

Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



Research Rating:



February 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

February opened weaker after January's strong performance, with evidence of persisting inflation curbing investor optimism that US interest rate cuts would happen this year. The Fund lost -1.3% net-of-fees, with outperformance of +0.7% relative to the Benchmark. Since inception, the Fund has generated +3.1% net-of-fees which is -1.7% underperformance against the Benchmark.

Turning to the bigger picture, inflation is still the major worry and is driving market volatility, with the United States consumer price index (CPI) rising +0.5% in January and +6.4% annually (Source: US Bureau of Labor Statistics 14/02/2023) against estimates of +0.4% and +6.2% (respectively). This pushed 10-year Treasury note yields to the highest level since November last year (Source: Bloomberg 28/02/2023). The futures market is pricing in rates of ~5.4%, which indicate at least three more 25 basis point increases from the current upper bound level of 4.75%.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception
Loftus Peak (Net) ¹	-1.29%	+0.83%	-2.63%	-	-	-	+3.07%
Benchmark	-2.03%	-0.94%	+1.46%	-	-	-	+4.75%
Outperformance (Net) ²	+0.73%	+1.78%	-4.09%	-	-	-	-1.68%

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

The earnings season has been largely positive for the Fund. Across the 19 Fund holdings that reported in February, 13 beat on revenue and 16 beat earnings expectations. The largest contributor, **Roku**, added +0.8% to the value of the Fund as the company announced a move towards cost-cutting, reported a significant beat on net active account additions (five million vs two million expected) and was the number-one selling smart TV operating system in North America (38% share in the US, 30% in both Canada and Mexico). The company also accelerated its content catalogue additions.

Collectively the Fund's semiconductor names contributed +1.2%. Over half of this came from **Advanced Micro Devices (AMD)** in part because of the improving outlook for the company in the second half of 2023. AMD is a beneficiary of the increased recognition of the importance of artificial intelligence (AI), and was the second largest contributor for the month adding +0.6%. **Nvidia** followed suit, ending the month up +18.8%. These datacentre-facing semiconductor names are critical to the back-end of generative AI models like ChatGPT, which itself lifted **Microsoft** to being the fifth largest contributor for the month.

Qualcomm was the largest detractor for the month, slightly missing the street's revenue estimate and detracting -0.5% from the Fund. **Google** (which was also a negative at -0.2%) also missed revenue estimates, amid a weak advertising market and potential competition from chat-bot powered search by Microsoft's Bing.

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$195 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>48% less carbon intensive than benchmark:</p> <p>tCO2e/Mil USD</p> <p>78.7 (LPGD)</p> <p>150.7 (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
Distributions	Paid annually as at 30 June
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 28 February 2023.

Fees

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

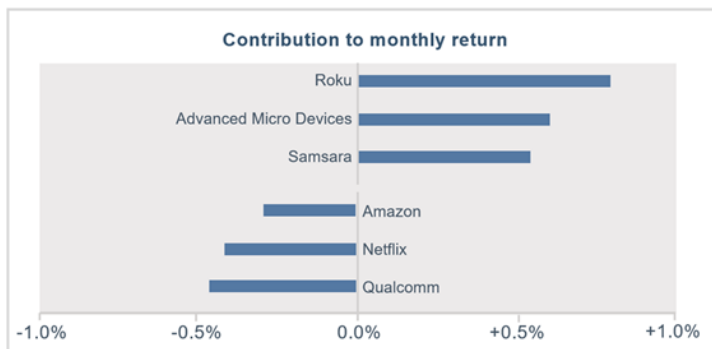
Unit Prices

Date	28 February 2023
Entry Price (in AUD)	1.0333
Exit Price (in AUD)	1.0281

Amazon detracted -0.2% for the month. Despite being a key cloud player in AI workloads, the company did not follow Google and Microsoft with generative AI product announcements and media tours. This likely led to the (mostly unfounded) perception it is less exposed to generative AI tailwinds, thus missing some of the uplift through February. While the company's core ecommerce business is beginning to feel the pinch of an increasingly challenging consumer environment, growth could remain resilient given the remaining runway of its retail ads business and the recent launch of Buy with Prime.

As at 28 February 2023, after the impact of currency hedging the Fund carried an Australian dollar exposure of 98.8%.

Selected Contributors and Detractors⁴



Portfolio Construction⁴

At February month end, the Fund was 91.8% invested in 31 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)		Capitalisation USD	
Alphabet	Netflix	Mega Cap > \$100b	61.9%
Amazon	Qualcomm	Large Cap \$50-100b	8.4%
AMD	Roku	Mid Cap \$2-50b	19.8%
Apple	Taiwan Semiconductor	Small Cap < \$2b	1.7%
Microsoft	Volkswagen		

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



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

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