

# Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



## Research Rating:



May 2024 Update

Founded in 2014, Loftus Peak is a global equities fund manager with a focus on investment in listed disruptive businesses. We have extensive experience and 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

Artificial Intelligence (AI) continues to drive markets. **Nvidia** once again beat expectations and raised guidance on its earnings call as **Qualcomm** ran on the back of its launch as the flagship chip in **Microsoft's** upcoming Copilot+ PC. However, software companies had a meaningful sell off at the end of the month following a number of weak results as a result of a softer demand environment from cyclical headwinds and uncertainty created over AI spending and implementation.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) <sup>1</sup>	+5.76%	+4.50%	+21.48%	+37.58%	-	-	+27.33%
Benchmark	+3.62%	+4.02%	+14.45%	+22.69%	-	-	+16.00%
Outperformance (Net) <sup>2</sup>	+2.14%	+0.47%	+7.04%	+14.89%	-	-	+11.33%

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, Reference Guide and Target Market Determination.

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

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

Qualcomm was the largest contributor for the month, adding +2.8% to Fund value from multiple secular tailwinds. Last month's performance review detailed the opportunity of the Snapdragon X Elite, the breakthrough chip in Microsoft's flagship AI-enabled personal computer. This is a laptop with an on-device AI "Copilot" and is the first meaningful ARM architecture chip which promises similar or even superior battery life to Apple's performant M3 laptops. The smartphone business is also experiencing the start of a cyclical recovery, separately to this new PC chip.

**Netflix** was the second largest contributor for the month, adding +0.8% to the Fund, after the market shrugged off the negative reaction to earnings, specifically the intention to wind down quarterly subscriber growth disclosure. The thesis around Netflix' dominance in the streaming industry remains intact underpinned by multiple revenue levers and spending discipline. This company is about more than just subscriber growth.

**Mercadolibre** was the third largest contributor, adding +0.3% to the Fund. The Latin American ecommerce giant reported earnings at the start of the month. Macroeconomic turmoil in Argentina was expected to weigh heavily on earnings, but strong execution in Brazil and Mexico prevailed. The share price pushed upwards in response.

The worst performing stock for the month was **DoubleVerify** which cut -0.7% from the Fund's value. Although the company beat current quarter earnings expectations, guidance fell well short, the midpoint of full year revenue was 5% below street estimates. DoubleVerify revenue is dependent on large retail and consumer packaged goods advertisers. These groups are showing uneven spending patterns, impacting the topline of DoubleVerify in the near term.

**Samsung Electronics** was the third-worst performing stock, detracting -0.2% for the month. Samsung is an exposure to memory chips. Historically, the memory market has been commoditised, dominated by three large players. Competition has heated up in the high-bandwidth memory (HBM) category – crucial in systems like

## Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$885 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>68% less carbon intensive</b> than benchmark:</p> <p>tCO2e/Mil USD</p> <div style="display: flex; align-items: center;"> <div style="width: 100px; height: 20px; background-color: #0056b3; margin-right: 10px;"></div> <span>40.1 (LPGD)</span> </div> <div style="display: flex; align-items: center; margin-top: 5px;"> <div style="width: 100px; height: 20px; background-color: #666; margin-right: 10px;"></div> <span>125.9 (benchmark)</span> </div> <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
Additional Investment via BPAY <sup>®</sup>	BPAY <sup>®</sup> Biller Code: 427419 Customer Reference Number (CRN): generated after initial application.
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: Sustainability as at 31 May 2024.

## 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

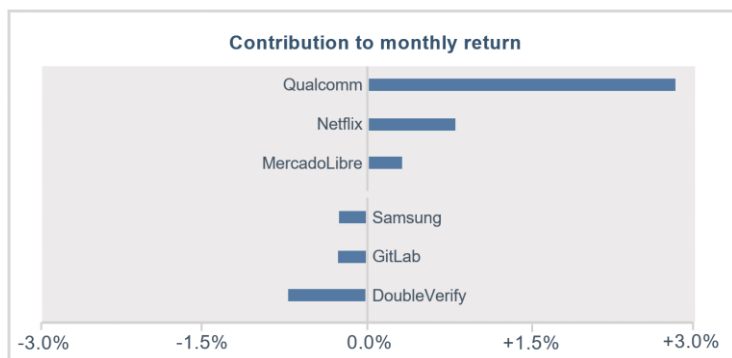
Date	31 May 2024
Entry Price (in AUD)	1.5930
Exit Price (in AUD)	1.5850

Nvidia's and **Advanced Micro Devices**'. Here, it appears Samsung lags competitors **Micron** and SK Hynix. However, a similarly important tailwind for these companies is that the demand for memory is only just exiting its cyclical bottom. We also note structural changes in traditional end-markets, such as the step change in memory requirements for devices at the edge (phones, PCs) needing to run LLMs or other AI. All positive signs for Samsung.

The broader software sector fell after earnings from Salesforce highlighted a weaker than expected demand environment as enterprise customers navigate cyclical headwinds and software budgets face greater scrutiny as they work out the best way to implement AI. Our software exposures: **GitLab**, **ServiceNow**, **Adobe** and **Nutanix** all fell because of the broader software weakness. We note that recent quarterly results from ServiceNow, GitLab and Nutanix were all relatively strong. We continue to believe our software names are well placed to benefit over the medium term from monetizing AI products that drive increased productivity and are not structurally challenged over the longer term.

As at 31 May 2024, after the impact of currency hedging the Fund carried an Australian dollar exposure of 98.8%.

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



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

At May month end, the Fund was 94.1% invested in 28 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	Microsoft	Mega Cap > \$100b	69.6%
Amazon	Netflix	Large Cap \$50-100b	11.3%
AMD	Qualcomm	Mid Cap \$2-50b	13.2%
Broadcom	Samsung	Small Cap < \$2b	0.0%
Meta	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.

## RATINGS DISCLAIMERS

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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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