

# Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



## Research Rating:



February 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

Many of the Fund's holdings reported December quarter numbers in February resulting in a return of +5.1% net-of-fees for the month. This was outperformance of +0.4% relative to the Fund's benchmark, the MSCI All Countries World Index (net) hedged to Australian dollars.

Large capitalisation companies were the best performers in the Fund. We are mindful that there may be significant value in the smaller end, and continue to comb the market for these, but the growth in revenue and earnings growth for the mega-caps is hard to argue.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a
Loftus Peak (Net) <sup>1</sup>	+5.07%	+16.25%	+22.68%	+47.53%	-	-	+28.59%
Benchmark	+4.65%	+10.02%	+11.07%	+21.97%	-	-	+15.83%
Outperformance (Net) <sup>2</sup>	+0.42%	+6.23%	+11.60%	+25.56%	-	-	+12.76%

Past performance is not a reliable indicator of future performance. Returns greater than one-year are annualised. Source: Loftus Peak, MSCI

<sup>1</sup> 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.

<sup>2</sup> Outperformance is shown as the Loftus Peak (Net) minus the Benchmark.

## Contributors and Detractors to Return<sup>4</sup>

**Meta** was the largest contributor, adding +1.4% to return. In its earnings report, the company referenced its "year of efficiency" with operating costs down -7.9% year-over-year as revenues increased +24.7%. Across the full year, advertising impressions increased +28.0% year-over-year as the price per ad decreased -9.0%. The stock jumped +20.3% overnight, adding approximately USD 200 billion in value – the largest ever one-night increase in a company's market capitalisation (until later in the month, see Nvidia below).

**Amazon** contributed +1.3% to Fund return, with the company exceeding expectations for revenue and non-GAAP earnings per share. The company's ecommerce business grew at +6.8% year-over-year while its cloud division, the largest in the world, grew +13.2% year-over-year in constant currency. The company appears to have arrested the decline in growth for AWS which began in Q1 2021. This comes as the company has ramped up the use of large language model AI workloads such as Claude which Amazon accesses through a partnership with Anthropic.

**Nvidia** also reported, again beating expectations. The stock price increased +16.4%, adding around USD 320 billion to the value of the company, breaking the record set earlier in the month by Meta. This move took the semiconductor company to just below USD 2 trillion market capitalisation. Nvidia contributed +1.0% to the Fund. The company reported quarterly year-over-year revenue growth of +409% for its mainstay datacentre business. At its current price, Nvidia's valuation requires the company to sustain this meteoric growth into the future, which in truth is a possibility.

## Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$400 million (\$761 million from 1 March 2024)
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 <sup>3,4</sup>	<p><b>67% less carbon intensive</b> than benchmark:</p> <p>tCO2e/Mil USD</p> <div style="display: flex; align-items: center;"> <div style="width: 100px; height: 20px; background-color: #0056b3; margin-right: 10px;"></div> <span>39.0 (LPGD)</span> </div> <div style="display: flex; align-items: center;"> <div style="width: 100px; height: 20px; background-color: #808080; margin-right: 10px;"></div> <span>119.9 (benchmark)</span> </div> <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 <sup>2</sup>	\$5,000
Additional Investment via BPAY <sup>®</sup>	BPAY <sup>®</sup> 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.

<sup>3</sup> Source: Sustainalytics as at 29 February 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

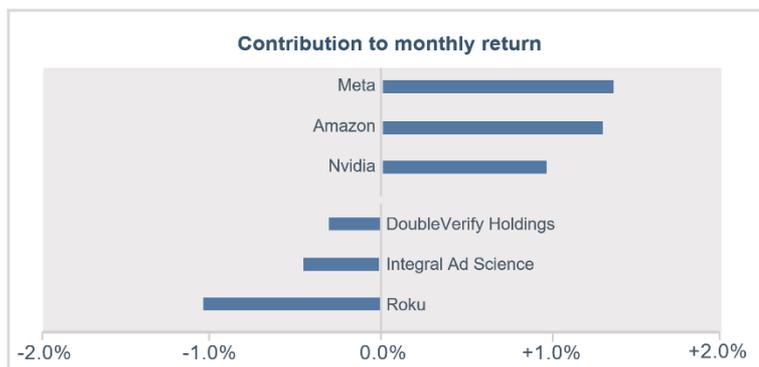
Date	29 February 2024
Entry Price (in AUD)	1.5244
Exit Price (in AUD)	1.5168

While not quite as exposed to AI as Nvidia (which is arguably the highest possible threshold for comparison), we believe other semiconductor companies do offer exposure, specifically **Taiwan Semiconductor Manufacturing Company** and **Qualcomm**. Another semiconductor company, **Advanced Micro Devices**, has optionality into the datacentre market which underpins Nvidia's monumental growth. These three companies combined contributed +2.1% to the Fund - more than double Nvidia.

Our mid cap holdings did not keep up. We saw weakness in advertising with the top detractors being **Roku**, **DoubleVerify** and **Integral Ad Science**. The market is pricing a weaker recovery in digital advertising, which heavily impacts the high growth modelled for these companies. While these three companies are disruptive, we acknowledge that their valuations require high growth which entails execution risk. For this reason, they are held at smaller weights. Our commitment to this valuation-based risk-management approach limits the threat of underperformance should a number of these small holdings fall significantly.

As at 29 February 2024, after the impact of currency hedging the Fund carried an Australian dollar exposure of 100.4%.

## Selected Contributors and Detractors<sup>4</sup>



## Portfolio Construction<sup>4</sup>

February month end, the Fund was 96.5% 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)	
Alphabet	Microsoft
Amazon	Netflix
AMD	Nvidia
Broadcom	Qualcomm
Meta	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	71.5%
Large Cap \$50-100b	8.4%
Mid Cap \$2-50b	13.0%
Small Cap < \$2b	3.6%

<sup>4</sup> 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.

Visit [www.loftuspeak.com.au](http://www.loftuspeak.com.au) to find more commentary, including Fund performance.

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