and it is still free cashflow positive, so much so that it has been buying back its own stock.

The top five positive contributors – among them **AMD**, **ON Semiconductor** and **Palo Alto Networks**, added only 0.5% between them.

The Australian dollar appreciated +3.0% over the month against the US dollar, which meant the value of the Fund's US dollar positions decreased. As at 28 February 2022, the Fund carried a foreign currency exposure of 98.2%.

## Selected Contributors and Detractors



## Portfolio Construction

At February month end, the Fund was 86.7% invested in 27 holdings with the balance in cash exposure.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	70.0%
Amazon	Large Cap \$50-100b	4.9%
Alphabet	Mid Cap \$2-50b	11.8%
Microsoft	Small Cap < \$2b	0.0%
Apple		

## 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.

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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.

Visit [www.loftuspeak.com.au](http://www.loftuspeak.com.au) to find more commentary, including Fund performance.

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