

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



Lonsec Research
- Investment Grade



SQM Research
- 4.25 Stars



Zenith Investment Partners
- Approved

April 2022 Update

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

Markets remained volatile in April as investors struggled to digest a barrage of news and economic data, including surging inflation and rising interest rates as well as the continuing war in Ukraine and lockdowns in China – all of which added more uncertainty to the short-term outlook. Not even the quality end of the growth market was spared, with companies such as **Amazon** and **Alphabet** (Google) down significantly as assumptions around near-term softness in consumer spending began to impact pricing. These assumptions seemed to run contrary to commentary from management in the most recent earnings calls for a majority of the Fund's holdings to date, which instead suggested this softness was yet to materialise. So despite strong fundamentals, it is the negative macroeconomic environment driving the narrative, and which resulted in the one of the worst months in the strategy's eight year history. The fund dropped -9.2% in value, which was underperformance of -6.5% against the benchmark MSCI All Countries World Index (net) as expressed in AUD from Bloomberg. We were surprised by the speed of the minor bounce towards the end of March/early April and took some profits on positions, some of which were up more than 20% in a few short weeks. The Fund closed out the month with cash exposure of 13.3%.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	-9.17%	-17.11%	-15.95%	-10.27%	+12.25%	+16.03%	+18.08%
Benchmark ²	-2.65%	-8.72%	-6.31%	+2.93%	+9.24%	+10.65%	+12.27%
Outperformance (Net) ³	-6.52%	-8.39%	-9.65%	-13.20%	+3.01%	+5.37%	+5.81%

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.

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 biggest detractors were **Netflix** and **Amazon**, which together cut the value of the fund by -3.1% for the month following results which the market interpreted very negatively. Netflix delivered a subscriber miss and guided to net subscriber losses of 2 million (almost unheard of in the company's history) – these are certainly concerning numbers, but do not change the long-term trajectory for streaming services. The Netflix subscriber base of 222 million remains only a fraction of the number of 1 billion+ broadband connections globally, with every one of these households a potential subscriber, even if at a lower monthly fee. If anything, the company's disclosure of an additional 100 million households watching Netflix, but not paying, shows a clearer path to the next 100 million than ever before. Subscriber growth is rarely if ever linear. Netflix is having a tough time now – but for how long?

Amazon is potentially more problematic, with a much higher fixed cost base (warehouses, transportation, vehicles) – a blessing as customer spend rises, but a deadweight in a slowdown. However, the company's recently announced *Buy with Prime* (Prime checkout and delivery speeds for third-party online merchants) could contribute meaningfully to utilisation of this fixed cost base. **Alphabet** (Google) cut -1% from the value of the Fund as competition from TikTok hurt the company's YouTube advertising business.

Key Facts

Inception Date	15 November 2016
ASX Code	LPGD
APIR Code	MMCO110AU
Fund FUM (AUD)	\$186 million
Strategy FUM (AUD)	\$200 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>52% less carbon intensive than benchmark: tCO2e/Mil USD</p> <p>91.4 (LPGD)</p> <p>190.4 (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
Additional Investment via BPay	<p>BPAY® Biller Code: 349845</p> <p>Customer Reference Number (CRN): generated after initial application.</p> <p><i>Please note that BPAY® is not available for purchasing units on the ASX.</i></p>
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 29 April 2022.

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

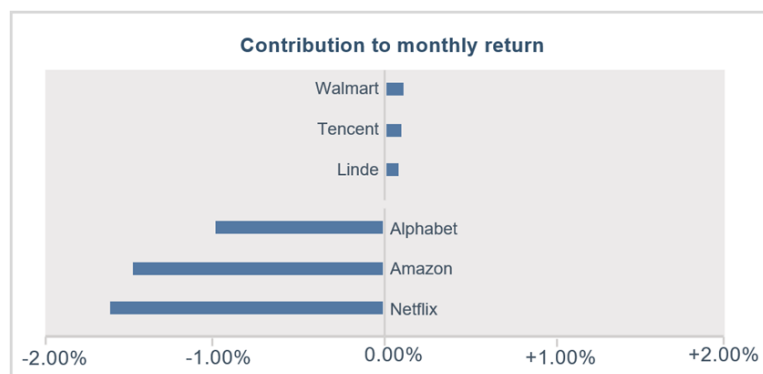
Unit Prices

Date	29 April 2022
Entry Price (in AUD)	2.6358
Exit Price (in AUD)	2.6226

Nvidia and **AMD**, both of which are executing to a very high standard, together reduced the value of the Fund by -1.4%. These companies have not yet reported and are likely to show good numbers when they do, but investors are selling down now on the basis that the recession is coming and will inevitably hit all companies, including those in the notoriously cyclical semiconductor industry. We can see this too but believe that beyond the cyclical forces there is a much larger structural move toward a world that requires more silicon everywhere – in cars, whitegoods, life sciences, utilities, retail, enterprise, traffic management and more.

The Australian dollar depreciated -5.4% over the month against the US dollar, which meant the value of the Fund's US dollar positions increased. As at 29 April 2022, the Fund carried a foreign currency exposure of 98.1%.

Selected Contributors and Detractors



Portfolio Construction

At April month end, the Fund was 86.7% invested in 29 holdings with the balance in cash exposure.

Top 10 Holdings (in alphabetical order)		Capitalisation USD	
Alphabet	ON Semiconductor	Mega Cap > \$100b	63.0%
Amazon	Qualcomm	Large Cap \$50-100b	11.1%
AMD	Roku	Mid Cap \$2-50b	12.6%
Apple	Taiwan Semiconductor	Small Cap < \$2b	0.0%
Microsoft	Volkswagen		

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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.

Firm Awards	Ratings	Platforms

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

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