

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



Lonsec Research
- Recommended



SQM Research
- 4.25 Stars



Zenith Investment Partners
- Approved

October 2024 Update

Founded in 2014, Loftus Peak is a global equities 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 considered 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 U.S. presidential election has been decided post month-end, so commentary on this is not discussed in this month's newsletter. The Fund ended October with a +5.1% net-of-fees return, outperforming the MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg) by +1.8%. Markets lurched upwards ahead of the U.S. elections with little reaction to escalating conflict in the Middle East. Much of the October gains occurred before earnings.

Companies began reporting in the back half of the month, and results were generally strong. However, market expectations are also relatively high and share price movements have been mixed.

	1m	3m	6m	1y	3y p.a.	5y p.a.	7y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+5.13%	+5.76%	+14.07%	+50.20%	+15.75%	+21.30%	+18.97%	+21.04%
Benchmark ²	+3.29%	+2.00%	+9.52%	+28.18%	+10.34%	+12.15%	+12.00%	+13.27%
Outperformance (Net) ³	+1.83%	+3.75%	+4.55%	+22.02%	+5.41%	+9.15%	+6.97%	+7.77%

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 and Target Market Determination.

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 largest contributor to the Fund was **Taiwan Semiconductor Manufacturing** (+1.3%) which reported a beat on the top and bottom line. The company points to continued demand for the fabrication of Artificial Intelligence (AI) server chips, which are expected to represent a mid-teen % of total 2024 revenue. The fabrication demand for most end markets has yet to inflect. This includes chips for PCs and smartphones. A cyclical recovery in these end markets would push TSMC into an even stronger position.

Netflix (+0.8%) was the second largest contributor, also surging after earnings. The company continues to add subscribers at a solid pace while increasing pricing, so supporting double digit revenue growth. Management expects this growth to persist through next year even without material impact from the advertising business. The potential for the ad business to support similar growth beyond 2025 provides valuation comfort.

The third largest contributor was Japanese semiconductor testing equipment provider **Advantest** (+0.5%). The company reported handy beats in all its segments. The semiconductor testing equipment is split between **Advantest** and **Teradyne** (which has previously been a holding). The two companies serve different semiconductor end-customers. Advantest operates in datacentre chip companies such as Nvidia and **Advanced Micro Devices** (-0.3%) while Teradyne is more exposed to smartphones and PCs with customers like Apple. At this stage in the cycle, the demand for datacentre chips has made Advantest a more attractive investment.

Alphabet (+0.4%) reported all-around strong earnings. The cloud business was a particular bright spot with subsequent earnings from **Microsoft** (+0.1%) and **Amazon** (+0.3%) also showing strong cloud growth. In Microsoft's case, the cloud was overshadowed by worse-than-expected revenue guidance, driven by weakness in business segments outside of AI.

Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMCO110AU
Fund FUM (AUD)	\$587 million
Strategy FUM (AUD)	\$1,024 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>59% less carbon intensive than benchmark: tCO2e/Mil USD</p> <div style="display: flex; align-items: center;"> <div style="width: 100px; height: 20px; background-color: #0056b3; margin-right: 10px;"></div> 52.5 (LPGD) </div> <div style="display: flex; align-items: center;"> <div style="width: 100px; height: 20px; background-color: #333; margin-right: 10px;"></div> 126.6 (benchmark) </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
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
Distribution Frequency	Paid annually as at 30 June
Latest distribution date	30 June 2024
Latest distribution	Nil
Withdrawal Notice	Generally, notice received by 2pm (Sydney time) receives the price effective for that business day.
Research Ratings (Lonsec, SQM, Zenith)	Click Lonsec, SQM or Zenith logo on our website to request a copy.

¹ Source: Sustainalytics as at 31 October 2024.

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

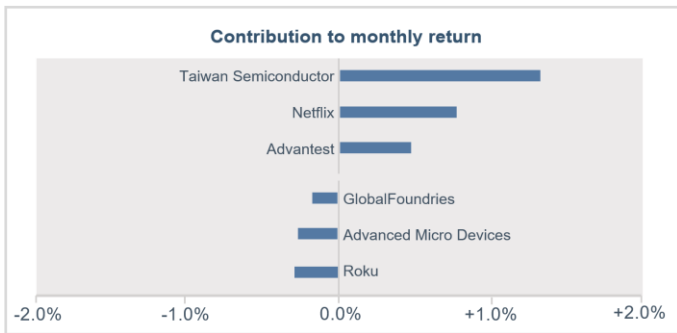
Date	31 October 2024
Entry Price (in AUD)	4.8630
Exit Price (in AUD)	4.8388

Roku (-0.3%) was the largest detractor. On the earnings call, Roku stated its monthly active users had grown to 86 million, up +13% year-over-year. However, the revenue from advertising that these users imply is yet to flow through and management has been reticent to guide bullishly. Ultimately advertising dollars will follow eyeballs.

Advanced Micro Devices (AMD) also fell despite raising revenue guidance for its graphics processing unit (GPU) business. AMD GPU's are expected to bring in more than US\$ 5 billion in revenue this year, coming from a base of zero. However, this phenomenal rate of growth has been matched by a high rate of op-ex expansion. The company is not getting the leverage that investors had hoped – thus the shares sold off. Nevertheless, this quarter appears to be a turning point for AMD's cyclical segments, which have been a headwind to the secular AI story. The combination of cyclical and secular growth offers the valuation comfort to hold this company instead of peers like Nvidia.

The Australian dollar depreciated -5.6% against the US dollar over the month, increasing the value of the Fund's US-dollar denominated positions. As at 31 October 2024, the Fund carried a foreign currency exposure of 94.8%.

Selected Contributors and Detractors



Portfolio Construction

At October month end, the Fund was 99.1% 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	66.3%
Amazon	ON Semiconductor	Large Cap \$50-100b	8.2%
AMD	Qualcomm	Mid Cap \$2-50b	24.6%
Meta	Salesforce	Small Cap < \$2b	0.0%
Microsoft	Taiwan Semiconductor		

RATINGS DISCLAIMERS

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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.

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

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 has a deep understanding of the mechanisms through which disruption changes business models and the impact it has on company valuation, with an acknowledged record of identifying thematic early in the investment cycle.

Anshu Sharma

Portfolio Manager and Founder



Anshu began his career more than 15 years ago as a global investment analyst, covering companies that have now been at the forefront of disruption for over a decade. He then took on a similar role with a focus on the Asian market, gaining a unique perspective on the global scale and impact of disruptive businesses. In 2014, Anshu became one of the founding members of Loftus Peak and quickly progressed to portfolio management, assuming the role of Portfolio Manager.

At Loftus Peak, his focus has been on developing a standardised repeatable process to unearth, value, and risk-adjust portfolio positions to stay ahead of the market.

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.

Firm Awards



Platforms

