

Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



Research Rating:



January 2025 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. 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

The Fund ended January with a +5.6% net-of-fees return, outperforming the MSCI All Countries World Index (net dividends reinvested) hedged to Australian dollars by +2.3%. For the year to 31 January 2025, the Fund returned +23.2% net-of-fees, outperforming by +6.6%.

The performance was struck against the backdrop of Donald Trump's market-moving comments on tariffs, the annexation of Canada and Greenland as well a demand that 2 million people from Gaza find alternative accommodation. It does appear that there will be tariffs on a number of products, such as steel, but this is not a certainty given the number of times tariff policy has been announced then reversed. Separately, a number of his pronouncements are now before various US courts, such as the decision to send three Venezuelan detainees to Guantanamo Bay.

The Fund has proceeded cautiously on developments such as these in the US, preferring to wait to see specific implementation detail before adjusting portfolio positions.

The bedrock of the Fund's investment philosophy is that disruption continues to roll through every element of global business. Just as it was the case that US national security issues underwrote the early sales of silicon chips in the 60's, so it is that the US government does not want to see the most advanced AI technology in the hands of adversaries. Loftus Peak does not invest in military material, but has found a durable investment advantage in companies using cutting edge technology to advance their commercial interests in retail, publishing, logistics to name a few.

Trump was thus happy to coat-tail Stargate - a project in train for over a year - and squarely aimed at securing US dominance in AI. Stargate it appears intends to rack up US\$500 billion in build cost in the next four years.

This announcement as well as the impact of China's DeepSeek R1 AI model impacted returns for month with the beneficiaries being businesses that benefit from cheaper AI costs.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+5.58%	+9.07%	+15.64%	+23.23%	-	-	+27.52%
Benchmark	+3.28%	+5.75%	+8.13%	+16.61%	-	-	+16.69%
Outperformance (Net) ²	+2.31%	+3.32%	+7.51%	+6.62%	-	-	+10.83%

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

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

Thus it was that **Qualcomm** (+0.8% contribution for the month) was the largest contributor, followed by **Meta** (+0.7%), **Netflix** (+0.6%), **GitLab** (+0.6%). The market was willing to give more credit to stories involving AI models that most clearly benefit from DeepSeek's R1 model. Qualcomm's performance was aided by the expectation that smaller AI models will accelerate the pace at which these models are deployed locally on edge devices.

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$1,190 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>62% less carbon intensive than benchmark:</p> <p>tCO2e/Mil USD</p> <p>42.5 (LPGD)</p> <p>110.9 (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 [®]	BPAY [®] Biller Code: 427419 Customer Reference Number (CRN): generated after initial application.
Pricing Frequency	Daily
Distributions	Paid annually as at 30 June
Latest distribution date	30 June 2024
Latest distribution	7.5 cents
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 January 2025.

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 Jan 2025
Entry Price (in AUD)	1.7949
Exit Price (in AUD)	1.7859

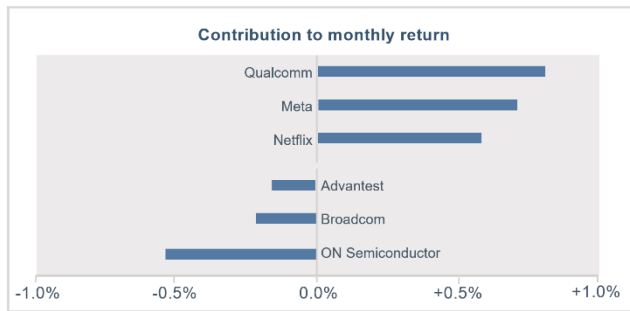
Meta reported relatively strong earnings and was also a beneficiary of the commoditised AI heralded by DeepSeek. Meta can integrate cheaper AI into their existing platforms to produce revenue growth in advertising at a lower cost. The company also has several revenue levers left to pull. This includes Twitter-alternative Threads, Meta's AI assistant and alternate reality glasses.

Netflix is firing on all cylinders, delivering record subscriber net adds of 18.9m in the quarter while raising its outlook for both revenues and margins.

Underperformers include **Broadcom** (-0.2%) and **Advantest** (-0.2%). Fears that DeepSeek trained such a competitive model on a relatively small amount of compute led markets to sell companies exposed to the buildout of AI infrastructure. These fears are likely misplaced. The hyperscalers arguably have the best visibility over the long-term AI opportunity; they continue to increase their investment. This outlook was also corroborated by **Taiwan Semiconductor Manufacturing** (+0.4%) which pointed to its AI revenues growing at compounded annual growth rate in the mid-forties over the next five years.

As at 31 January 2025, after the impact of currency hedging, the Fund carried an Australian dollar exposure of 96.5%.

Selected Contributors and Detractors⁴



Portfolio Construction⁴

At January month end, the Fund was 98.6% 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)		Capitalisation USD	
Alphabet	Meta	Mega Cap > \$100b	65.0%
Amazon	Microsoft	Large Cap \$50-100b	13.4%
Broadcom	Netflix	Mid Cap \$2-50b	20.2%
John Deere	Qualcomm	Small Cap < \$2b	0.0%
MediaTek	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 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 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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