

# Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



## Research Rating:



## September 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 -6.3% net-of-fees during September, underperforming the MSCI All Countries World Index (net dividends reinvested) hedged to Australian dollars by -2.8%.

The relief rally that powered the first half of the year faded as investors came to understand that no further interest rate hikes was not the same as an interest rate cut, which some fear will not come until calendar year 2025.

The stellar performance of the magnificent seven – **Apple, Alphabet, Nvidia, Microsoft, Amazon, Meta** and Tesla (which is not a Fund holding) – came to a halt days after the June quarter reports were issued before accelerating (down!) in September, generating the first quarterly negative return for the Fund this calendar year. Markets don't care for a hiatus. So, there has been discomfort with the lack of visibility of AI applications which some may have thought they were buying when they invested in Microsoft or Google earlier in the year.

It's true AI won't butter toast for you. But deployed at scale in datacentres, even the productivity boost of the already available co-pilot for code writing alone is colossal. Large language model usage will also be behind the ever-increasing instances of AI applications like writing marketing materials for Amazon-sized product sets, summarising long documents, instantaneous translation (which Spotify is considering rendering its podcasts into different languages using the voices of the speakers) among literally thousands of others.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a
Loftus Peak (Net) <sup>1</sup>	-6.33%	-5.12%	+5.29%	+24.85%	-	-	+12.69%
Benchmark	-3.55%	-2.72%	+3.41%	+18.04%	-	-	+8.66%
Outperformance (Net) <sup>2</sup>	-2.77%	-2.41%	+1.88%	+6.81%	-	-	+4.03%

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>

The biggest negative for the month was **Netflix** which detracted -1.3% from the portfolio value. The company lowered its 'soft' guidance for operating margins and warned investors that advertising was not yet material to overall revenue. The Fund's other streaming play, **Roku**, also declined over the month, detracting -0.5%.

Nvidia generated a negative contribution of -0.7% for the month. Despite the chip company's meteoric guidance beat last month, investors have sold the stock down as the surge in demand obscures the scale of Graphics Processing Units following the initial demand ramp up from generative artificial intelligence.

Amazon, Google and Microsoft together cut -1.3% from the value of the Fund. The former two have become embroiled in antitrust litigation. Nevertheless, all three are making progress with their burgeoning artificial intelligence offerings.

## Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$268 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>60% less carbon intensive</b> than benchmark:</p> <p>tCO2e/Mil USD</p> <p>58.8 (LPGD)</p> <p>148.3 (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 <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 29 September 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

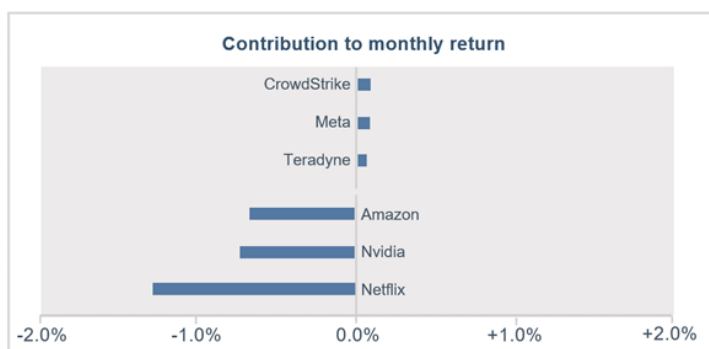
Date	29 September 2023
Entry Price (in AUD)	1.1640
Exit Price (in AUD)	1.1582

Amazon has made a substantial investment in Large Language Model (LLM) maker, Anthropic AI, Google is nearing the release of its reinforcement learning based Gemini LLM and Microsoft is committing to defend AI Copilot commercial customers against copyright claims.

**CrowdStrike, Meta and Teradyne** made up the Fund's top contributors for the month. These three holdings increased Fund value by +0.2% collectively. Better-than-expected quarterly financials from CrowdStrike helped to lift the stock price at the beginning of September with the company beating on key metrics including revenue and earnings. CrowdStrike is benefitting from strong secular tailwinds in cybersecurity which have only intensified with the move to hybrid workplaces and digital transformation. The company's cloud-delivered platform simplifies security management for analysts, making it an attractive proposition for customers looking to consolidate spending onto a harmonious, best-of-breed solution.

As at 29 September 2023, after the impact of currency hedging the Fund carried an Australian dollar exposure of 96.7%.

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



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

At September month end, the Fund was 97.8% invested in 25 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	73.0%
Amazon	Nvidia	Large Cap \$50-100b	4.2%
AMD	Qualcomm	Mid Cap \$2-50b	17.1%
Meta	Roku	Small Cap < \$2b	3.5%
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.

## 4 Years of Recognition



International Equities Finalist  
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MONEY MANAGEMENT FUND MANAGER OF THE YEAR 2020  
AUSTRALIAN FIRST INDEPENDENT AND WHOLE OF MARKET AWARDS

FINALIST  
Global Equities



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FINALIST  
Global Equities



HIGHLY COMMENDED  
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FINANCIAL NEWSWIRE SQM