Loftus Peak Global Disruption Fund (Hedged)

Change. The way you should invest.

Loftus Peak

Research Ratings: Superior SQM Research – 4.25 Stars

May 2025

Loftus Peak is a global equities fund manager focused on disruptive businesses. Founded in 2014, the Fund invests in global companies driving industry change, such as Nvidia, first bought in 2016. As well as Microsoft and Broadcom, the diverse portfolio also includes many less well-understood companies which are expected to be household names in the future, such as AMD and Qualcomm. This global approach aims to reduce concentration risk often associated with home-biased Australian portfolios. 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.

	1m	3m	6m	1y	3y p.a.	5y p.a.	7y p.a.	Inception p.a.
Loftus Peak (Net)	+9.04%	+3.05%	+4.01%	+16.17%	-	-	-	+23.31%
Benchmark	+5.62%	+0.52%	+1.30%	+11.81%	-	-	-	+14.56%
Outperformance (Net)	+3.42%	+2.53%	+2.71%	+4.36%	-	-	-	+8.75%

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

Review and Performance

The bond market and the stock market have been travelling in opposite directions for most of the month of May. The Fund had one of its strongest months ever, increasing in value by +9.0% net-of-fees, which is outperformance of +3.4% relative to the MSCI All Countries World Index (net dividends reinvested) hedged to Australian dollars. By contrast, the bond market sold off, with yields on 10-year US treasuries rising from 4.17% to 4.46%. (Bond prices and bond yields move in opposite directions, so rising yields mean falling bond prices).

The bond market was fixated on the prospect of a US recession, a downgrade from ratings agency Moody's as well as the chaos arising from wild and quick swings in tariffs hindering corporate planning and likely leading to inflation.

The equity market, by contrast, chose to believe that a deal on tariffs was in the works with the European Union and China.

Contributors and Detractors to Return[2]

The best performing stocks were those related to the growth of artificial intelligence (AI). Heavyweight GPU designer **Nvidia** added +1.8% to Fund value, with **Broadcom** contributing +1.5%, **Microsoft** +1.0% and **Taiwan Semiconductor Manufacturing Company** (TSMC) +1.0%.

AI has been one of the Fund's largest exposures due to its relative defensiveness in a volatile geopolitical and economic environment. There were a few key developments during the month of May that pointed to significant AI-related demand, resulting in share price appreciation for exposed companies. The first was TSMC monthly sales growth of 48% year-over-year, which was well ahead of expectations. Next was the joint US-gulf state announcements of hundreds of billions of dollars' worth of investment into AI infrastructure in countries such as Saudi Arabia, Qatar and the UAE.

Nvidia earnings rounded out the month and if not for a one-off China-related inventory write-off, would've been stellar. Revenues grew 69% year-over-year (off an already significant base of US$27bn) and next quarter revenues were guided to US$45bn (or US$53bn if not for the China-related write-off) – this was an acceleration in the sequential growth from an absolute dollar perspective. The company pointed to a "sharp jump in inference demand", suggesting the AI theme might have more room to run.

Communications and advertising giant **Meta** was also a solid performer adding +0.8% to return. We have always viewed Meta as a key beneficiary of developments in AI, be it discriminative or generative, as almost every aspect of the company's business – user-generated content, advertising inventory, monetisation etc. – can be turbocharged by it. It therefore makes sense for the company to have increased its spending on technical infrastructure (datacentres and AI) to ensure it isn't beholden to another company's technology.

