

Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



Research Rating:



April 2023 Update

Founded in 2014, Loftus Peak is a global fund manager with a focus on investment in listed disruptive businesses. We have extensive experience and 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, resources and the Australian dollar.

Review and Performance

April saw the Fund value fall -4.4% net-of-fees as investors fretted over the prospect of a recession of uncertain duration and depth, and one which would be exacerbated by a further interest rate hike. This was despite the bank bailouts the previous month, including the troubled First Republic Bank which limped through April badly wounded. First Republic's issues are part of a larger story around regional banks, however the latest batch of big bank earnings have reassured investors of the health of the overall financial system.

The poor April outcome is not ideal but comes after the +20.1% net-of-fees gain the Fund generated in the first quarter of this calendar year, with March alone contributing an uplift of +7.0%. The -4.4% net-of-fees performance by the Fund was -5.7% below the Benchmark which gained +1.3% in April.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception
Loftus Peak (Net) ¹	-4.39%	+0.98%	+11.85%	-	-	-	+5.44%
Benchmark	+1.34%	+1.70%	+9.05%	-	-	-	+8.72%
Outperformance (Net) ²	-5.73%	-0.72%	+2.80%	-	-	-	-3.28%

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 downward movement in April came despite decent contributions from **Microsoft** (+0.6%), with **Google** and **Amazon** up just under half that each. Last month we flagged these companies as forming their own emerging "super-cap" category. Their strong performance somewhat vindicates the position weights.

It seems clear that investors in these companies are beginning to price in revenue growth from a new source - the premium that these artificial intelligence leaders will be able to charge their cloud customers for additional functionality on top of the applications that they already sell. Musicians will be able to score soundtracks, copywriters will be able to write marketing materials and IT professionals will have their coding skills supercharged, implying shorter turnaround times and ultimately better productivity.

The big negative contribution came from **Qualcomm**, which cut -1.1% from the Fund's value, while **Advanced Micro Devices**, **Taiwan Semiconductor Manufacturing Corporation** and **ON Semiconductor** collectively accounted for a further -1.4% decrement. We are not swayed by short term negativity on these companies, with each playing a specific role within the disruption economy. Each of these names performed well during the first quarter of the year so it is not unexpected that they would pull back as macroeconomic conditions worsen and rates move higher.

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$197 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>64% less carbon intensive than benchmark:</p> <p>tCO2e/Mil USD</p> <p>54.3 (LPGD)</p> <p>151.4 (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
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 homepage to request a copy.

³ Source: Sustainalytics as at 28 April 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

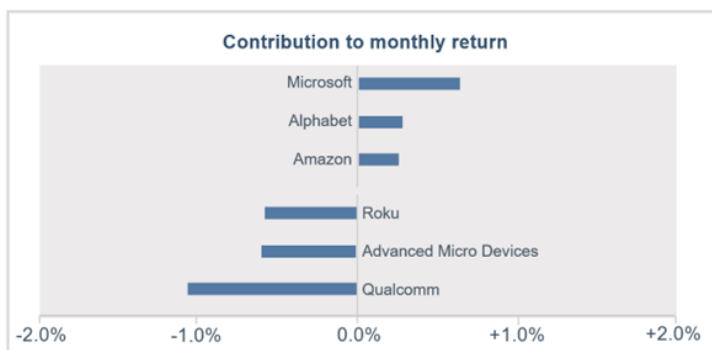
Date	28 April 2023
Entry Price (in AUD)	1.0570
Exit Price (in AUD)	1.0518

The Fund's streaming holdings, **Roku** and **Netflix**, cut -0.9% of the Fund value for the month as the economic outlook worsened and the more fragile parts of the advertising market remain depressed. In Roku's case, the detraction was despite better-than-expected first quarter earnings which beat expectations on key metrics including earnings, revenue, active accounts and the number of hours streamed. Management also offered guidance that came in above estimates. Meanwhile, the set up for Netflix looks promising. The market hardly reacted to news that the company's less than six months old advertising tier (US\$6.99/month) is already generating more revenue per user than its standard plan (at US\$15.49/month) in the US. Netflix also plans for a broad rollout of its paid sharing initiative in Q2.

The Fund had disappointing results from the companies that supply electric componentry to car companies, with **ON Semiconductor** and **Infineon** cutting -0.5% from the Fund value after solid performance in the quarter to March.

As at 28 April 2023, after the impact of currency hedging the Fund carried an Australian dollar exposure of 98.9%.

Selected Contributors and Detractors⁴



Portfolio Construction⁴

At April month end, the Fund was 93.6% invested in 27 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	67.5%
Amazon	ON Semiconductor	Large Cap \$50-100b	6.7%
AMD	Qualcomm	Mid Cap \$2-50b	17.9%
Apple	Roku	Small Cap < \$2b	1.5%
Microsoft	Taiwan Semiconductor		

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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