

Loftus Peak Global Disruption Active ETF

Change. The way you should invest.



Research Ratings:



Lonec Research
– Recommended
Applies to MMC0110AU



SQM Research
– 4.25 Stars



Zenith Investment Partners
– Recommended

December 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

Toward the end of December “Trump trade” names cooled after weeks of strong performance. Markets rotated towards well-capitalised companies with platform businesses. There was also heightened interest in application specific integrated circuits (ASICs) designed for Artificial Intelligence (AI).

The Fund recorded a +4.8% net-of-fees return for the month, outperforming the MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg) by +1.9%. For the year to 31 December 2024, the Fund returned +41.7% net-of-fees, outperforming by 11.8%. The Fund’s top ten performers generated +35.2% of the calendar year performance. **Taiwan Semiconductor Manufacturing Company (TSMC)** (which contributed +1.1% for the month) contributed +7.4% for the year followed by **Netflix** at +6.0%. Others solid performers included Micron, **Qualcomm** and of course Nvidia, which is no longer in the portfolios we manage.

	1m	3m	6m	1y	3y p.a.	5y p.a.	7y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+4.83%	+14.54%	+13.34%	+41.65%	+15.99%	+21.58%	+20.43%	+21.85%
Benchmark ²	+2.95%	+11.08%	+13.91%	+29.84%	+11.31%	+12.90%	+12.91%	+14.00%
Outperformance (Net) ³	+1.88%	+3.46%	-0.57%	+11.81%	+4.68%	+8.68%	+7.52%	+7.85%

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 strong finish for the year was not based on Trump/Musk names such as Tesla, but on the emergence of ASICs (application specific integrated circuits) as a competitor to Nvidia’s graphics processing units (GPUs). ASICs are chips designed for a single specific function-set or workload. ASICs cannot be repurposed beyond their intended use but are more cost-effective at scale than the more flexible GPUs. The scale necessary to make ASIC cost effective in datacentres means that for the most part, they are only feasible for hyperscalers like **Amazon** (+0.7%) and **Alphabet** (+0.8%).

Broadcom was the principal beneficiary of this shift to ASIC’s, adding US\$200 billion in market cap (or around 20%) in a single day after its quarterly earnings release. It was also the top contributor to Fund performance in December, contributing +1.6% to Fund return. The company has been part of the portfolio since mid-2023 and is now the second chip company to be valued at over US\$1 trillion. On its earnings call, the company pointed to multiple opportunities in 2027 each comprising clusters of one million ASIC’s worth ~US\$20-30b dollars (a figure including some networking chips). Companies such as Marvell, which has been in the Fund, as well as **Mediatek** (+0.4%) are also beneficiaries.

In the context of AI models, the implication is that the architecture will not radically change at least in the medium term - rather the cost for running similar architecture will decrease. This is positive for companies with emerging revenue lines built on existing AI models like **Salesforce** (+0.3%) and **GitLab** (-0.1%).

Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMC0110AU
Fund FUM (AUD)	\$631 million
Strategy FUM (AUD)	\$1,121 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>56% less carbon intensive than benchmark:</p> <p>tCO2e/Mil USD</p> <div style="display: flex; align-items: center;"> <div style="width: 20px; height: 20px; background-color: #0056b3; margin-right: 5px;"></div> 50.8 (LPGD) </div> <div style="display: flex; align-items: center; margin-top: 5px;"> <div style="width: 20px; height: 20px; background-color: #666; margin-right: 5px;"></div> 91.8 (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 based on 30 June year end
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 (Lonec, SQM, Zenith)	Click Lonec, SQM or Zenith logo on our website to request a copy.

¹ Source: Sustainalytics as at 31 December 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

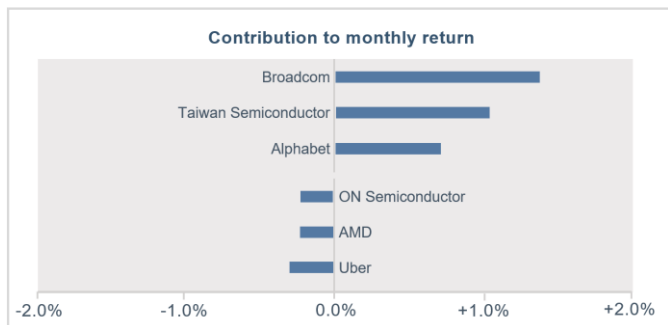
Date	31 December 2024
Entry Price (in AUD)	5.2985
Exit Price (in AUD)	5.2721

While ASICs will not replace GPUs entirely, they may mitigate the growth rate. Nvidia's growth is dropping back to double digits year over year. Regardless of whether ASICs or GPUs triumph, TSMC (+1.1%) is the only company capable of fabricating these chips. TSMC has recovered following offhand Trump comments last month but still trades at a discount to indices including the Philadelphia Semiconductor Index.

Uber (-0.3%) was the largest detractor to the Fund. The company continues to fall on investor fears surrounding autonomous driving, namely that fleets of autonomous vehicles will operate on competition such as Google's Waymo, which has already happened in Miami, and Elon Musk's self-driving cybertaxi fleet and service, which exists nowhere. We think these fears are overblown. In the end, we Waymo will need a demand aggregator like Uber to smooth users into their city-by-city deployment.

The Australian dollar depreciated -5.0% against the US dollar over the month, increasing the value of the Fund's US-dollar denominated positions. As at 31 December 2024, the Fund carried a foreign currency exposure of 90.0%.

Selected Contributors and Detractors



Portfolio Construction

At December month end, the Fund was 98.8% invested in 32 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	Meta
Amazon	Microsoft
Broadcom	Netflix
John Deere	Qualcomm
MediaTek	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	59.4%
Large Cap \$50-100b	14.1%
Mid Cap \$2-50b	25.3%
Small Cap < \$2b	0.0%

RATINGS DISCLAIMERS

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ZENITH: The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (MMC0110AU assigned 28 Nov 2024) referred to in this piece is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at [Fund Research Regulatory Guidelines](https://www.zenith.com.au).

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The Loftus Peak Global Disruption Fund's Target Market Determination is available at 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.

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.



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

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