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	$1,106 million
Product Type	Registered Managed Investment Scheme domiciled in Australia
Responsible Entity	Equity Trustees Limited
Investment Universe	Listed Global Equities
No. of Investments	15-35
Benchmark	MSCI All Countries World Index (net dividends reinvested) hedged to Australian dollars
Minimum Cash	1%
Maximum Cash	20%
Suggested time frame	3-5 years
Minimum Investment	$5,000
Platforms	Available on Macquarie, HUB24, Powerwrap, Praemium and Mason Stevens (IDPS only)

Fees

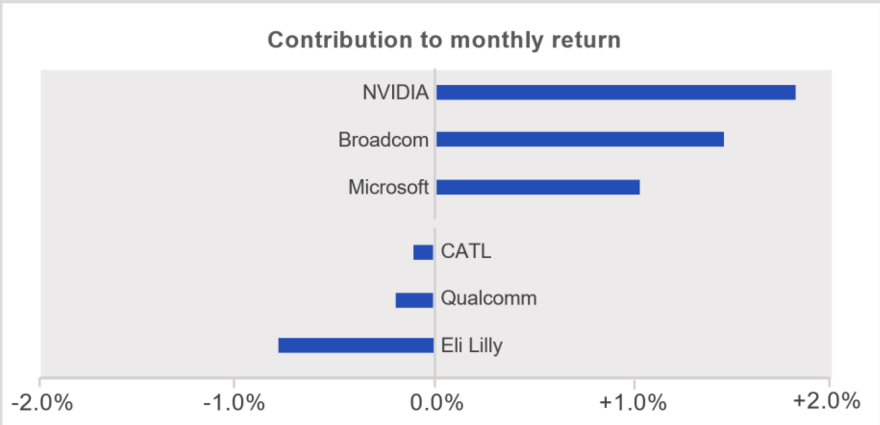
Annual Management Costs	1.20% per annum (inc. GST)
Performance	15% in excess of the hurdle return with a high watermark payable six monthly as at 30 June and 31 December each year

Qualcomm underperformed in the month of May. It had previously been one of the Fund's largest positions by weight, however due to liberation day and the prospect of the cyclical recovery in smartphones being pushed out even further, we had reduced its weight in the Fund. That being said, we continue to hold the company due to the important role it plays in the world of internet of things, given its fast-growing automotive and internet of things business lines.

The worst performer was drug maker **Eli Lilly** which cut -0.9% from Fund value, with all other detractors together reducing value by -0.6% collectively. Lilly's poor performance comes despite a big win with its new oral weight control drug Orforglipron, a preferred mode of delivery relative to injections, which is the case now.

As at 30 May 2025, after the impact of currency hedging, the Fund carried an Australian dollar exposure of 99.8%.

Selected Contributors and Detractors[2]



Portfolio Construction[2]

At May month end, the Fund was 94.2% invested in 26 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)	
Amazon	Netflix
Broadcom	NVIDIA
Eli Lilly	Qualcomm
Meta	Roku
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > $100b	72.2%
Large Cap $50-100b	5.9%
Mid Cap $2-50b	16.1%
Small Cap < $2b	0.0%

Unit Prices

Pricing Frequency	Daily
Date	30 May 2025
Entry Price (in AUD)	1.7681
Exit Price (in AUD)	1.7593

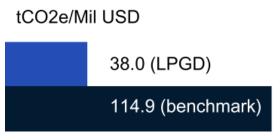
Distributions

Distribution Frequency	Paid annually as at 30 June
Latest distribution date	30 June 2024
Latest distribution	7.5 cents

Applications and Withdrawals

Withdrawal Notice	Generally, notice received by 2pm (Sydney time) receives the price effective for that business day.

ESG Attributes

Carbon Intensity[1]	**67% less carbon intensive** than benchmark:  No exposure to companies involved in fossil fuel extraction, generation and related products and services.

[1] Source: Sustainalytics as at 31 May 2025.

The Team

Alex Pollak	CIO and Founder
Anshu Sharma, CFA	Portfolio Manager and Founder
Harry Morrow, CFA	Senior Investment Analyst
Raymond Tong, CFA	Head of Research

Firm Awards

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The Loftus Peak Global Disruption Active ETF'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.

[2] The portfolio characteristics shown in this report, apart from references to currency exposure, refer to the data applying to the Loftus Peak Global Disruption Active ETF, 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.