

Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



Research Rating:



November 2023 Update

Founded in 2014, Loftus Peak is a global fund manager with a focus on investment in listed disruptive businesses. Our extensive experience means we 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 increased +15.1% net-of-fees during November, outperforming the MSCI All Countries World Index (net) hedged to Australian dollars by +7.3%. November saw major U.S. indices build on their momentum from the end of October. The S&P 500 ended the month just below its 52-week high driven by better-than-expected earnings and even rate cuts – the CME Fedwatch tool is now predicting a >50% chance of a rate cut by March 2024 with bulge bracket brokers largely falling into line on this.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+15.05%	+5.53%	+13.25%	+27.96%	-	-	+19.60%
Benchmark	+7.72%	+0.96%	+7.20%	+9.82%	-	-	+10.48%
Outperformance (Net) ²	+7.33%	+4.57%	+6.05%	+18.14%	-	-	+9.12%

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

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.

² Outperformance is shown as the Loftus Peak (Net) minus the Benchmark.

Contributors and Detractors to Return⁴

Roku was the single largest contributor for the month on the back of handily beating expectations for the quarter. The results are showing signs of a cyclical re-acceleration in digital advertising, particularly in connected television. The company grew active accounts to 75.8 million. Roku's penetration is approaching half of US households with broadband internet (130 million). Viewing of The Roku Channel grew by more than +50% year-over-year with viewer engagement comparable to Paramount+, Peacock and Max (the re-branded HBO), according to Nielsen.

Qualcomm was the second largest contributor after also posting a solid beat on earnings and revenue expectations. According to Bernstein estimates, 2023 will be the weakest year for global smartphone shipments since 2013. Qualcomm is primed for any cyclical rebound in smartphone demand. Revenue growth is expected to be further supplemented by new end markets for Qualcomm chips in automotive and PC.

Other semiconductor names also performed well across November. **Advanced Micro Devices** was the third largest contributor with the company right at the beginning of its GPU opportunity while also taking significant share of the datacentre from Intel. **Nvidia** posted another powerful quarter of revenue growth while continuing to guide even higher. In CY2022 Nvidia clocked US\$ 27 billion in revenue. The market expects almost US\$ 58 billion in CY2023 – unprecedented growth for a trillion-dollar company.

Indie Semiconductor was another top contributor for the month. One of our smaller holdings, Indie designs the semiconductors needed for radar, lidar, ultrasonic and more. These components are pre-requisites for modern-day vehicles. The digitisation of automobiles is requiring semiconductors to represent a larger input cost each year - and not just due to electrification. During November this was demonstrated in Indie's earnings result where chips relating to advanced driver-assistance systems were the key factor behind incoming demand.

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$315 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>56% less carbon intensive than benchmark:</p> <p>tCO2e/Mil USD</p> <p>61.5 (LPGD)</p> <p>141.3 (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
Pricing Frequency	Daily
Distributions	Paid annually as at 30 June
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 30 November 2023.

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

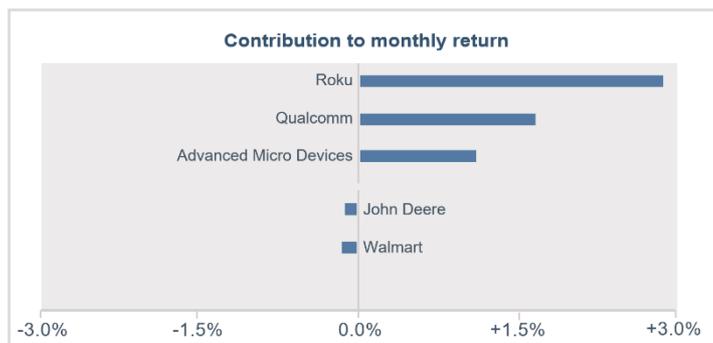
Date	30 November 2023
Entry Price (in AUD)	1.3113
Exit Price (in AUD)	1.3047

The weakest names for the month were **Walmart** and **John Deere**. Both are defensive holdings in a market that is tilting towards risk. Walmart beat on earnings and revenue, but showed margin weakness. Nevertheless, secular segments of the grocery chain – advertising and ecommerce, remain robust.

John Deere fell after offering poor guidance in its earnings call. The digitisation of agricultural equipment is a long-standing tailwind for this stock and has offset a predicted downturn in cyclical demand for several quarters. However, the cycle has caught up and there will likely be a double-digit cut to revenue in 2024. Nevertheless, we believe the secular trend will soften the depth and duration of the cyclical fall and that this long anticipated cycle has already been priced in.

As at 30 November 2023, after the impact of currency hedging the Fund carried an Australian dollar exposure of 99.9%.

Selected Contributors and Detractors⁴



Portfolio Construction⁴

At November month end, the Fund was 94.1% 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	65.6%
Amazon	Nvidia	Large Cap \$50-100b	8.7%
AMD	Qualcomm	Mid Cap \$2-50b	18.0%
Meta	Roku	Small Cap < \$2b	1.8%
Microsoft	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 <http://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 was instrumental in bringing both Seek and Carsales.com to the Australian stock market. He has a deep understanding of the mechanisms through which disruption changes business models and the impact it has on company valuation.

Anshu Sharma

Portfolio Manager and Founder



Anshu began his career as an analyst in global disruption investment more than a fifteen years ago. This was soon followed by portfolio manager responsibilities across information technology and communications services sectors, before taking on the Portfolio Manager role at Loftus Peak as one of the founders of the firm in 2014.

Being mentored by the best in this space early on in his career, and having travelled extensively to meet hundreds of global companies, Anshu brings a wealth of experience to investing in disruption.

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.

5 Years of Recognition



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

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