

Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



Research Rating:



December 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

2023 ended with a bang as the Fund racked up a further +6.3% net-of-fees gain during the month, outperforming the MSCI All Countries World Index (net dividends reinvested) hedged to Australian dollars by +2.4% and bringing the total return for the year to +51.5% net-of-fees, outperformance of +31.8%.

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	+6.32%	+19.77%	+13.64%	+51.49%	-	-	+24.59%
Benchmark	+3.89%	+8.75%	+5.79%	+19.70%	-	-	+13.33%
Outperformance (Net) ²	+2.43%	+11.02%	+7.84%	+31.79%	-	-	+11.26%

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 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	1 July 2022
APIR Code	ETL9930AU
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 dividends reinvested) hedged to Australian dollars
Carbon Intensity ^{3,4}	<p>55% less carbon intensive than benchmark: tCO2e/Mil USD</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: Sustainalytics as at 31 December 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 December 2023
Entry Price (in AUD)	1.3942
Exit Price (in AUD)	1.3872

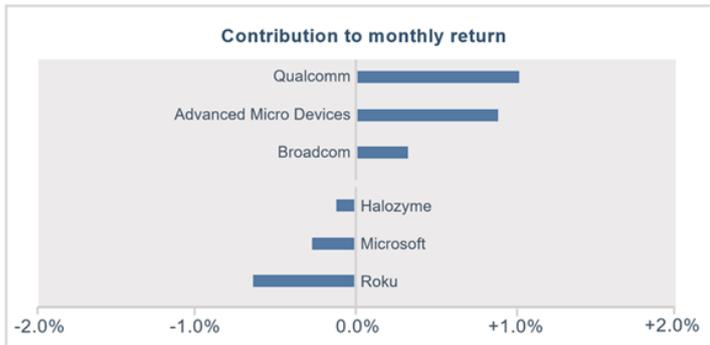
Of the Magnificent Seven, Nvidia's stock price rose the most across 2023. However, the chip designer's exposure to AI was not unique in the semiconductor space. Our semiconductor holdings generated +24.0% in performance across 2023. Point in fact, our largest overall contributor was Advanced Micro Devices,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

As at 31 December 2023, after the impact of currency hedging the Fund carried an Australian dollar exposure of 99.9%.

Selected Contributors and Detractors⁴



Portfolio Construction⁴

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%

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 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