

Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



Research Rating:



August 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 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 Fund's value fell -4.2% net-of-fees during August, underperforming the Fund's benchmark, the MSCI All Countries World Index (net) hedged to Australian dollars by -2.1%.

Kicking off August was the worrying news that credit ratings agency, Fitch, had downgraded US sovereign debt from AAA to AA+, sparking fresh concerns surrounding the health of the US economy. Further cuts to ratings of US regional banks by leading ratings agencies Moody's and S&P Global added to these concerns, pushing share markets down in the first half of the month.

Late in the month the US Federal Reserve had its Jackson Hole meeting at which it flagged the possibility of higher rates were the economic data to support it. It has not – immediately following the meeting both job growth and inflation data suggested that the Fed need not raise nor cut, at least until November or even further. Markets subsequently rallied to close out August.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a
Loftus Peak (Net) ¹	-4.25%	+7.32%	+20.26%	+17.10%	-	-	+20.21%
Benchmark	-2.15%	+6.18%	+9.81%	+11.42%	-	-	+12.75%
Outperformance (Net) ²	-2.09%	+1.13%	+10.45%	+5.68%	-	-	+7.46%

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.

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

Contributors and Detractors to Return⁴

The largest contributor for the month was **Nvidia** at +0.7%, on considerable volatility - starting the month at US\$465, before falling to US\$408 and then rallying into the results and beyond all the way to US\$492. The company exceeded quarterly revenue expectations by 24% and is on track to deliver US\$17 a share EPS in FY25 (CY24), implying a forward price-to-earnings multiple of under 30x. While this may not be viewed as cheap by some, the company's historical EPS was around \$3/share, so growth in earnings is fivefold, which helps to explain the share price move to US\$492.

Beyond Nvidia, there are many other portfolio companies that are benefitting from increased demand for AI solutions, such as **Advanced Micro Devices**, **Arista Networks**, **Marvell Technology**, **Microsoft**, **Alphabet** and **Amazon**. All these companies can lay claim to a valuable piece of the AI puzzle, and so provide diversification away from just one company, thus reducing risk for investors.

Netflix recovered well in August to add +0.3% contribution to return as the market started to take more seriously the strength of its competitive position relative to Paramount, HBO and even Disney.

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$264 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>54% less carbon intensive than benchmark:</p> <p>1CO2e/Mil USD</p> <p>68.8 (LPGD)</p> <p>148.8 (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
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: Sustainability as at 31 August 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	31 August 2023
Entry Price (in AUD)	1.2426
Exit Price (in AUD)	1.2364

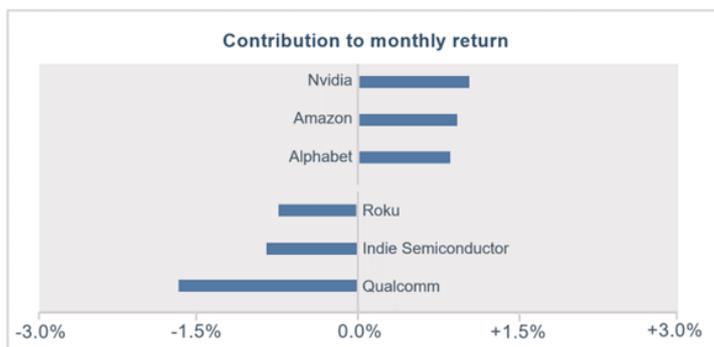
Palo Alto Networks, one of the Fund's cybersecurity holdings, had a tumultuous month. The stock fell after announcing that it would report earnings on a Friday evening - an unconventional time slot (and one which the market interprets with uneasiness) and fell again after one of its peers indicated slowing growth in a key segment. However, earnings came through strongly. The downtrend reversed and the company showcased the robustness of IT security demand despite the tough macroenvironment. This was similarly reflected in the solid earnings of the Fund's other cybersecurity holding **CrowdStrike**.

Qualcomm, was the worst performer, cutting -1.1% from the Fund value, as investors fretted that the cyclical recovery for mobile phones, notebooks and tablets is being pushed out. We believe that Qualcomm has a substantial runway for growth into the next few years. Its burgeoning automotive and IoT businesses are showing promising signs of growth and it has optionality in offering AI-at-the-edge.

The Fund's electrification companies – **Wolfspeed**, **Infinion** and **On Semiconductor** were detractors together generating a negative contribution to return for the month of -0.8%.

As at 31 August 2023, after the impact of currency hedging the Fund carried an Australian dollar exposure of 97.2%.

Selected Contributors and Detractors⁴



Portfolio Construction⁴

At August month end, the Fund was 94.0% 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)		Capitalisation USD	
Alphabet	Netflix	Mega Cap > \$100b	67.4%
Amazon	Nvidia	Large Cap \$50-100b	6.6%
AMD	Qualcomm	Mid Cap \$2-50b	18.0%
Meta	Roku	Small Cap < \$2b	2.0%
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.

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