Loftus Peak Global Disruption Fund

Investing | Future Focused





Research Ratings:







January 2024 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. Our Australian Securities Exchange listed Fund (ASX code: LPGD) 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 Microsoft 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

Equities had a strong start to the year. Earnings releases for the December quarter are underway and so far, the results have mostly vindicated the positive price movements seen across the last couple of months. The Fund gained +7.5% net-of-fees over January, outperforming the Fund's benchmark MSCI All Countries World Index (net) as expressed in AUD from Bloomberg by +3.3%.

At the end of the month US Federal Reserve Chair Jerome Powell threw cold water on the aggressive rate cut schedule that some investors were expecting. A seemingly strong labour market in the U.S. as well as restricted international shipping through both the Suez and Panama canals add weight to his outlook.

Predicting the time and scale of Fed decisions is difficult. While an aggressive cutting schedule seems increasingly unlikely, we believe the Fed remains pitched for cuts, not hikes. Confidence in the direction of rates is all the comfort needed for well capitalised companies which have the balance sheets to weather the current target rate for some time.

	1m	3m	6m	1y	3y p.a.	5y p.a.	7y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+7.50%	+24.20%	+15.36%	+55.70%	+10.90%	+20.39%	+19.84%	+20.26%
Benchmark ²	+4.25%	+10.68%	+6.13%	+22.59%	+11.46%	+12.34%	+11.90%	+12.44%
Outperformance (Net) ³	+3.25%	+13.52%	+9.23%	+33.11%	-0.57%	+8.06%	+7.95%	+7.82%

Past performance is not a reliable indicator of future performance. Returns greater than one-year are annualised.

Source: Loftus Peak, Bloomberg

Contributors and Detractors to Return

Netflix was the biggest contributor, adding +1.7% to Fund value as it reported surging earnings, the strongest growth in subscribers since Covid and a share buyback - the second now in four years. Meanwhile, its competitors (Disney, HBO, Paramount) face mounting losses as they struggle with too few servings of top-grade streaming content. There is just one happy place for streaming businesses, and it is reached when new entertainment spending is financed by increases in subscribers, revenues and earnings.

Sentiment toward **Nvidia** was very favourable - it added +1.0% to Fund value in the month on a stock price that grew just over 20%, buoyed by a slew of data points around the uptake of generative Al. **Meta** (which contributed +0.6% for the month) has indicated that by the end of the year the company will hold 350,000 Nvidia H100s (~14% of all H100s in existence), spending an estimated USD10.5b in 2024 alone to get there.

Microsoft's Al rollout, a subject of many questions from the analyst community, puts the company on track to generate over USD3 billion in revenue from Al-related services across the first full year of the technology. This number alone seemed enough to justify the company's 58% rise over the past year. Microsoft Azure, the cloud on which this Al inference is being run, grew 28% year-over-year in constant currency. **Alphabet**'s Google Cloud also reported a strong quarter, growing +27% year-over-year and reaccelerating growth.

Key Facts	
Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMC0110AU
Fund FUM (AUD)	\$337 million
Strategy FUM (AUD)	\$362 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) (as expressed in AUD from Bloomberg)
Carbon Intensity ¹	55% less carbon intensive than benchmark: tCO2e/Mil USD 52.5 (LPGD)
	117.8 (benchmark)
	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
Additional Investment via BPAY®	BPAY® Biller Code: 349845 Customer Reference Number (CRN): generated after initial application.
	Please note that BPAY® is not available for purchasing units on the ASX.
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 Ratings (Lonsec, SQM, Zenith)	Click Lonsec, SQM or Zenith logo on our website to request a copy.

¹ Source: Sustainalytics as at 29 December 2023.

² No minimum investment for units purchased on the ASX

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 January 2024
Entry Price (in AUD)	4.0212
Exit Price (in AUD)	4.0012

¹ Net-of-fees performance for the Fund is based on end-of-month redemption 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 The benchmark for the Fund is the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg.

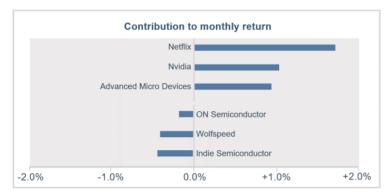
³ Outperformance is shown as the Loftus Peak (Net) minus the Benchmark

Advanced Micro Devices is a distant second to Nvidia in the GPU (graphics processing unit) market for now, but even that position pushed the stock price sharply higher in January, resulting in a +0.9% contribution to Fund value. AMD is now pointing to datacentre GPU revenue greater than USD3.5b against previous guidance of USD2b. For context, the company sold a little more than USD400m in datacentre GPUs in 2023.

The Magnificent Seven trade is under pressure as Tesla's earnings sent the digitised electric vehicle maker down almost -25% across the month. We do not hold Tesla on account of valuation and its weakness was sufficient to weigh down high end auto market suppliers. Our automotive exposed semiconductor names were the main detractors for the month including **Indie Semiconductors**, **Wolfspeed** and **ON Semiconductor**, detracting -0.4%, -0.4% and -0.2% respectively.

The Australian dollar depreciated -3.1% against the US dollar over the month, which meant the value of the Fund's US dollar positions increased. As at 31 January 2024, the Fund carried a foreign currency exposure of 99.2%.

Selected Contributors and Detractors



Portfolio Construction

At January month end, the Fund was 94.8% 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	Nvidia	
AMD	Qualcomm	
Meta	Roku	
Microsoft	Taiwan Semiconductor	

67.9%
7.5%
18.1%
1.3%

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 began his career as an analyst in global disruption investment more than fifteen years ago. This was soon followed by portfolio manager responsibilities across information technology and communications services sectors, before taking on the Portfolio Manager role at Loftus Peak as one of the founders of the firm in 2014.

Being mentored by the best in this space early on in his career, and having travelled extensively to meet hundreds of global companies, Anshu brings a wealth of experience to investing in disruption.



Rick Steele

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.



RATINGS DISCLAIMERS

LONSEC: The rating issued April 2023 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2023 Lonsec. All rights reserved.

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 product such that the rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating 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 manager investment scheme.

ZENITH: The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned MMC0110AU 30/11/2023) referred to in this piece is limited to "General Advice" (\$766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory Compliance are available on our Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory Compliance are available on our Product Assessments.

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. 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") in deciding whether to acquire, or continue to hold, the product. A PDS and application form is available at 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.

not indicative of future performance.

The Loftus Peak Global Disruption Fund's Target Market Determination is available at http://www.loftuspeak.com.au in the downloads 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.