

Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



Research Rating:



June 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

The Fund grew +6.0% net-of-fees during June, as markets continued digesting the opportunity in AI and the economy proved more resilient than expected in the face of rising interest rates. The MSCI All Countries World Index (net dividends reinvested) hedged to Australian dollars rose +5.3%, resulting in outperformance by the Fund of +0.7%. Notably, the Federal Open Market Committee elected to pause the benchmark Fed Funds Rate at 5.25% - the first time since the beginning of their inflation-busting campaign in early 2022. The move was guided by May data that showed a drop in the US consumer price index to just 4% year-over-year from a peak of 9.1% in June 2022, giving policy makers some comfort that interest rate hikes are having the desired effect on the economy. Nevertheless, Fed Chair Jerome Powell reiterated his resolve to hike rates further if needed.

The Fund's quarterly performance of +11.0% net-of-fees was supported by gains in long-held companies like **Netflix**, **Amazon** and **Microsoft**, together making up almost half of the contribution. Our semiconductor holdings, including **Advanced Micro Devices (AMD)**, **Nvidia** and **Marvell Technology** enjoyed a boost from the advent of generative artificial intelligence and its potential future iterations and uses. Loftus Peak has always held exposure to this megatrend, recognising its nascent potential. For the six-month period to end June, the Fund grew +33.3% net-of-fees which was again thanks primarily to our core exposures to semiconductors, hyperscalers and streamers.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception
Loftus Peak (Net) ¹	+5.96%	+10.97%	+33.31%	-	-	-	+22.38%
Benchmark	+5.27%	+6.29%	+13.14%	-	-	-	+14.04%
Outperformance (Net) ²	+0.69%	+4.68%	+20.17%	-	-	-	+8.34%

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

Samsara was the largest contributor to return in June, increasing Fund value by +1.2% in the month. The company's June performance cemented its strong run in 2023 thus far, becoming one of the Fund's top performers year-to-date. Samsara's first quarter earnings revealed revenue growth of +43% year-on-year and improving operating margins, raising the stock price early in the month. **Netflix** was the second largest contributor, adding +0.8% to Fund value. The company is currently embarking on a campaign to monetise the ~100 million users accessing Netflix via password sharing. Preliminary third-party data released during the month has suggested the crackdown has been effective. We await confirmation of these figures at Netflix' second quarter earnings result in July.

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$229 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}	57% less carbon intensive than benchmark: tCO2e/Mil USD 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 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.

³Source: Sustainalytics as at 30 June 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	30 June 2023
Entry Price (in AUD)	1.2269
Exit Price (in AUD)	1.2207

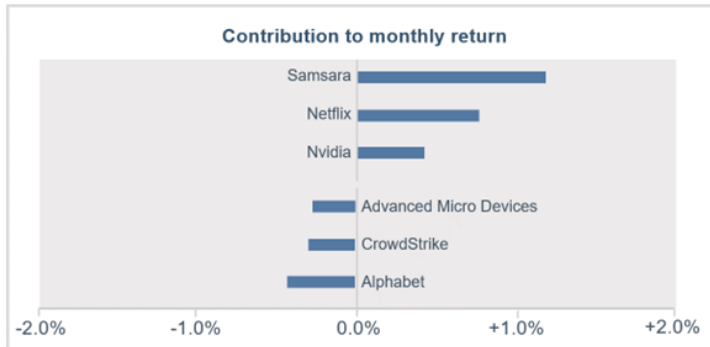
Following May's extraordinary earnings report, Nvidia maintained momentum and was a top contributor to June Fund performance. Investors are increasingly aware of Nvidia's position at the top of the food chain for high power compute and how integral the supply of their GPUs is to AI workloads.

The biggest detractors for the month were **Alphabet** and **AMD** - two stocks that made significant gains in the first few months of the year. Regulatory headwinds contributed to Alphabet's June fall with news that both Canada and California were moving to institute legislation aimed at charging big platforms for linking to news stories. The bills echo the familiar Australian legislation passed in 2021.

AMD also cooled off slightly in June. We are confident in the long-term growth trajectory of AMD given its growing market share in the more traditional (CPU-based) compute and strategic positioning in relation to artificial intelligence. Oracle Chairman, Larry Ellison, suggested that while the company was spending "billions of dollars" on Nvidia GPUs for its datacentres, it would spend "three times that" on CPUs from AMD and Ampere (an arm-based cloud-native CPU company).

As at 30 June 2023, after the impact of currency hedging the Fund carried an Australian dollar exposure of 97.6%.

Selected Contributors and Detractors⁴



Portfolio Construction⁴

At June month end, the Fund was 95.4% 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	67.8%
Amazon	Nvidia	Large Cap \$50-100b	10.2%
AMD	Qualcomm	Mid Cap \$2-50b	15.6%
John Deere	Roku	Small Cap < \$2b	1.8%
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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