

# Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



## Research Rating:



October 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 fell -2.1% net-of-fees during October, outperforming the MSCI All Countries World Index (net dividends reinvested) hedged to Australian dollars by +0.7%.

October began with a recovery from September's weakness only for markets to end the month even lower. The U.S. House of Representatives solved its gridlock with the appointment of a speaker while half a world away the conflict between Israel and Palestine flared with an intensity not seen since the six-day war 50 years ago. Israeli tanks are now on the ground in Gaza City. The added turmoil was reflected in bond yields which pushed to levels not seen since 2006.

That said, the U.S. economy is not in bad shape, with September quarter real GDP growth up +4.9% annualised, more than doubling June quarter's figure. Rates, although showing no sign of coming down, are also not expected to rise further. The soft-landing scenario for the U.S. economy seems credible. By the end of October, half the S&P 500 has reported earnings and 78% of them have beaten analyst estimates according to the London Stock Exchange Group.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) <sup>1</sup>	-2.08%	-12.17%	+7.82%	+20.60%	-	-	+10.10%
Benchmark	-2.83%	-8.30%	-0.85%	+8.12%	-	-	+5.79%
Outperformance (Net) <sup>2</sup>	+0.74%	-3.87%	+8.67%	+12.48%	-	-	+4.31%

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

<sup>1</sup> 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.

<sup>2</sup> Outperformance is shown as the Loftus Peak (Net) minus the Benchmark.

## Contributors and Detractors to Return<sup>4</sup>

**Netflix** was the single largest contributor for the month after being the largest detractor in September. The company increased the portfolio value +1.1% as it reported subscriber growth ahead of expectations, adding 8.8 million users to reach a total of 247 million. Adoption of Netflix's cheaper advertising-supported subscription helped to bolster these figures and the announcement of immediate price hikes for two of its subscriptions was received well by investors.

**Microsoft** and **Amazon** were the next two largest contributors. Like Netflix, both companies were detractors last month and have reversed this in October following strong earnings with significant improvements in their cloud businesses. **Google**, the third largest US hyperscaler, was unable to keep up with its peers. Its earnings report showed good revenue growth from the mainstay advertising business but weakness in cloud. The stock dropped in response.

## Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$271 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 <sup>3,4</sup>	<p><b>64% less carbon intensive</b> than benchmark:</p> <p>tCO2e/Mil USD</p> <p>54.1 (LPGD)</p> <p>151.9 (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 <sup>2</sup>	\$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.

<sup>3</sup> Source: Sustainalytics as at 31 October 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

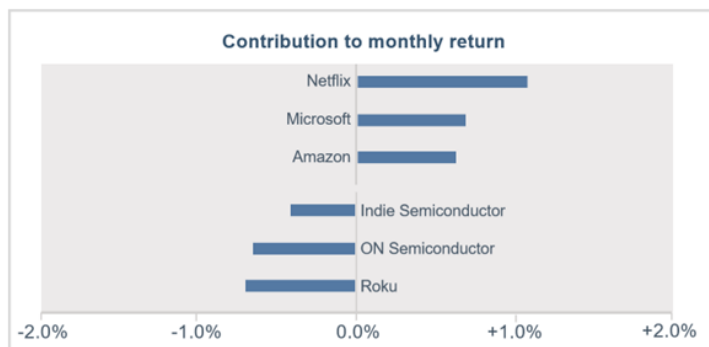
Date	31 October 2023
Entry Price (in AUD)	1.1397
Exit Price (in AUD)	1.1341

The largest detractor for the month was **Roku**, cutting -0.7% from portfolio value with heightened anxiety in markets and climbing treasuries hurting the company in the month. All of which was swept away post month-end when the company reported and its share price promptly jumped +30%, with its Roku Channel in the top ten most-viewed streaming services in line with Paramount+, Max (HBO) and Peacock.

**ON Semiconductors** generated a -0.7% contribution, after posting strong earnings but dire guidance for the demand of power semiconductors in electric vehicles (EVs). Interest rates are impacting car loans, EVs more so than internal combustion engine (ICE) cars due to their higher average price. 18 months into the interest hike cycle and the demand for EVs is waning. This is what hurt Tesla as well as European EV manufacturers. These are the primary customers of ON Semiconductor.

As at 31 October 2023, after the impact of currency hedging the Fund carried an Australian dollar exposure of 98.2%.

## Selected Contributors and Detractors<sup>4</sup>



## Portfolio Construction<sup>4</sup>

At October month end, the Fund was 97.7% 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)		Capitalisation USD	
Alphabet	Netflix	Mega Cap > \$100b	72.2%
Amazon	Nvidia	Large Cap \$50-100b	4.2%
AMD	Qualcomm	Mid Cap \$2-50b	18.3%
Meta	Roku	Small Cap < \$2b	3.1%
Microsoft	Taiwan Semiconductor		

<sup>4</sup> 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](http://www.loftuspeak.com.au) to find more commentary, including Fund performance.

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