



LOFTUS PEAK

# Loftus Peak Sustainability Report

## FINANCIAL YEAR TO JUNE 2026

### Summary

This report highlights the key sustainability features of the portfolios managed by Loftus Peak. The quantitative data used in this report relates specifically to the Loftus Peak Global Disruption Active ETF and the Loftus Peak Global Disruption Hedged Active ETF ("Loftus Peak Funds" or "Funds"). During the financial year, Loftus Peak Funds:

- Exhibited a stable weighted average carbon intensity during the year to stand; consistently less than half as intensive as the MSCI All Countries World Index ("Index"), and
- Increased exposure to identified positive impacts; driven by individual companies like Eli Lilly and Contemporary Amperex Technology Limited (CATL) growing to large core positions (almost 7% each).

For more information on our sustainability philosophy and approach, see our [Responsible Investment Policy](#).

### Carbon Intensity

The carbon intensity of the Loftus Peak Funds remained relatively flat over the year to 30 June 2026. The Index was broadly similar albeit with a slight increase towards the end of the year as fossil fuel related stocks increased due to Middle East conflicts. Both the Funds and the Index were broadly in line with their average from the prior financial year. The illustration on page 2 shows the movement across the financial year for the Funds and the Index, and for comparison shows the average for the prior year. Carbon intensity is shown as the sum of Scope 1 and Scope 2 emissions divided by revenue.

The Fund's exposure to carbon-intensive industries in semiconductor/storage fabrication increased with the addition of companies beyond Taiwan Semiconductor Manufacturing Company (TSMC) like Samsung, Micron and Seagate. However, these companies are increasing their revenues faster than they are expanding their emissions. This means that their intensity is lower than in previous years and their impact on portfolio intensity was less than their prior-year intensities would have implied.

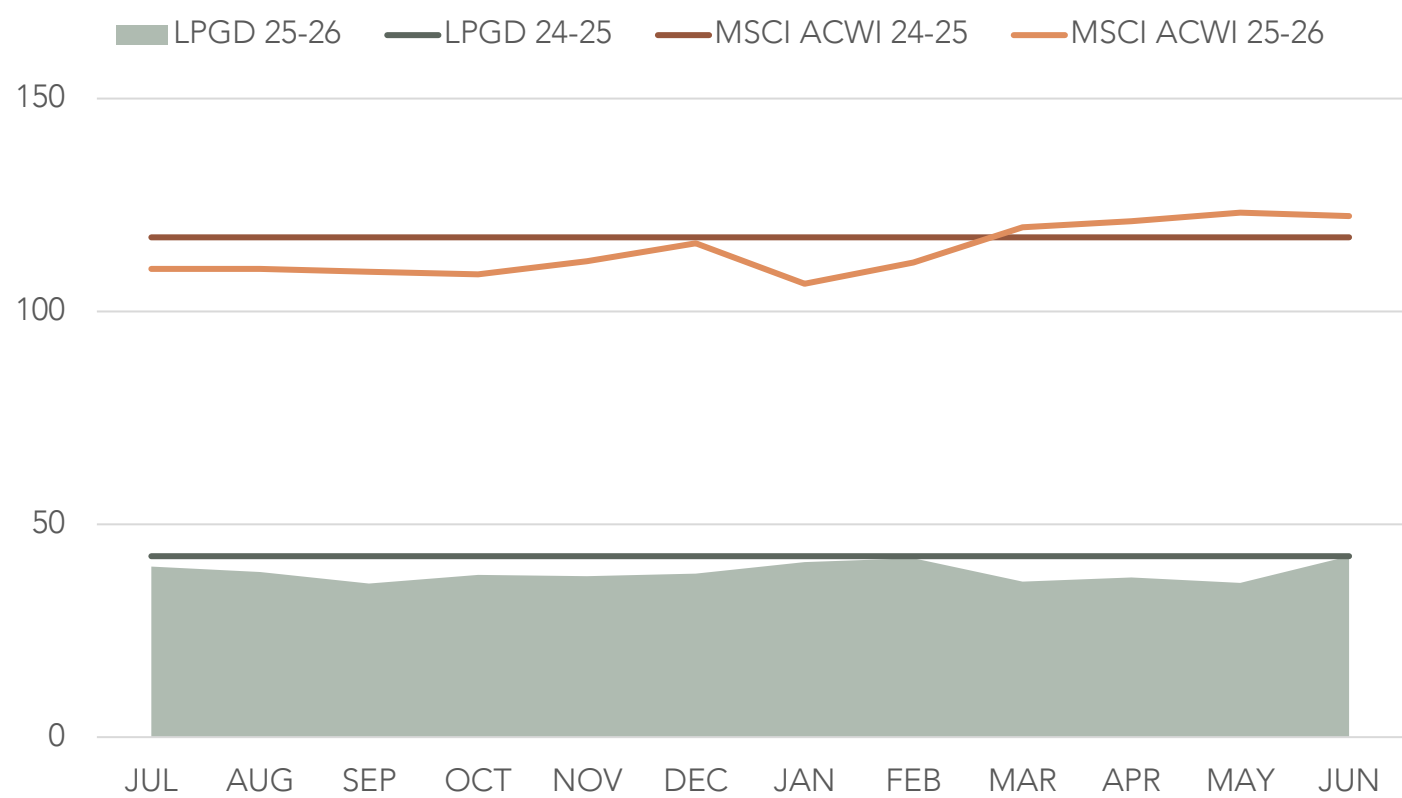
The Fund's exposure to companies that operate datacentres fell during the year. However, this had little impact on the portfolio's average carbon intensity as their intensity is broadly in line with the rest of the portfolio.

