

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



Lonsec Research
- Recommended



SQM Research
- 4.25 Stars



Zenith Investment Partners
- Approved

July 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. Our Australian Securities Exchange listed Fund (**ASX code: LPGD**) 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, resources and the Australian dollar.

Review and Performance

July saw a reversal in many of the names that have performed strongly over the last six months, with the Fund delivering a return of -1.6% net-of-fees in July, underperforming the MSCI All Countries World Index (in AUD) from Bloomberg by -5.5%. While the holdings were evenly split between positive and negative returns for the month, contribution was heavily weighted to the negative. Investors looked to take profits on strongly performing semiconductor names.

Simultaneously, the sector was hurt by U.S. government suggestions of further trade restrictions as well as bombastic commentary from Republican candidate Donald Trump as to the U.S. defence policy regarding Taiwan. Large technology companies also sold off, especially Nvidia and its customers. The market is bringing increased scrutiny to companies willing to spend heavily on artificial intelligence (AI) infrastructure. Various articles as well as earnings commentary corroborate large technology companies' preference to overspend on AI rather than to underspend and potentially miss out.

	1m	3m	6m	1y	3y p.a.	5y p.a.	7y p.a.	Inception p.a.
Loftus Peak (Net) ¹	-1.64%	+7.86%	+14.35%	+31.91%	+12.82%	+19.81%	+19.89%	+20.91%
Benchmark ²	+3.84%	+7.37%	+13.54%	+20.49%	+9.97%	+12.21%	+13.03%	+13.44%
Outperformance (Net) ³	-5.48%	+0.49%	+0.81%	+11.42%	+2.84%	+7.60%	+6.86%	+7.47%

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

¹ Net-of-fees performance for the Fund is based on end-of-month redemption 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 and Target Market Determination.

² The benchmark for the Fund is the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg.

³ Outperformance is shown as the Loftus Peak (Net) minus the Benchmark.

Contributors and Detractors to Return

Spotify was the largest contributor, adding +0.3% to the Fund's value after posting a significant beat on earnings because of better-than-expected improvement in gross margins and operating margins. Top line revenue grew strongly at +21%, driven by premium subscriber growth and an increase in the average revenue per user. Gross margins also rose ahead of expectations as the company experienced greater music profitability (i.e. lower royalties due to bundling) and a reduction in spending towards the burgeoning podcast segment.

ON Semiconductor also contributed +0.3%. ON is pointing to comparative stability in end markets like automotive and industrials while other analog companies were uncertain. Meanwhile on its earning call, the company quantified the growing addressable markets for power management chips in AI datacentre racks.

Halozyme was the third largest contributor to the Fund, adding +0.2%. Halozyme partners with intravenous medications, reformulating them for subcutaneous delivery. This process results in cheaper treatment to patients and potentially extends the patents of the partner ingredient. Halozyme's key ingredient will fall out of patent in the next couple years and the market has historically discounted the company as being unable to secure enough reformulation patents to protect its revenue. A recent patent approval for the underlying delivery platform has sparked optimism in the company's ability to secure patents more broadly.

Qualcomm, the largest position in the Fund, was the weakest performer, detracting -1.0% from Fund value.

Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMCO110AU
Fund FUM (AUD)	\$523 million
Strategy FUM (AUD) ¹	\$962 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) (as expressed in AUD from Bloomberg)
Carbon Intensity ²	<p>67% less carbon intensive 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> 40.9 (LPGD) </div> <div style="display: flex; align-items: center;"> <div style="width: 100px; height: 20px; background-color: #333; margin-right: 10px;"></div> 125.0 (benchmark) </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 ³	\$5,000
Additional Investment via BPAY [®]	<p>BPAY[®] Biller Code: 349845 Customer Reference Number (CRN): generated after initial application.</p> <p><i>Please note that BPAY[®] is not available for purchasing units on the ASX.</i></p>
Pricing Frequency	Daily
Distribution Frequency	Paid annually as at 30 June
Latest distribution date	30 June 2024
Latest distribution	Nil
Withdrawal Notice	Generally, notice received by 2pm (Sydney time) receives the price effective for that business day.
Research Ratings (Lonsec, SQM, Zenith)	Click Lonsec, SQM or Zenith logo on our website to request a copy.

¹ Includes Orca Global Disruption Fund FUM as at 30 June 2024.

² Source: Sustainalytics as at 31 July 2024.

³ No minimum investment for units purchased on the ASX.

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 July 2024
Entry Price (in AUD)	4.5984
Exit Price (in AUD)	4.5754

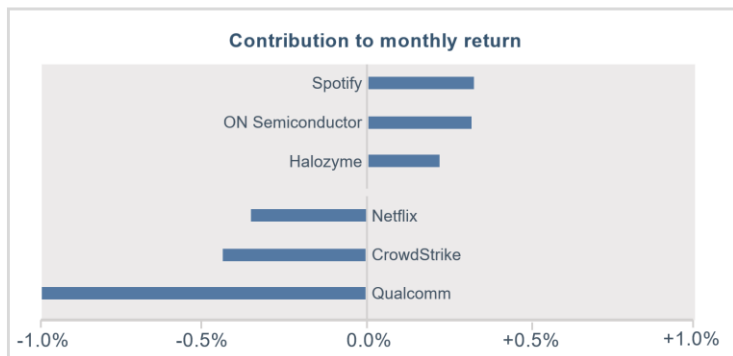
The company sold down with the AI infrastructure names despite operating in different end markets. The company remains primarily a smartphone chip designer with growing revenue from PCs, automobiles and IOT segments. An end to large technology companies' expenditure on AI infrastructure would impact Qualcomm far less than Nvidia. The valuations for this company remain compelling.

CrowdStrike, the second weakest performer, cut -0.4% from Fund value. Its share price collapsed after a faulty software update caused a global Windows outage. While not indicative of a structural issue, the company's reputation for excellent execution was somewhat diminished. This will hurt the business. The stock was down nearly 40% at July end but has since recovered around 10%.

Netflix was the third largest detractor, trimming -0.4% from Fund value. Despite strong earnings, the market was unhappy with revenue generation from the new advertising tier. The company suggested that advertising revenue will be "meaningful" but not a "primary" driver of revenue in 2024 or 2025, getting to "critical scale with advertisers in advertisement countries in 2025".

The Australian dollar depreciated -2.2% against the US dollar over the month, so the Fund's US dollar positions increased. As at 31 July 2024, the Fund carried a foreign currency exposure of 99.2%.

Selected Contributors and Detractors



Portfolio Construction

At July month end, the Fund was 99.0% invested in 27 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	71.0%
Amazon	Qualcomm	Large Cap \$50-100b	11.1%
MercadoLibre	Roku	Mid Cap \$2-50b	17.2%
Meta	Samsung	Small Cap < \$2b	0.0%
Microsoft	Taiwan Semiconductor		

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Zenith: The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned MMC0110AU 30/11/2023) referred to in this piece is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at Fund Research Regulatory Guidelines.

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The Loftus Peak Global Disruption Fund's Target Market Determination is available at <http://www.loftuspeak.com.au> in the downloads 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.

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

Loftus Peak Pty Limited ABN 84 167 859 332 AFSL 503 571

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 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.

