

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



Lonsec Research
- Investment Grade



SQM Research
- 4.25 Stars



Zenith Investment Partners
- Approved

January 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

It was a volatile start to the year 2022. The Fund's net-of-fees return of -6.4% resulted in underperformance of -4.3% relative to the benchmark MSCI All Countries World Index (net, as expressed in AUD from Bloomberg). The volatility was a direct result of the US Federal Reserve moving to squeeze inflation out of the economy, so reducing its bond buying process and flagging higher interest rates. In turn, the market began selling out of names with 'growth' characteristics. For some of these companies this was probably the right decision, but we also believe some have been over-sold, without a thorough examination of fundamentals or the underlying long-term secular themes powering their growth. We have seen this before: markets often have knee-jerk reactions to new information and take time – along with a couple of rounds of earnings – to properly assess the impact to companies. We believe we are still at the early stages of this process and that there is likely more volatility ahead, but that quality companies riding secular tailwinds are the safest place to be over the medium- to long-term. Some cash was raised towards month end by taking profits in companies the share prices of which had responded positively to strong earnings results.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	-6.36%	+1.40%	-0.71%	+7.84%	+26.00%	+22.93%	+23.39%
Benchmark ²	-2.02%	+2.65%	+3.66%	+22.55%	+16.55%	+14.22%	+14.89%
Outperformance (Net) ³	-4.34%	-1.25%	-4.37%	-14.70%	+9.45%	+8.71%	+8.51%

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 and reference guide.

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

Positive contributors were thin on the ground, with the best of them being agricultural equipment maker **John Deere, Volkswagen, Nvidia** and **Taiwan Semiconductor**, which together added a total of +0.7%.

The rest of the portfolio was in solid negative territory. **Netflix** and **AMD** were both weaker for the month, cutting a combined -2.1% from return. Netflix's fall was something of a surprise – the company had been sold down by over 40% with the only new data point a slightly more muted outlook for subscriber growth, which in any case is rarely smooth. Programming, competition, the macro environment and of course consumer tastes can all lead to lumpy customer acquisition. Interestingly, hedge fund Pershing Square opportunistically acquired 3.1m shares of Netflix just after the price dropped 20% to the US\$400 mark.

AMD, a company just now coming into its own against Intel, also had a bad month, hit by the prospect of higher interest rates. But its position as a significant challenger in the data centre market has already borne fruit – revenue growth in this category was up 100%.

Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMC0110AU
Fund FUM (AUD)	\$226 million
Strategy FUM (AUD)	\$243 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	48% less carbon intensive than benchmark: tCO2e/Mil USD 86.4 (Fund) 164.6 (benchmark) No exposure to companies involved in fossil fuel extraction, generation and related products and services. ¹
No. of Investments	15-35
Minimum Cash	1%
Maximum Cash	50%
Suggested time frame	3-5 years
Minimum Investment	\$5,000 ²
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 January 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

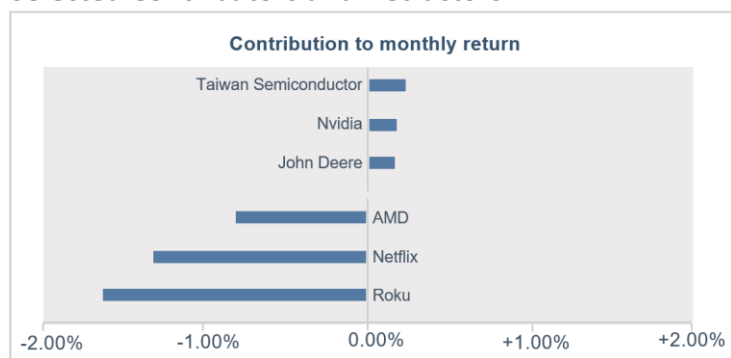
Unit Prices

Date	31 January 2022
Entry Price (in AUD)	3.1798
Exit Price (in AUD)	3.1640

Roku was the biggest detractor in January cutting over -1.6% from the value of the portfolio. The company has been caught in the interest rate hike/inflation downdraft. We have spent considerable time re-examining the company from a strategic and financial perspective. Strategically the company is in a very strong position. The Roku operating system has penetration of 52% of connected TV sets in the US. Only YouTube has a larger advertising-funded streaming business in America, and its content is not predominantly traditional long-form programming – i.e. TV shows and movies as commonly understood. Roku is important because as content moves to streaming over broadband the data provided by the viewer's use of the Roku platform enables more targeted recommendations (better engagement) and more effective advertising. For example, where a local TV station broadcasting in its local area to a local viewer would know the weather that day (say cold), Roku viewers may be streaming from somewhere distant which was warm, meaning different advertising would be relevant (ice cream!). In terms of the numbers, Roku has around US\$2b cash and cash equivalents and is generating small positive annual cash flows which in the past three years have totalled US\$510m. It is sufficiently well-capitalised to execute on its growth plan.

The Australian dollar depreciated -3.1% over the month against the US dollar, which meant the value of the Fund's US dollar positions increased. As at 31 January 2022, the Fund carried a foreign currency exposure of 99.6%.

Selected Contributors and Detractors



Portfolio Construction

At January month end, the Fund was 88.1% invested in 27 holdings with the balance in cash exposure.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	69.0%
Amazon	Large Cap \$50-100b	4.0%
Alphabet	Mid Cap \$2-50b	15.1%
Roku	Small Cap < \$2b	0.0%
Microsoft		

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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.

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

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