

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



Lonsec Research
- Investment Grade



SQM Research
- 4.25 Stars



Zenith Investment Partners
- Approved

July 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 Australian Securities Exchange listed 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 and included 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 AMD 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

In July, the Fund reversed the June fall and then some – it was up +9.9% in absolute terms (net-of-fees) with outperformance of +3.9% relative to the benchmark MSCI All Countries World Index (net) as expressed in AUD from Bloomberg.

Markets had braced for impact following the US Federal Reserve rate hikes (+2.25% so far this year) with expectations of a recession to hit relatively quickly, so forcing stock prices down in anticipation in the first half of the year. There are many negative indicators which pointed to this, except one very important one - the US unemployment rate which now stands at around a 50-year low. That could deteriorate if US policy makers are forced to raise rates again in the event inflation readings do not fall from currently elevated levels.

Many companies held by the Fund did not get the memo that the economy was in a technical recession - earnings were instead driven by many of the strong underlying disruptive trends we have pointed to in recent months, including cloud, auto and the internet of things. The better-than-expected June profit numbers saw many holdings rally in response.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+9.89%	+1.91%	-15.53%	-16.13%	+12.98%	+15.78%	+17.61%
Benchmark ²	+5.97%	-0.43%	-9.12%	-5.79%	+8.02%	+10.80%	+11.61%
Outperformance (Net) ³	+3.92%	+2.34%	-6.41%	-10.34%	+4.96%	+4.98%	+6.00%

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.

Since inception almost six years ago the Fund has returned an annualised +17.6% p.a. with outperformance of +6.0% p.a. This outperformance is the outworking of a process that seeks to identify and analyse changes impacting global business using a framework that properly values those changes. We invest in companies profiting from the shift to streamed entertainment, for example, as well as the efficiencies relating to ecommerce and the movement of information technology to the cloud.

Contributors and Detractors to Return

Our investments in the semiconductors that are foundational to disruption did well, with **Qualcomm** the best performer logging a +1.8% contribution to return, while **Nvidia**, **AMD** and **Taiwan Semiconductor Manufacturing** (among others) added a combined +4.5% to the portfolio value. The share price performance of these companies has been solid, while valuations have not been demanding, so providing significant safety to the portfolio as a whole.

Amazon provided the second largest contribution for the month at +1.4% on a share price which surged +10% on the last trading day in July (and +26% for the month). Frankly, quarterly earnings were not terrific, but above consensus. The company did raise guidance for sales in the third quarter, but only just. The high point was the cloud business with sales which jumped +33% from a year earlier to \$19.7 billion (retail revenue fell -2.4%).

Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMC0110AU
Fund FUM (AUD)	\$184 million
Strategy FUM (AUD)	\$196 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>48% less carbon intensive than benchmark:</p> <p>tCO₂e/Mil USD</p> <p>95.1 (LPGD)</p> <p>133.1 (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 ²	\$5,000
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 31 July 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 July 2022
Entry Price (in AUD)	2.6861
Exit Price (in AUD)	2.6727

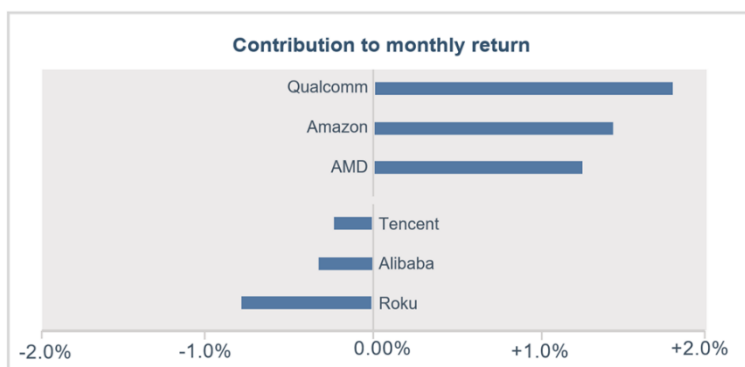
Microsoft's profit performance was more robust, with operating income up +8%. Chief executive Satya Nadella stated in comments following the result that "as a percentage of GDP (technology) spend is going to increase because every business is trying to fortify itself with digital tech to navigate this macro environment." Nadella has been saying this for years, and it continues to be a far-reaching and durable observation on the modern global economy. The company was up +9.3% for the month and added +0.7% to the Fund value.

There were also detractors, such as Roku which fell heavily on rescinded revenue guidance even as Netflix jumped almost +30% on less-than-forecast subscriber losses and some excitement around its up-coming advertising tier. Roku, meanwhile, is facing the same macroeconomic advertising headwinds as many smaller players in the industry, however with ~US\$2 billion in cash on the balance sheet and at operating cashflow breakeven the company has the runway to withstand transitory negatives. The long-term opportunity in ad-supported streaming television remains unchanged, though the net contribution from the streamers for the month was zero.

The solid rebound in the portfolio gives us confidence that managing monies with an emphasis on valuation and a view to the long-term value to be harvested from global disruption is the right approach.

The Australian dollar appreciated +1.5% over the month against the US dollar, which meant the value of the Fund's US dollar positions decreased. As at 31 July 2022, the Fund carried a foreign currency exposure of 93.6%.

Selected Contributors and Detractors



Portfolio Construction

At July month end, the Fund was 86.6% invested in 26 holdings with the balance in cash exposure.

Top 10 Holdings (in alphabetical order)		Capitalisation USD	
Alphabet	Nvidia	Mega Cap > \$100b	60.4%
Amazon	ON Semiconductor	Large Cap \$50-100b	10.7%
AMD	Qualcomm	Mid Cap \$2-50b	15.5%
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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