

# Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



## Research Rating:



May 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

May's performance saw the Fund rise a strong +9.5% net-of-fees – the Fund's best absolute monthly result since inception in July 2022. The benchmark fell -0.4% resulting in outperformance by the Fund of +9.9%, a record for monthly relative performance.

These figures come after a short but significant rally took hold in the second half of the month. Following **Nvidia's** earning call - the first time the AI opportunity was enumerated by the company at the revenue level - AI exposed companies soared. This was particularly true of the semiconductor companies which produce the tools driving artificial intelligence.

Across the month, investors wrestled with the risk of the U.S. reaching its debt ceiling and the possibility that the world's largest economy could default for the first time in history. These fears were alleviated following bipartisan support for a bill; increasing the debt ceiling and cutting back future spending modestly. The bill passed the U.S. House of Representatives on the final day of the month.

Year-to-date, the Fund is up +25.8% net-of-fees. The Fund has generated returns of +15.5% net-of-fees since inception - which translates to +7.2% outperformance net-of-fees.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception
Loftus Peak (Net) <sup>1</sup>	+9.54%	+12.06%	+12.99%	-	-	-	+15.50%
Benchmark	-0.36%	+3.42%	+2.44%	-	-	-	+8.33%
Outperformance (Net) <sup>2</sup>	+9.91%	+8.64%	+10.55%	-	-	-	+7.17%

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 largest contributor to returns this month was **Advanced Micro Devices**, adding +2.4% to Fund value. The AI-exposed semiconductor company first rode high off its own earnings report. It climbed again in the wake of earnings from graphics processing unit (GPU) juggernaut, Nvidia, where management provided guidance which was head and shoulders above expectations. Nvidia contributed almost half of what AMD did - although from a much smaller weight. Despite the company's leading role in the world of generative AI hardware, its valuations make it harder to hold at larger weights, especially as the company presses towards a US\$1 trillion market capitalisation. Custom datacentre chip designer, **Marvell Technology**, also contributed to the Fund's strong May result with the stock price rising +48% over the month and contributing +0.9% to the Fund's value.

**Netflix** contributed +1.9% for the month as investors gain confidence around the company's strategy to monetise users who are currently password sharing. Early subscriber data from a third-party provider pointed to early signs of success in the United States (Netflix's largest market), sending the company's shares higher.

## Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$223 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>	<b>61% less carbon intensive</b> than benchmark: <b>tCO2e/Mil USD</b>  No exposure to companies involved in fossil fuel extraction, generation and related products and services.
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
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.

<sup>3</sup> Source: Sustainalytics as at 31 May 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	31 May 2023
Entry Price (in AUD)	1.1579
Exit Price (in AUD)	1.1521

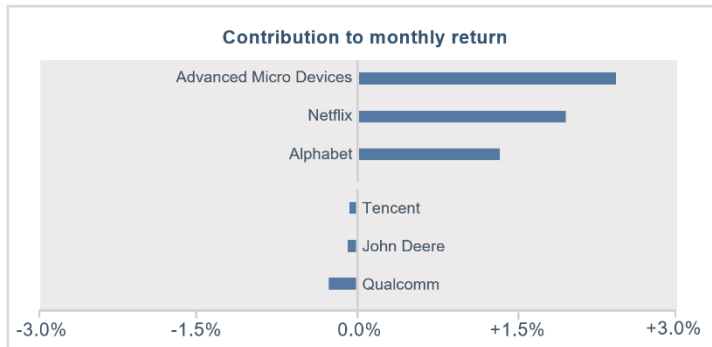
Hyperscalers **Alphabet** and **Amazon** were also strong contributors for the month. Both companies are enablers of AI through their datacentres along with **Microsoft**, which also performed well across May despite already enjoying an AI uplift in its share price across 2023 thanks to its association with OpenAI.

The largest detractor for the month was **Qualcomm**. The company is viewed as less exposed to generative AI than some of its peers in the Fund (despite its chips powering a Stable Diffusion image generation model locally on a smartphone). The company's management estimated on its earnings call that smartphone demand, which continues to be a large portion of revenues, may take longer to normalise than originally thought.

Nevertheless, Qualcomm has increasing exposure to other end-markets including automotive and radio frequency front end. Additionally, we believe a growing number of AI-at-the-edge use cases will emerge (especially where low latency is necessary) that will require Qualcomm's chips.

As at 31 May 2023, after the impact of currency hedging the Fund carried an Australian dollar exposure of 99.7%.

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



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

At May month end, the Fund was 93.0% 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 investors.

Top 10 Holdings (in alphabetical order)		Capitalisation USD	
Alphabet	Netflix	Mega Cap > \$100b	62.7%
Amazon	Nvidia	Large Cap \$50-100b	11.0%
AMD	Qualcomm	Mid Cap \$2-50b	17.2%
Apple	Roku	Small Cap < \$2b	2.1%
Microsoft	Taiwan Semiconductor		

<sup>4</sup> 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](http://www.loftuspeak.com.au) to find more commentary, including Fund performance.

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