

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



Lonsec Research
- Investment Grade



SQM Research
- 4.25 Stars



Zenith Investment Partners
- Approved

May 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

Inflation and interest rates continued to be front of mind for investors in May. The initial reprieve brought about by commentary from the Fed that suggested more aggressive hikes (than 50bps) were off the table was short-lived as some companies began feeling the economic pinch. These cracks took the form of hiring freezes, excess inventory issues and downward revisions to earnings guidance (which had been made only weeks earlier). This all points to a greater likelihood of economic hardship. However, it wasn't all bad. Many of the semiconductor companies the Fund is invested in either reiterated or increased their forward guidance. We believe this highlights the strength of the secular tailwinds these businesses are benefiting from. Although a recession might slow the pace of change, it is unlikely to alter the direction – more workloads will shift to the cloud, electric vehicles will take up greater market share and media consumption will be increasingly digital. Despite economic weakness, consumers and businesses across all industries will continue to make purchasing decisions in favour of better, more efficient solutions. The Fund closed out the month down -0.4% net-of-fees, which was outperformance of +0.9% against the benchmark MSCI All Countries World Index (net) as expressed in AUD from Bloomberg.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	-0.43%	-12.45%	-23.83%	-9.28%	+15.68%	+14.29%	+17.69%
Benchmark ²	-1.32%	-5.05%	-10.42%	+0.36%	+10.37%	+9.75%	+11.80%
Outperformance (Net) ³	+0.89%	-7.40%	-13.41%	-9.65%	+5.30%	+4.54%	+5.89%

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 Fund's semiconductor stocks, **Advanced Micro Devices**, **ON Semiconductor** and **Nvidia** were the best performing companies for the month, with the companies adding +1.8% to the value of the portfolio, having been among the worst performers over the past few months. **Roku** too was solid with a +0.4 percentage point contribution for May.

We continue to view the semiconductor companies as good value, holding as they do a critical place as enablers of the disruption economy. For example, Nvidia, which reported late in May, posted revenue up +46% and adjusted earnings per share up +49%, with second quarter revenue forecast to be up +24%.

One of the most important companies in the world (and the 12th largest by market capitalisation) it is instructive to consider what the company's top management said in the question and answer session with analysts following the release. Specifically, of the 34 times the word demand was used, it was accompanied by the word "strong" 11 times, twice by the word "growing" and once each for the words "really high", "double", "increased", "exponential", "ramping", and "a lot of". There were 4 negative mentions - 3 referring to "logistics problems" and one for "difficult". The remainder of the mentions were unqualified.

Key Facts

Inception Date	15 November 2016
ASX Code	LPGD
APIR Code	MMCO110AU
Fund FUM (AUD)	\$186 million
Strategy FUM (AUD)	\$198 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 ¹	<p>50% less carbon intensive than benchmark:</p> <p>tCO2e/Mil USD</p> <p>93.9 (LPGD)</p> <p>188.2 (benchmark)</p> <p>No exposure to companies involved in fossil fuel extraction, generation and related products and services.</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>Please note that BPAY® is not available for purchasing units on the ASX.</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 31 May 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

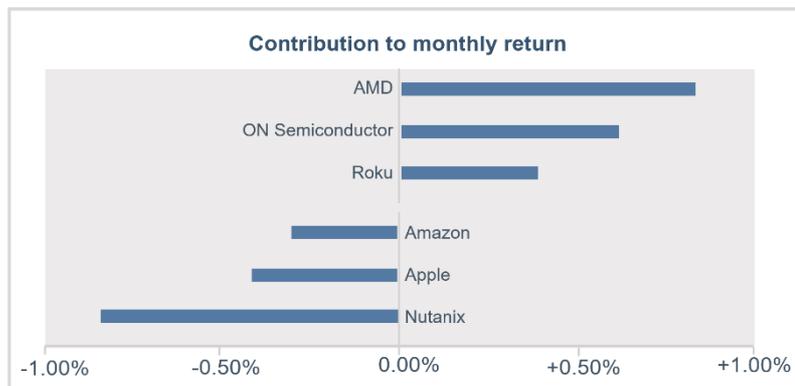
Date	31 May 2022
Entry Price (in AUD)	2.6243
Exit Price (in AUD)	2.6113

Having taken the long handle to the high growth names, the market then shifted its focus to stalwarts **Walmart, John Deere, Amazon** and **Apple** - the worst performing names for the month, collectively reducing the value of the Fund by -1.1 percentage points.

These moves at least show a level of consistency by investors, and in our view adequately capture the impact of rising interest rates and a poor inflation outlook. While there can be another leg down, at month end the Fund was down -25.0% from its November high and -22.7% year-to-date against the Fund's benchmark (down -11.7%). By way of context, the S&P 500 was off -12.2% for the year-to-date.

The Australian dollar appreciated +0.9% over the month against the US dollar, which meant the value of the Fund's US dollar positions decreased. As at 31 May 2022, the Fund carried a foreign currency exposure of 95.1%.

Selected Contributors and Detractors



Portfolio Construction

At May month end, the Fund was 84.7% invested in 29 holdings with the balance in cash exposure.

Top 10 Holdings (in alphabetical order)	
Alphabet	Nvidia
Amazon	ON Semiconductor
AMD	Qualcomm
Apple	Roku
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	58.5%
Large Cap \$50-100b	13.2%
Mid Cap \$2-50b	13.0%
Small Cap < \$2b	0.0%

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

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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 to find more commentary, including Fund performance.

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