For example, Meta's intensity is ~40tCO<sub>2</sub>e/USDm across Scope 1 and 2. This is perhaps less than expected for one of the most energy-hungry companies in the world. There are several reasons for this.

Firstly, the revenue over which the carbon is apportioned is large. This pulls the intensity down. Electricity hungry AI workloads are growing together with the demand for incremental energy. This maintains the ratio of large emissions being divided by a larger amount of revenue.

Secondly, datacentre companies often match their incremental grid demand with renewable energy installation. AI workloads require relatively stable base load energy which are well suited to fossil fuels. However, to mitigate this fossil fuel usage, datacentre companies finance incremental renewable grid capacity for their utility providers to be used by other consumers. In carbon accounting terms, the addition of renewables nullifies the increased use of datacentre usage of fossil fuels - irrespective of the fact that fossil fuel energy is being used and carbon is being emitted. This means that some of the most energy-hungry businesses appear to have moderate carbon intensity at least on paper.

Illustration 1: Comparison of Carbon Intensity - Loftus Peak Funds and Index



Positive Impacts

The Funds include holdings that Loftus Peak identified as providing an inherent positive impact on society and the environment through products and services they offer.

Better Health (Moderna, Eli Lilly & Revolution Medicine)

Moderna is a pioneer of messenger RNA (mRNA) technology administered through vaccines. The company uses these vaccines to help the immune system identify pathogens. This technology was put to great effect to combat Covid-19 and is now being used to address cancer through personalised vaccines.



Eli Lilly is a world leader in obesity medication. Obesity is a comorbidity for countless other illnesses. Addressing obesity at a population scale reduces the downstream strain on hospitals and patients for conditions that could have otherwise been avoided.



Revolution Medicine’s breakthrough drug Daraxonrasib targets the RAS protein found in ~20%. It is particularly common to pancreatic cancer which to date has been otherwise undruggable.



These companies have an important role in benefitting society and alleviating the burden of illness.

## Positive Impacts continued...

### Cyber Security (Palo Alto Networks)

Palo Alto Networks is a cybersecurity service provider which helps companies and institutions protect their data. As society digitises, the volume of data and information digitises faster than ever before. Protecting this data is critical for the welfare of companies and the institutions which manage the data of individuals. Ultimately, society relies on the integrity of these institutions, making cyber security an important driver of positive impact.



### Innovative Infrastructure (Samsara)

Samsara is a software company that helps clients digitise their physical fleets. This helps these fleets operate more efficiently and safely. For example, Samsara can help trucking companies reduce engine idle time and observe driver phone usage to ensure safe operation practices.



### Electrification and Decarbonisation (ON Semiconductor, CATL, BYD, Xiaomi & Siemens Energy)

ON Semiconductor underpins the transition away from fossil fuel usage for powering devices and industrial components. The company sits along the power semiconductor value chain and produces the components necessary to make electric devices efficient enough to produce functional electric vehicles (EVs), machinery and more.

