

# Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



## Research Rating:



January 2023 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 Advanced Micro Devices 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

January saw a significant rebound in equity markets following December's sell-off. The Fund gained +13.7% net-of-fees, more than reversing last month's loss of -10.2%. January's outperformance relative to the Benchmark was +7.7%.

Markets digested further data points indicating cooling inflation. The United States December CPI print recorded the annual inflation rate at 6.5% - down from 7.1% in November. Monthly CPI was negative for the first time since early 2020 at -0.1% as energy prices normalised and food price growth slowed. December's employment figures were also stronger than expected - a sign the US economy is holding up well - which would usually give more credence to further rate hikes by the Fed if it weren't for wage growth coming in below expectations.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception
Loftus Peak (Net) <sup>1</sup>	+13.75%	+10.77%	-	-	-	-	+4.42%
Benchmark	+6.07%	+7.23%	-	-	-	-	+6.91%
Outperformance (Net) <sup>2</sup>	+7.68%	+3.53%	-	-	-	-	-2.49%

Past performance is not a reliable indicator of future performance.

Source: Loftus Peak, MSCI

<sup>1</sup> 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.

<sup>2</sup> Outperformance is shown as the Loftus Peak (Net) minus the Benchmark.

## Contributors and Detractors to Return<sup>4</sup>

The Fund's investments performed well across the board. By weight, 84% of the Fund's holdings produced positive returns for the month, including all of the Fund's semiconductor names. **Qualcomm** – the largest position - was the best performer for the month, adding +2.4% to the Fund's value. **Advanced Micro Devices, Nvidia, ON Semiconductor and Taiwan Semiconductor Manufacturing Company** added a combined +2.5%. This was in part helped by solid earnings from TSMC, a bellwether for the semiconductor industry, with the company guiding to positive revenue growth in 2023 versus market expectations of a decline.

**Roku** contributed +1.4% as it rose over +40% during the month. Another better-than-expected earnings result from fellow streamer **Netflix** (the Fund's 4th largest contributor for the month at +1.1%) helped to assuage fears about the long-term opportunity in streaming. While Roku is benefiting from the ameliorating macro and more positive sentiment for higher investment risk, we think the more important driver of performance going forward will be the streaming landscape itself - Warner Bros. Discovery's decision to license premium content to The Roku Channel is a sign of things to come for subscale, unprofitable streaming services.

Against the backdrop of slowing top line growth and ballooning expenses, **Amazon, Google and Microsoft** were under pressure to announce layoffs. They inevitably succumbed and were rewarded by the market for doing so – Amazon climbed over +20% during the month (contributing +1.4%). Latin American e-commerce giant **Mercado Libre** also experienced strong growth with the stock price up over +39% during the month.

## Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$188 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 <sup>3,4</sup>	<p><b>49% less carbon intensive</b> than benchmark:</p> <p>tCO<sub>2</sub>e/Mil USD</p> <p><b>81.0 (LPGD)</b></p> <p><b>159.4 (benchmark)</b></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 <sup>2</sup>	\$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.

<sup>3</sup> Source: Sustainalytics as at 31 January 2023.

## 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

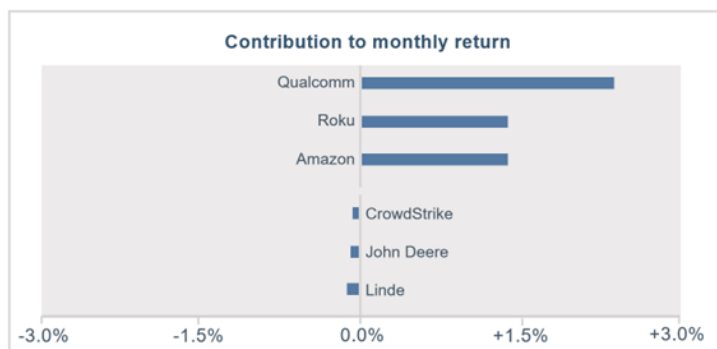
## Unit Prices

Date	31 January 2023
Entry Price (in AUD)	1.0468
Exit Price (in AUD)	1.0416

The largest detractors for the month were **Linde** (-11bps), **John Deere** (-8bps), and **CrowdStrike** (-6bps). Linde, John Deere and **Walmart** (-4bps) hit near all-time highs in late November. These companies while not traditionally associated with disruption are remaking themselves for the digital world. With strong balance sheets and cash flows they performed well in the harsh interest rate environment of 2022.

As at 31 January 2023, after the impact of currency hedging the Fund carried an Australian dollar exposure of 96.9%.

### Selected Contributors and Detractors<sup>4</sup>



### Portfolio Construction<sup>4</sup>

At January month end, the Fund was 92.3% invested in 30 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.

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

Capitalisation USD	
Mega Cap > \$100b	65.4%
Large Cap \$50-100b	7.4%
Mid Cap \$2-50b	19.3%
Small Cap < \$2b	0.0%

<sup>4</sup> 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.

### 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 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") and Reference Guide in deciding whether to acquire, or continue to hold, the product. The PDS, Reference Guide and application form are available at [www.loftuspeak.com.au](http://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

FINALIST Global Equities



MONEY MANAGEMENT FUND MANAGER OF THE YEAR 2021  
FINALIST Global Equities



HIGHLY COMMENDED Global Equities Large Cap

Visit [www.loftuspeak.com.au](http://www.loftuspeak.com.au) to find more commentary, including Fund performance.

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