

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



Lonsec Research
- Investment Grade



S&P Research
- 4.25 Stars



Zenith Investment Partners
- Approved

September 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

The Fund fell -6.1% net-of-fees during September, underperforming the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg by -2.4%.

The relief rally that powered the first half of the year faded as investors came to understand that no further interest rate hikes was not the same as an interest rate cut, which some fear will not come until calendar year 2025.

The stellar performance of the magnificent seven – **Apple, Alphabet, Nvidia, Microsoft, Amazon, Meta** and Tesla (which is not a Fund holding) – came to a halt days after the June quarter reports were issued before accelerating (down!) in September, generating the first quarterly negative return for the Fund this calendar year. Markets don't care for a hiatus. So, there has been discomfort with the lack of visibility of AI applications which some may have thought they were buying when they invested in Microsoft or Google earlier in the year.

It's true AI won't butter toast for you. But deployed at scale in datacentres, even the productivity boost of the already available co-pilot for code writing alone is colossal. Large language model usage will also be behind the ever-increasing instances of AI applications like writing marketing materials for Amazon-sized product sets, summarising long documents, instantaneous translation (which Spotify is considering rendering its podcasts into different languages using the voices of the speakers) among literally thousands of others.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	-6.07%	-1.93%	+10.97%	+33.75%	+8.61%	+13.26%	+17.60%
Benchmark ²	-3.70%	+0.02%	+6.67%	+20.60%	+10.79%	+8.96%	+11.66%
Outperformance (Net) ³	-2.37%	-1.95%	+4.30%	+13.16%	-2.18%	+4.30%	+5.94%

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 biggest negative for the month was **Netflix** which detracted -1.3% from the portfolio value. The company lowered its 'soft' guidance for operating margins and warned investors that advertising was not yet material to overall revenue. The Fund's other streaming play, **Roku**, also declined over the month, detracting -0.5%.

Nvidia generated a negative contribution of -0.7% for the month. Despite the chip company's meteoric guidance beat last month, investors have sold the stock down as the surge in demand obscures the scale of Graphics Processing Units following the initial demand ramp up from generative artificial intelligence.

Amazon, Google and Microsoft together cut -1.3% from the value of the Fund. The former two have become embroiled in antitrust litigation. Nevertheless, all three are making progress with their burgeoning artificial intelligence offerings. Amazon has made a substantial investment in Large Language Model (LLM) maker, Anthropic AI, Google is nearing the release of its reinforcement learning based Gemini LLM and Microsoft is committing to defend AI Copilot commercial customers against copyright claims.

Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMC0110AU
Fund FUM (AUD)	\$255 million
Strategy FUM (AUD)	\$268 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>60% less carbon intensive than benchmark:</p> <p>tCO2e/Mil USD</p> <p>58.8 (LPGD)</p> <p>148.3 (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><i>Please note that BPAY[®] is not available for purchasing units on the ASX.</i></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, S&P, Zenith)	Click Lonsec, S&P or Zenith logo on our website to request a copy.

¹ Source: Sustainalytics as at 29 September 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

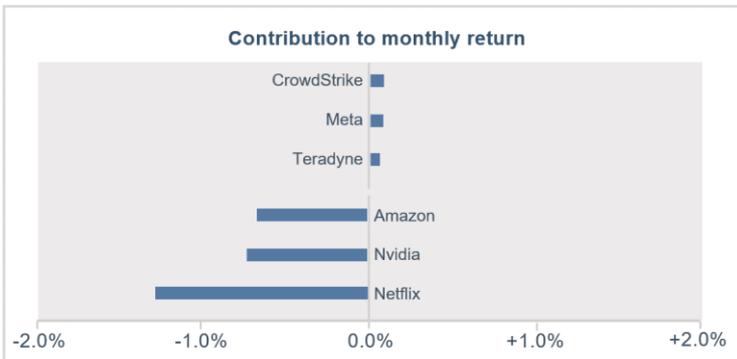
Unit Prices

Date	29 September 2023
Entry Price (in AUD)	3.2435
Exit Price (in AUD)	3.2273

CrowdStrike, Meta and Teradyne made up the Fund's top contributors for the month. These three holdings increased Fund value by +0.2% collectively. Better-than-expected quarterly financials from CrowdStrike helped to lift the stock price at the beginning of September with the company beating on key metrics including revenue and earnings. CrowdStrike is benefitting from strong secular tailwinds in cybersecurity which have only intensified with the move to hybrid workplaces and digital transformation. The company's cloud-delivered platform simplifies security management for analysts, making it an attractive proposition for customers looking to consolidate spending onto a harmonious, best-of-breed solution.

The Australian dollar depreciated -0.3% against the US dollar over the month, which meant the value of the Fund's US dollar positions increased. As at 29 September 2023, the Fund carried a foreign currency exposure of 89.3%.

Selected Contributors and Detractors



Portfolio Construction

At September month end, the Fund was 97.8% invested in 25 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	73.0%
Amazon	Nvidia	Large Cap \$50-100b	4.2%
AMD	Qualcomm	Mid Cap \$2-50b	17.1%
Meta	Roku	Small Cap < \$2b	3.5%
Microsoft	Taiwan Semiconductor		

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.

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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.

Visit www.loftuspeak.com.au to find more commentary, including Fund performance.

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