

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



Lonsec Research
- Investment Grade



SQM Research
- 4.25 Stars



Zenith Investment Partners
- Approved

June 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

There was a -6.9% net-of-fees fall in the value of the Fund in June as the US Federal Reserve stood by its commitment to wring inflation out of the financial system by raising interest rates 0.75%, adding to the 0.5% hike in May. For the one year to 30 June 2022, the Fund underperformed the benchmark MSCI All Countries World Index (net) as expressed in AUD from Bloomberg by -14.7%.

While these numbers are disappointing, we remain confident that we have positioned the Fund's portfolio to benefit from how we see the world changing over the coming three to five years. Since inception, a period of over 5 years, the Fund has returned an annualised +15.9% pa, with outperformance of +5.3% pa. The outperformance is the outworking of a process that values, at individual company level, the disruptive changes affecting businesses and consumers in areas such as streaming, ecommerce, manufacturing, primary production and the movement of IT to the cloud, to name a few.

This outperformance is still there for the taking. For example, we see credible evidence of significantly higher demand for semiconductors than has been the case in the past 20 years. We base this on broad industry affirmation of increased use of compute power in agriculture, cars, banking, retail and many others. A recently-published study by McKinsey & Company stated: "The global semiconductor industry is poised for a decade of growth and is projected to become a trillion-dollar industry by 2030."

| | 1m | 3m | 6m | 1y | 3y p.a. | 5y p.a. | Inception p.a. |
|-----------------------------------|--------|---------|---------|---------|---------|---------|----------------|
| Loftus Peak (Net) ¹ | -6.86% | -15.77% | -28.02% | -23.29% | +10.62% | +13.73% | +15.94% |
| Benchmark ² | -4.79% | -8.53% | -15.97% | -8.62% | +6.71% | +9.28% | +10.65% |
| Outperformance (Net) ³ | -2.07% | -7.23% | -12.05% | -14.67% | +3.91% | +4.46% | +5.29% |

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

As good as the long-term outlook is, it was not enough to dissuade investors that a global slowdown was the next item on the agenda. The major detractors to Fund return were our semiconductor company holdings, after a relatively solid May, with **AMD** responsible for a -1.1% fall in Fund value, while **Nvidia** accounted for -0.9%, **Qualcomm** -0.8% and **TSMC** -0.7%. The market continues to view these companies as cyclical in nature – in line with the broader semiconductor industry – despite a number of increasingly clear secular growth drivers (datacentre, auto, IoT).

Elsewhere, it is difficult to find any informed industry participant who does not believe that all TV will be streamed by decade's end. Indeed, in 2022 streaming across the US eclipsed cable TV in popularity for the first time ever. But both **Roku** and **Netflix** have had a bad six months, with June seeing a combined -0.4% detractor.

Key Facts

| | |
|--|--|
| Inception Date | 15 November 2016 |
| ASX Code APIR Code | LPGD MMCO110AU |
| Fund FUM (AUD) | \$166 million |
| Strategy FUM (AUD) | \$177 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> <div style="display: flex; align-items: center;"> <div style="width: 100px; height: 15px; background-color: #0056b3; margin-right: 5px;"></div> 92.8 (LPGD) </div> <div style="display: flex; align-items: center; margin-top: 5px;"> <div style="width: 100px; height: 15px; background-color: #444; margin-right: 5px;"></div> 185.9 (benchmark) </div> <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 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 30 June 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 | 30 June 2022 |
| Entry Price (in AUD) | 2.4444 |
| Exit Price (in AUD) | 2.4322 |

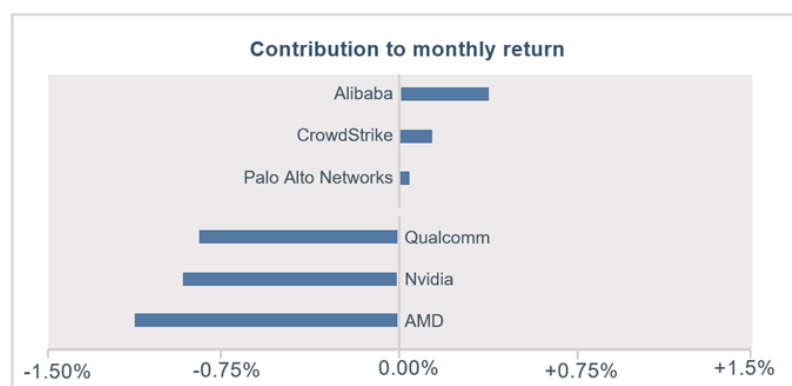
Our China holdings, principally **Alibaba**, had a modest month generating +0.4% to the value of the Fund, as lockdowns eased following a directive by the Politburo to bolster the economy.

Cloud computing services, in which the Fund is invested, is an evolving megatrend brimming with promise as the convergence point for the miscellany of remote work, connected supply chains, networks and more. **Amazon, Google, Microsoft, Tencent** and **Alibaba** form part of the Fund's cloud computing exposure, but together the companies were flat for the month.

It is possible that these cloud businesses may one day eclipse the legacy businesses of their parent companies (especially true of Amazon and AWS). Information technology is moving to the cloud and is only a fraction of the way there. The five companies listed account for 73% of the cloud infrastructure market by revenue. Amazon alone accounted for almost half of market share, while Microsoft had the largest market share growth.

The Australian dollar depreciated -4.1% over the month against the US dollar, which meant the value of the Fund's US dollar positions increased. As at 30 June 2022, the Fund carried a foreign currency exposure of 97.9%.

Selected Contributors and Detractors



Portfolio Construction

At June month end, the Fund was 93.9% invested in 26 holdings with the balance in cash exposure.

| Top 10 Holdings (in alphabetical order) | | Capitalisation USD | |
|---|----------------------|---------------------|-------|
| Alphabet | Nvidia | Mega Cap > \$100b | 65.6% |
| Amazon | ON Semiconductor | Large Cap \$50-100b | 11.1% |
| AMD | Qualcomm | Mid Cap \$2-50b | 17.2% |
| Apple | Roku | Small Cap < \$2b | 0.0% |
| Microsoft | Taiwan Semiconductor | | |

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

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