

Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



Research Rating:



September 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. The Loftus Peak Global Disruption Fund (Hedged) ("Fund") 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 and resources. It is our intention to substantially hedge the capital component of the foreign currency exposure of the Fund arising from investments in overseas markets back to Australian dollars.

Review and Performance

The Fund closed out the month down -12.1% net-of-fees, which was underperformance of -3.2% against the Benchmark. Since Inception on 1 July 2022, the Fund is down -7.0%, with underperformance of -1.0% against the Benchmark. Almost half the Fund's poor result came on the last two trading days of September, with a -5.1% sell-down caused by a major run on the trillion-pound liability-driven investment sector in the UK, essentially a panic in the bond market by large funds managing defined benefit retirement plans.

Of course, the major factor for the month has been the continuing talk of higher interest rates in the US as a mechanism to tamp down inflation (which has started to fall on most measures). As a policy decision, we believe this is the correct course – the world has seen big increases in costs across food, fuel, fertiliser, oil, travel and rents to name just a few of the big ones, and it does not take a lot of imagination to see that such steep price rises then feed into higher wage claims as workers seek to get ahead of the next hike by locking in a lift in salaries.

However, there is more to investment than just interest rate movements. The basis of the Fund is the selection of a group of key companies across thematic which will continue to drive disruptive business models, and which will do so for some time. So it is that we do not invest in oil companies, because on a ten-year basis there is likely to be less oil used globally as electric cars go mainstream. Another thematic is networks, which underpins individualised connectivity through broadband, to perform a variety of different functions including banking, shopping, messaging and navigating.

Of course, many companies, such as Coca-Cola and Ford have hundreds of millions of customers around the world on any given day. But their customers are not individually addressable. Never before in history have so many companies had these billions of customers with which they have been able to communicate and bill individually.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception
Loftus Peak (Net) ¹	-12.14%	-	-	-	-	-	-7.00%
Benchmark	-8.96%	-	-	-	-	-	-6.02%
Outperformance (Net) ²	-3.18%	-	-	-	-	-	-0.98%

Past performance is not a reliable indicator of future performance.
Source: Loftus Peak, MSCI

¹ Net-of-fees performance for the Fund is based on end-of-month unit 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 Outperformance is shown as the Loftus Peak (Net) minus the Benchmark.

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$173 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 dividends reinvested) hedged to Australian dollars
Carbon Intensity ³	<p>53% less carbon intensive than benchmark:</p> <p>tCO₂e/Mil USD</p> <p>91.6 (LPGD)</p> <p>193.3 (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
Pricing Frequency	Daily
Withdrawal Notice	Generally, notice received by 2pm (Sydney time) receives the price effective for that business day.
Research Rating (SQM)	Click the SQM logo on our website to request a copy.

³ Source: Sustainalytics as at 30 September 2022. Data for the Loftus Peak Global Disruption Fund.

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 September 2022
Entry Price (in AUD)	0.9323
Exit Price (in AUD)	0.9277

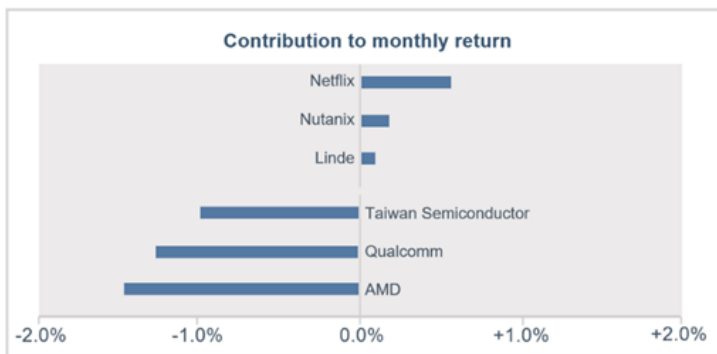
Contributors and Detractors to Return⁴

The best-performing stock for the month was Netflix which added +0.6% to the Fund return as investors came to the view that the new advertising tier of customers will be accretive to overall earnings, leaving premium tier customers to enjoy unaffected content without advertising.

Enterprise cloud computing company **Nutanix** was one of the Fund's best performers in September after it reported better than expected second quarter earnings and provided strong revenue guidance to the market. The company has all but completed its transition to a subscription-based revenue model with over 90% of revenues in the second quarter coming from subscribers.

The big detractors were **AMD** (detracting -1.5%) with **Qualcomm** close, cutting -1.3% from Fund value. **Taiwan Semiconductor Manufacturing Company** reduced Fund value by -0.7% on growing fears that China has imminent plans to take over the independent republic. Investors sold these and other semiconductor stocks on recessionary fears, failing to grasp the significant diversification and market share gains which those companies will enjoy over coming quarters as a result of changes in their business. **Amazon, Microsoft, Apple, Roku** and **Alphabet (Google)** all together cut just over -2.0% from the Fund value.

Selected Contributors and Detractors⁴



Portfolio Construction⁴

At September month end, the Fund was 93.4% invested in 26 holdings with the balance in cash exposure. The Fund has a high exposure to large capitalisation names which are highly cash generative with strong balance sheets. Focusing on high quality companies helps the Fund to withstand difficult periods in the market and drive strong, long-term outcomes for the Fund.

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

Capitalisation USD	
Mega Cap > \$100b	63.2%
Large Cap \$50-100b	13.2%
Mid Cap \$2-50b	17.0%
Small Cap < \$2b	0.0%

⁴ The portfolio characteristics shown in this report refers to the data applying to the Loftus Peak Global Disruption Fund, into which the Hedged class invests to attain its market exposure. Typically, the Hedged class will also carry some cash to facilitate currency hedging which will impact the characteristics when viewed on a look-through basis.

RATINGS DISCLAIMERS

SQM: The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

IMPORTANT INFORMATION: This report was prepared by Loftus Peak Pty Limited ("Loftus Peak"), Equity Trustees Limited ("Equity Trustees") ABN 46 004 031 298 AFSL No. 240975, is a subsidiary of EQT Holdings Limited ABN 22 607 797 615, a publicly listed company on the Australian Securities Exchange (ASX:EQT), and is the Responsible Entity of the Loftus Peak Global Disruption Fund (Hedged). This document has been prepared for the purpose of providing general information only, without taking account of any individual person's investment objectives, financial circumstances or needs. This document is not intended to take the place of professional advice and we do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors this document may contain. You should consider the Product Disclosure Statement ("PDS") in deciding whether to acquire, or continue to hold, the product. A PDS and application form is available at www.loftuspeak.com.au. Loftus Peak and Equity Trustees do not guarantee the performance of the Fund or the repayment of the investor's capital. To the extent permitted by law, neither Equity Trustees, Loftus Peak, nor any of their related parties including its employees, directors, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this report. Past performance is not indicative of future performance.

The Loftus Peak Global Disruption Fund (Hedged) Target Market Determination is available at <http://www.loftuspeak.com.au> in the Investors/Global Disruption Fund (Hedged) 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.

4 Years of Recognition



International Equities Finalist
2019 IMAP MANAGED ACCOUNT AWARDS



MONEY MANAGEMENT FUND MANAGER OF THE YEAR 2020
GLOBAL EQUITIES

FINALIST
Global Equities



MONEY MANAGEMENT FUND MANAGER OF THE YEAR 2021
FINALIST
Global Equities



HIGHLY COMMENDED
Global Equities Large Cap
FUND MANAGER OF THE YEAR 2022

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

Loftus Peak Pty Limited ABN 84 167 859 332 AFSL 503 571