CATL is the world's leading battery manufacturer by profit. They supply batteries for energy storage and EVs to many of the world's car makers including Tesla and Volkswagen. Harnessing and improving battery technology is critical for transitioning away from fossil fuels and towards renewable energies.

BYD is emerging as the world's largest electric vehicle manufacturer. If hybrids are included, it already holds this position. The company has vertically integrated car manufacturing on top of its battery manufacturing to dominate the lower price end of the EV market.

Xiaomi is a smartphone manufacturer leveraging its consumer device expertise to offer high functionality software defined EVs at the premium end of the car market.

Siemens Energy enables the global energy transition through its rapidly expanding Grid Technologies division and its Siemens Gamesa wind business, both of which provide essential infrastructure for generating and distributing renewable energy. The company's highly profitable Gas Services segment relies on fossil fuel technology albeit natural gas which is generally deployed to replace coal. However, Siemens positions its gas turbines as a "bridge" technology and is executing a roadmap to make its entire turbine portfolio capable of running on 100% green hydrogen by 2030, eventually eliminating those emissions.

All these companies are important in the transition away from fossil fuels.

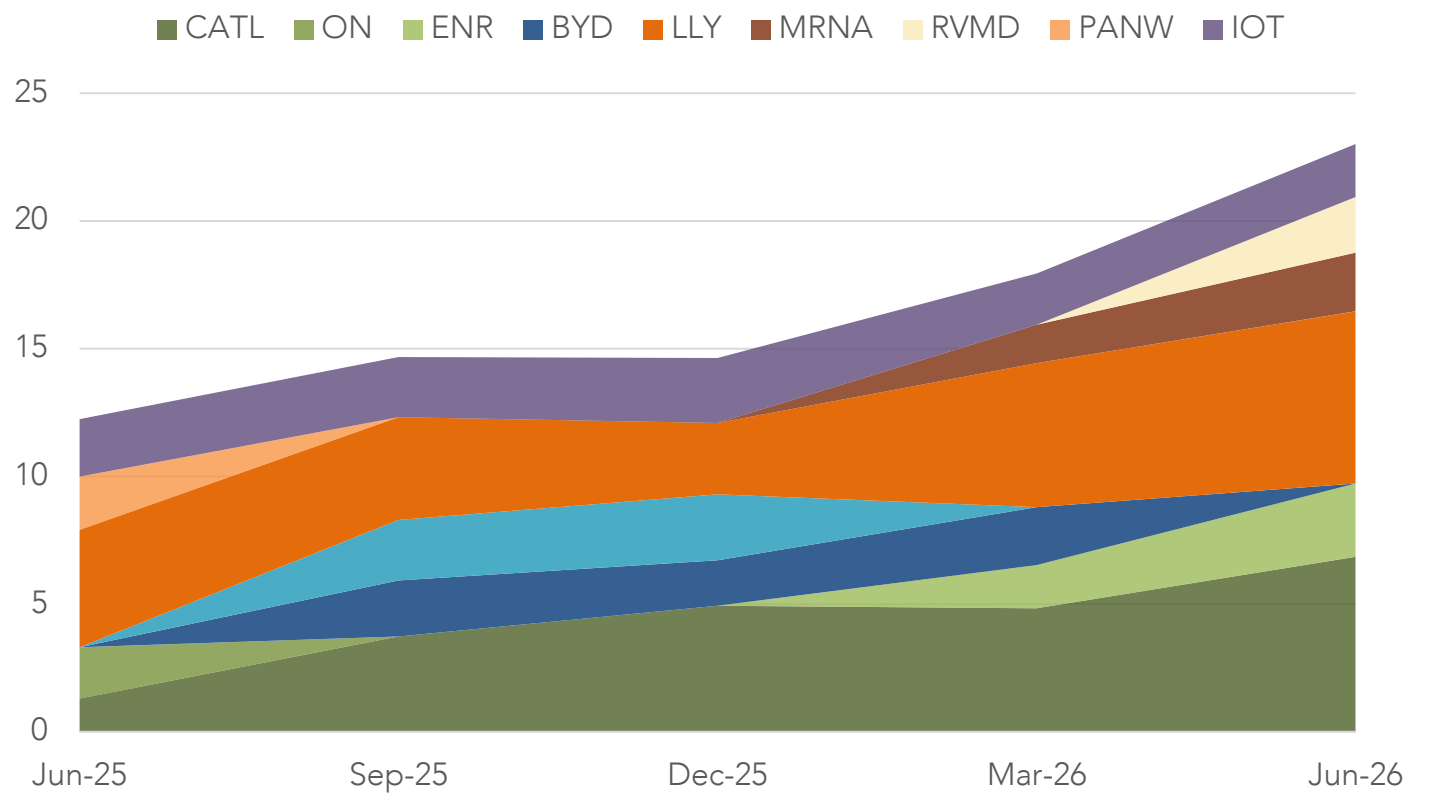


Portfolio Level Trends

Across the year, the Fund’s exposure to positive impact companies grew. On an impact-by-impact basis: exposure to *Better Health* saw the largest growth of any impact. The existing position in Eli Lilly grew while new names were added. *Cyber Security* fell with the exit of Palo Alto in the September Quarter. *Innovative Infrastructure* remained flat through the stable exposure to Samsara.

*Electrification and Decarbonisation* increased year over year, albeit with several names being entered and exited across the year. Xiaomi, ON Semiconductor, BYD and CATL are all exposures to electric vehicles. ON Semiconductor was replaced with Xiaomi and BYD which themselves were faded out with a larger position in CATL. Siemens Energy is an exposure to the electrification of the grid and the longer-term transition of energy generation. Demand for its products is specifically linked to proliferation of datacentres. Over the course of the year, CATL’s energy storage business became of increasing importance. This segment sells batteries into the grid; also facilitate the electrification of the grid and supporting datacentre demand.

Illustration 2: Positive Impact Fund Holdings in Loftus Peak Funds across the Year to June 2026



