

Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



Research Rating:



March 2024 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 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 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 tail end of December quarter company reporting in March was generally positive for Fund holdings, resulting in a return of +3.8% net-of-fees for the month. This was outperformance of +0.6% relative to the Fund's benchmark, MSCI All Countries World Index (net) hedged to Australian dollars.

March saw the year's second U.S. Federal Reserve meeting, which yielded a widely anticipated result of no change to the Fed Fund rate. Despite some economic data pointing to a relatively robust U.S. economy (a stronger economy gives the Fed less leeway to cut rates), Fed Chair Jerome Powell struck a rather dovish tone. The dot plots (which indicates Fed member predictions of future rates) indicates three rate cuts across 2024.

Investment returns for the quarter were also strong. The so-called "Magnificent Seven" has now slimmed down to the "Fab Four" and continue to rise higher.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+3.79%	+13.48%	+35.92%	+43.11%	-	-	+29.79%
Benchmark	+3.24%	+9.33%	+18.89%	+22.94%	-	-	+17.14%
Outperformance (Net) ²	+0.55%	+4.16%	+17.03%	+20.17%	-	-	+12.65%

Past performance is not a reliable indicator of future performance. Returns greater than one-year are annualised.
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, Reference Guide and Target Market Determination.

² Outperformance is shown as the Loftus Peak (Net) minus the Benchmark.

Contributors and Detractors to Return⁴

The largest contributor for the month was **Taiwan Semiconductor Manufacturing**, which contributed +1.1% to the Fund's return. The company is the linchpin for the global high end semiconductor industry. AI chips from **Nvidia** to **Broadcom** are manufactured by TSMC. Despite last year's movements in Artificial Intelligence (AI) related semiconductors, TSMC continues to trade at a discount to the S&P 500. The company is the beneficiary of the uptick in demand for AI chips as well as cyclical recovery of traditional end markets in electronic devices.

Micron Technology, the second largest contributor for the month, added +0.9% to the Fund. The share price soared following its earnings report. Micron designs memory chips, the necessary component needed to complement the logic chips of Nvidia and **Advanced Micro Devices**. Memory is historically a cyclical industry, however the additional demand from AI as well as incremental internet of things (IoT) use cases have pulled forward the demand for memory. This has allowed the company to significantly increase earnings as it heads back into the cyclical tailwind of its traditional end markets in consumer electronics (much like TSMC).

Consumer electronics are themselves being disrupted with **Qualcomm**, a mainstay player in mobile phones and the third largest contributor for the month. The company contributed +0.6% after releasing further information on its upcoming Snapdragon X Elite, which will be the company's first meaningful foray into chips for laptops and perhaps the first meaningful debut of the ARM architecture into personal electronic devices. This disrupts incumbent computer chip producers, like Intel, by offering customers devices that have longer battery life and are most able to run AI models locally.

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$818 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>60% less carbon intensive than benchmark:</p> <p>tCO2e/Mil USD</p> <p>48.2 (LPGD)</p> <p>121.7 (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
Additional Investment via BPAY [®]	BPAY [®] Biller Code: 427419 Customer Reference Number (CRN): generated after initial application.
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 March 2024.

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 March 2024
Entry Price (in AUD)	1.5821
Exit Price (in AUD)	1.5743

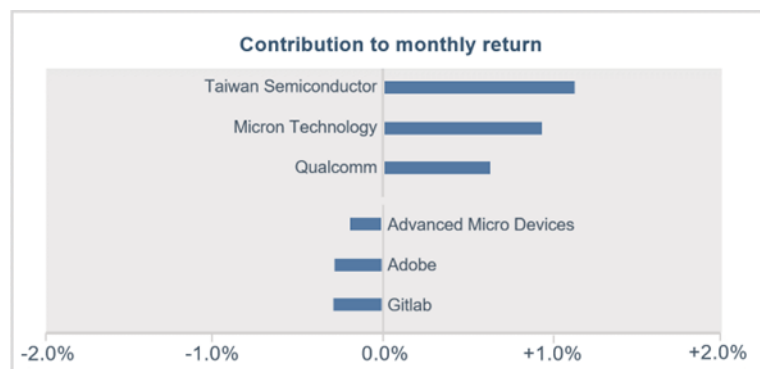
Of course, Nvidia remains the key company underpinning the deployment of AI. The company hosted its GPU Technology Conference where it showcased its next generation of data centre chip, the GB200. This chip will use 4nm wafers made by Taiwan Semiconductor Manufacturing. CEO Jensen Huang has touted the chip as being capable of processing trillion-parameter AI models up to 30 times faster and at one-quarter power usage.

The company is expected to ramp chip shipments in 2025 and will be dilutive to gross margins. This has negative read through for AMD as the lesser margins suggest higher volumes which could crowd out Nvidia alternatives. AMD was among our largest detractors for the month.

The other largest detractors for the month were software names: **Adobe** and **GitLab**. The two companies reported during the month. Despite both eclipsing expectations for their earnings, these holdings offered weaker than expected near term guidance. Nevertheless, both these companies retain their longer-term optionality as they roll out generative AI offerings.

As at 28 March 2024, after the impact of currency hedging the Fund carried an Australian dollar exposure of 99.3%.

Selected Contributors and Detractors⁴



Portfolio Construction⁴

At March month end, the Fund was 96.3% invested in 29 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	Microsoft	Mega Cap > \$100b	74.9%
Amazon	Netflix	Large Cap \$50-100b	8.4%
Broadcom	Nvidia	Mid Cap \$2-50b	12.0%
Meta	Qualcomm	Small Cap < \$2b	1.0%
Micron Technology	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.

RATINGS DISCLAIMERS

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

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 (Hedged). 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") and Reference Guide in deciding whether to acquire, or continue to hold, the product. The PDS, Reference Guide and application form are 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.

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 began his career as an analyst in global disruption investment more than a 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

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.

5 Years of Recognition



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

Loftus Peak Pty Limited ABN 84 167 859 332 AFSL 503 571