

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



Lonsec Research
- Investment Grade



SQM Research
- 4.25 Stars



Zenith Investment Partners
- Approved

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. 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 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 +25.9% net-of-fees gain the Fund generated in the first quarter of this calendar year, with March alone contributing an uplift of +9.1%. The -4.4% net-of-fees performance by the Fund was -7.1% below the MSCI All Countries benchmark in Australian dollars which gained +2.7% in April.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	-4.41%	+8.18%	+12.84%	+6.00%	+8.63%	+13.32%	+16.12%
Benchmark ²	+2.69%	+8.20%	+8.91%	+9.26%	+11.52%	+9.88%	+11.80%
Outperformance (Net) ³	-7.11%	-0.02%	+3.93%	-3.27%	-2.88%	+3.44%	+4.33%

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

Source: Loftus Peak, Bloomberg

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.

Contributors and Detractors to Return

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	15 November 2016
ASX Code APIR Code	LPGD MMCO110AU
Fund FUM (AUD)	\$185 million
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) (as expressed in AUD from Bloomberg)
Carbon Intensity ¹	<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
Additional Investment via BPAY [®]	<p>BPAY[®] Biller Code: 349845 Customer Reference Number (CRN): generated after initial application.</p> <p><i>Please note that BPAY[®] is not available for purchasing units on the ASX.</i></p>
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 28 April 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

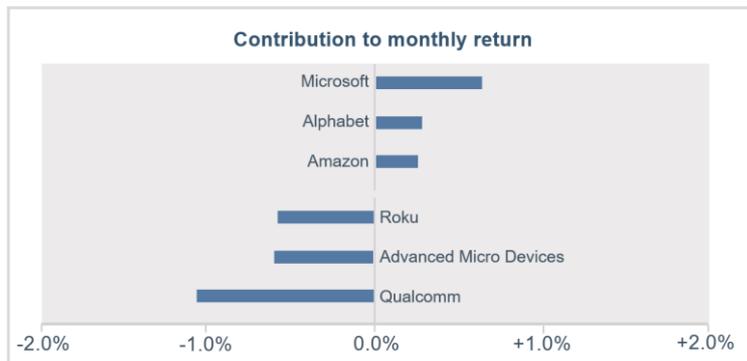
Date	28 April 2023
Entry Price (in AUD)	2.7939
Exit Price (in AUD)	2.7799

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 detractor 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.

The Australian dollar depreciated -1.3% against the US dollar over the month, which meant the value of the Fund's US dollar positions increased. As at 28 April 2023, the Fund carried a foreign currency exposure of 95.8%.

Selected Contributors and Detractors



Portfolio Construction

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)	
Alphabet	Netflix
Amazon	ON Semiconductor
AMD	Qualcomm
Apple	Roku
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	67.5%
Large Cap \$50-100b	6.7%
Mid Cap \$2-50b	17.9%
Small Cap < \$2b	1.5%

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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.

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 travelled extensively 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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