## Discounting for ESG Vulnerabilities

Loftus Peak's valuation process splits companies into five buckets, each with their own discount rate. A company's risk profile is based on its weighted average cost of capital (WACC) alongside additional factors like ESG. When a company's risk level increases, a higher discount rate is applied, driving down its price target. Ultimately, this lowered valuation can lead to reducing the stock's weight in a portfolio or exiting the position entirely. The following companies have been identified by Loftus Peak as carrying ESG risk.

### Business Model (Amazon)

Amazon operates the world's largest e-commerce platform, a business model that carries inherent ESG vulnerabilities centred on labour dependency and market consolidation. Operationally, running vast warehouse, packaging, and logistics networks requires a massive physical workforce, which introduces significant human capital risks. In the past, allegations of poor working conditions and wage disputes have triggered warehouse strikes, exposing the company to operational disruptions.

Amazon's scale raises concerns regarding anti-competitive practices, particularly concerning the tight integration of its digital platform with its physical logistics network. This market dominance remains a recurring point of legal and regulatory scrutiny. For these reasons, Loftus Peak believes that Amazon's e-commerce business carries inherent ESG risk, causing us to discount the company -1%.



### Business Model & Corporate Structure (Meta Platforms)

Meta's business model creates ESG risk due to its heavy reliance on monetising personal user data for targeted advertising. This is a risk both from a data privacy perspective and because of the nature of the targeted advertising which can promote addictive user behaviour and the proliferation of misinformation.

Meta's governance profile also carries structural risk due to its dual-class share structure. Founder and CEO Mark Zuckerberg controls over 60% of the company's total voting power through high-vote Class B shares, despite holding a substantially smaller fraction of total economic equity. This concentration of voting power effectively eliminates voting proportionality, insulating management from minority shareholder accountability.

Each of these factors constitutes a distinct risk, causing Loftus Peak to discount each risk by -1% for cumulative -2% discount due to ESG risk.



**Disclaimer:** This information has been prepared and issued by Loftus Peak Pty Limited ("Loftus Peak") (ACN 167 859 332, AFSL 503 571) as investment manager for the Loftus Peak Global Disruption Active ETF, Loftus Peak Global Disruption Hedged Active ETF and Loftus Peak Global Disruption Fund (Class A) ("Funds").

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