

Loftus Peak Global Disruption Fund

Investing | Future Focused



ASX:LPGD

Research Ratings:



Lonsec Research
- Investment Grade



SQM Research
- 4.25 Stars



Zenith Investment Partners
- Approved

December 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 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

2023 ended with a bang as the Fund racked up a further +3.1% net-of-fees gain during the month, outperforming the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg by +1.8% and bringing the total return for the year to +61.2% net-of-fees, outperformance of +39.3%. It was the best year in the Fund's history for both absolute and relative performance.

In his December address, Fed Chair Jerome Powell said that rate hikes were “not the base case anymore” and left open a path to rate cuts in 2024. The months-long rally seen in equity markets and steep decreases in US Treasury yields showed that investors had already figured this out - the futures market is now pricing 1.5% in interest rate reductions through 2024. This entire manoeuvre may become known as an interest rate pivot with downward inflation twist and accompanying soft landing. In truth, it has been well executed.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+3.09%	+15.33%	+13.10%	+61.19%	+10.11%	+20.45%	+19.30%
Benchmark ²	+1.28%	+4.63%	+4.65%	+21.92%	+10.00%	+12.39%	+11.94%
Outperformance (Net) ³	+1.82%	+10.69%	+8.45%	+39.27%	+0.11%	+8.06%	+7.36%

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 Fund's semiconductor holdings were the top performers again, with **Qualcomm**, **Advanced Micro Devices**, **Broadcom**, **Wolfspeed**, and **ON Semiconductor** making up the top five contributors for December, adding a total of +2.7% to Fund value. It is worth noting that none of the 'Magnificent Seven' (Apple, **Alphabet**, **Microsoft**, **Meta**, **Amazon**, **Tesla** and **Nvidia**) made it into this top group in December.

They (Qualcomm, AMD et al) are nonetheless important players across a diverse range of industries including transportation, media, retail, banking and communications. Even this late in the development of semiconductors there are still formal GICS® classifications which pigeonhole the companies making these building blocks as if they were a category separate from the industries which they power. Such outdated classifications are analogous to the categorisation of a shoe factory powered by coal fired electricity as an energy play.

The largest underperformers were **Roku** and **Microsoft**, which together cut -0.9% from the value of the Fund in December notwithstanding being very strong performers for the year, contributing +6.0% and +4.8% respectively.

Microsoft's performance for the year is witness to the broader disruptive trend that is Artificial Intelligence (AI). Beginning with Microsoft's partnership with OpenAI in late 2022, AI has energised the well-capitalised companies that exist along the data value chain. This is especially clear in the hyperscalers (Microsoft, Amazon and Alphabet) as well as in semiconductors.

Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMC0110AU
Fund FUM (AUD)	\$309 million
Strategy FUM (AUD)	\$331 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>55% less carbon intensive than benchmark:</p> <p>tCO2e/Mil USD</p> <p>52.5 (LPGD)</p> <p>117.8 (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>Please note that BPAY® is not available for purchasing units on the ASX.</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 31 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 December 2023
Entry Price (in AUD)	3.7406
Exit Price (in AUD)	3.7220

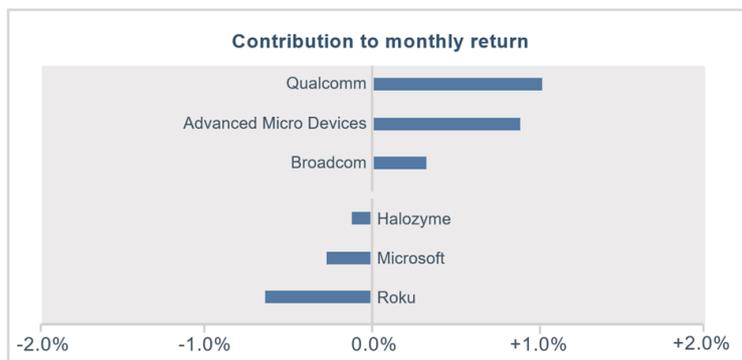
Of the Magnificent Seven, Nvidia's stock price rose the most across 2023. However, the chip designer's exposure to AI was not unique in the semiconductor space. Our semiconductor holdings generated +24.0% in performance across 2023. Point in fact, our largest overall contributor was Advanced Micro Devices, which added +7.3% across 2023.

Roku, our third largest contributor (behind Amazon), demonstrated the re-acceleration of digital advertising. This was also reflected in the adoption (or announcement) of an ad-supported tier for Netflix and Amazon Prime.

As 2024 approaches, the Fed has propounded rate cuts (although the timing and quantity is uncertain). Disruption is a multi-year process. The companies in which we invest may change as valuations evolve. However, opportunities that we see for semiconductors, advertising, automobiles and AI will likely remain in play through 2024.

The Australian dollar appreciated +2.9% against the US dollar over the month, which meant the value of the Fund's US dollar positions decreased. As at 31 December 2023, the Fund carried a foreign currency exposure of 99.5%.

Selected Contributors and Detractors



Portfolio Construction

At December month end, the Fund was 97.5% invested in 28 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

Capitalisation USD	
Mega Cap > \$100b	69.4%
Large Cap \$50-100b	11.2%
Mid Cap \$2-50b	15.0%
Small Cap < \$2b	1.9%

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 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 managed 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" (s766B 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 and at Fund Research Regulatory Guidelines.

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.

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 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

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.

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