

Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



Research Rating:



January 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

Equities had a strong start to the year. Earnings releases for the December quarter are underway and so far, the results have mostly vindicated the positive price movements seen across the last couple of months. The Fund gained +4.1% net-of-fees over January, outperforming the MSCI All Countries World Index (net dividends reinvested) hedged to Australian dollars by +2.9%.

At the end of the month US Federal Reserve Chair Jerome Powell threw cold water on the aggressive rate cut schedule that some investors were expecting. A seemingly strong labour market in the U.S. as well as restricted international shipping through both the Suez and Panama canals add weight to his outlook.

Predicting the time and scale of Fed decisions is difficult. While an aggressive cutting schedule seems increasingly unlikely, we believe the Fed remains pitched for cuts, not hikes. Confidence in the direction of rates is all the comfort needed for well capitalised companies which have the balance sheets to weather the current target rate for some time.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+4.06%	+27.29%	+11.80%	+38.59%	-	-	+26.30%
Benchmark	+1.19%	+13.25%	+3.85%	+14.19%	-	-	+13.43%
Outperformance (Net) ²	+2.87%	+14.04%	+7.94%	+24.40%	-	-	+12.86%

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, Reference Guide and Target Market Determination.

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

Contributors and Detractors to Return⁴

Netflix was the biggest contributor, adding +1.7% to Fund value as it reported surging earnings, the strongest growth in subscribers since Covid and a share buyback - the second now in four years. Meanwhile, its competitors (Disney, HBO, Paramount) face mounting losses as they struggle with too few servings of top-grade streaming content. There is just one happy place for streaming businesses, and it is reached when new entertainment spending is financed by increases in subscribers, revenues and earnings.

Sentiment toward **Nvidia** was very favourable - it added +1.0% to Fund value in the month on a stock price that grew just over 20%, buoyed by a slew of data points around the uptake of generative AI. **Meta** (which contributed +0.6% for the month) has indicated that by the end of the year the company will hold 350,000 Nvidia H100s (~14% of all H100s in existence), spending an estimated USD10.5b in 2024 alone to get there.

Microsoft's AI rollout, a subject of many questions from the analyst community, puts the company on track to generate over USD3 billion in revenue from AI-related services across the first full year of the technology. This number alone seemed enough to justify the company's 58% rise over the past year. Microsoft Azure, the cloud on which this AI inference is being run, grew 28% year-over-year in constant currency. **Alphabet's** Google Cloud also reported a strong quarter, growing +27% year-over-year and reaccelerating growth.

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$362 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:</p> <p>tCO2e/Mil USD</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="width: 40%; height: 20px; background-color: #0056b3; margin-bottom: 5px;"></div> <p>52.5 (LPGD)</p> </div> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="width: 60%; height: 20px; background-color: #444; margin-bottom: 5px;"></div> <p>117.8 (benchmark)</p> </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 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

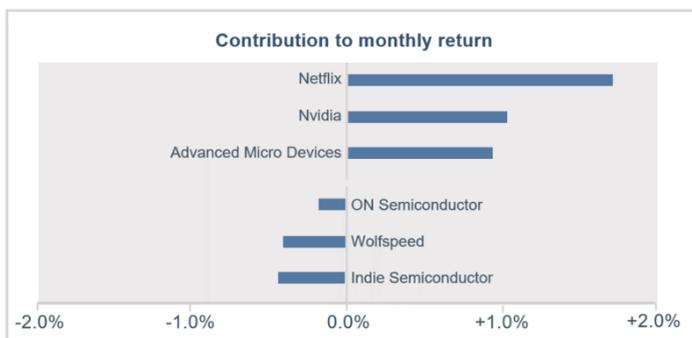
Date	31 January 2024
Entry Price (in AUD)	1.4508
Exit Price (in AUD)	1.4436

Advanced Micro Devices is a distant second to Nvidia in the GPU (graphics processing unit) market for now, but even that position pushed the stock price sharply higher in January, resulting in a +0.9% contribution to Fund value. AMD is now pointing to datacentre GPU revenue greater than USD3.5b against previous guidance of USD2b. For context, the company sold a little more than USD400m in datacentre GPUs in 2023.

The Magnificent Seven trade is under pressure as Tesla's earnings sent the digitised electric vehicle maker down almost -25% across the month. We do not hold Tesla on account of valuation and its weakness was sufficient to weigh down high end auto market suppliers. Our automotive exposed semiconductor names were the main detractors for the month including **Indie Semiconductors**, **Wolfspeed** and **ON Semiconductor**, detracting -0.4%, -0.4% and -0.2% respectively.

As at 31 January 2024, after the impact of currency hedging the Fund carried an Australian dollar exposure of 101.2%.

Selected Contributors and Detractors⁴



Portfolio Construction⁴

At January month end, the Fund was 94.8% invested in 30 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	67.9%
Amazon	Nvidia	Large Cap \$50-100b	7.5%
AMD	Qualcomm	Mid Cap \$2-50b	18.1%
Meta	Roku	Small Cap < \$2b	1.3%
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 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.

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