

Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



Research Rating:



December 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 was down -10.2% net-of-fees in December, which was underperformance of -5.5% against the Benchmark. A difficult first half year for the Fund, with the Fund down -8.2% since inception on 1 July. This corresponds to an underperformance of -9.0% against the Benchmark.

The market moves for the month reflect investor uncertainty in the face of interest rate hikes notwithstanding the November US CPI print, which showed inflation cooling. The US Federal Reserve, which drives global interest rates, remained cautious, so rates were hiked at its December meeting to the highest levels seen since 2007, while rate reductions are to be no earlier than 2024. The disconnect between leading inflation indicators and Fed behaviour drove volatility and a sell-off in December, with a solid January rally further proof of investor confusion.

Beyond the US, China reversed its zero-COVID policy. This may end the looming threat of businesses being abruptly disturbed by snap lockdowns. This is a tailwind for the broader economy and for companies operating out of and selling into China.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception
Loftus Peak (Net) ¹	-10.19%	-1.29%	-	-	-	-	-8.20%
Benchmark	-4.68%	+7.24%	-	-	-	-	+0.79%
Outperformance (Net) ²	-5.51%	-8.53%	-	-	-	-	-8.99%

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.

Contributors and Detractors to Return⁴

Semiconductors were the main detractors from performance for the Fund in December on overall market pessimism for demand in 2023. **Qualcomm** and **Advanced Micro Devices** were two of the three largest underperformers, on account of their large weighting in the portfolio, together cutting Fund value by -3.4%. The broad market moves contributed to the decline in semiconductor stocks, which traditionally trade as cyclical demand of PC's and smartphones. However, there remains a large and long-term opportunity in segments such as the datacentre, automotives and industrial, which should benefit the Fund's holdings.

Roku was the other top three detractor, reducing the value of the portfolio by -1.4% after it suffered an outsized fall in stock price due to the market perception of the tougher advertising outlook for 2023.

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$169 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 ^{3,4}	<p>47% less carbon intensive than benchmark:</p> <p>tCO2e/Mil USD</p> <p>90.8 (LPGD)</p> <p>170.4 (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	20%
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.

³Source: Sustainalytics as at 31 December 2022.

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

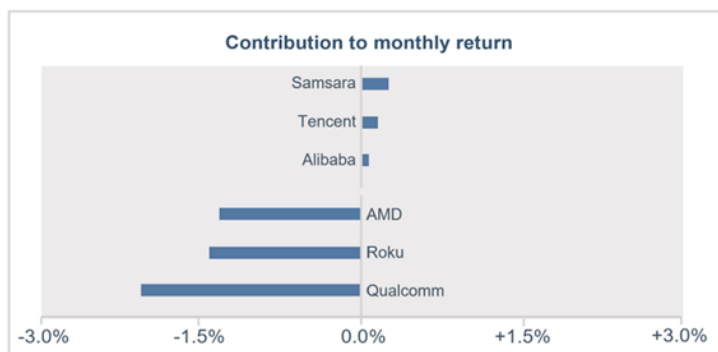
Unit Prices

Date	31 December 2022
Entry Price (in AUD)	0.9203
Exit Price (in AUD)	0.9157

The Fund's best performing holdings were the Chinese companies **Tencent** and **Alibaba**, but this amounted only to a +0.2% contribution to Fund return for December, since we hold these stocks at very low weights. The stocks were boosted by the end of China's dynamic zero-COVID policy as well as the government's apparent rapprochement towards large Chinese technology companies.

While knowledge work has benefited significantly from digitisation and the cloud, there is also an outsized opportunity in the physical world - vehicles, machinery and worksites all benefit from a higher level of connectivity. Samsara, a new Fund position, facilitates this by providing its customers a single platform to manage connected assets, enabling greater efficiency.

Selected Contributors and Detractors⁴



Portfolio Construction⁴

At December month end, the Fund was 98.0% invested in 29 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 investors.

As at 31 December 2022, after the impact of currency hedging the Fund carried an Australian dollar exposure of 99.0%.

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

Capitalisation USD	
Mega Cap > \$100b	70.4%
Large Cap \$50-100b	4.0%
Mid Cap \$2-50b	23.6%
Small Cap < \$2b	0.0%

⁴ The portfolio characteristics shown in this report, apart from references to currency exposure, 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.

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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

FINALIST Global Equities



MONEY MANAGEMENT FUND MANAGER OF THE YEAR 2021

FINALIST Global Equities



FUND MANAGER OF THE YEAR 2022

HIGHLY COMMENDED Global Equities Large Cap