

Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



Research Rating:



September 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

The Fund finished September with a +2.1% return, outperforming the MSCI All Countries World Index (net dividends reinvested) hedged to Australian dollars by +0.3%. Global equities were stronger, but this was obscured by the weakness in the US dollar, which reduced the value of many of the Fund's international holdings.

The U.S. Federal Reserve made good its intention for a -50 bps rate cut. This was largely priced ahead of time. Subsequent commentary from Fed Chair Jerome Powell cautiously suggested the next interest rate cut would be a smaller -25 bps.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+2.14%	+2.40%	+9.29%	+48.55%	-	-	+27.41%
Benchmark	+1.84%	+4.67%	+8.07%	+28.49%	-	-	+17.06%
Outperformance (Net) ²	+0.30%	-2.27%	+1.22%	+20.06%	-	-	+10.35%

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

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, Reference Guide and Target Market Determination.

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

Contributors and Detractors to Return⁴

The two largest contributors to the Fund were **Meta** and **Roku**, (+0.3% each). Meta CEO Mark Zuckerberg debuted the new Orion augmented reality (AR) glasses. These are not priced for consumers (USD \$10,000 each) but are being treated somewhat as a proof of concept for virtual reality. Meta has spent billions on its virtual reality endeavours. Markets reacted positively to this show of tangible results.

Roku is enjoying some momentum since earnings were released the month prior. The company beat lowered street expectations for the quarter, but offered an in-line guide. Since then, the connected-TV advertising end-market has strengthened, which appears to support management's view that there will be some revenue re-acceleration in the second half of the year and beyond. The market now appears to have accepted that the threat to Roku from **Walmart's** Vizio operating system and **Amazon's** foray into ad supported streaming are less severe than first expected.

Various AI exposed semiconductor players including **Advanced Micro Devices** (AMD, the third largest contributor adding +0.2%) and **Broadcom** performed either in line or ahead of Nvidia for the month. Like Nvidia, these companies sell semiconductors necessary for the deployment of AI on datacentres. AMD provides CPUs and GPUs while Broadcom offers TPUs (a custom chip for **Alphabet**) and networking switches. Though exposed to many AI trends, the valuations of these companies are less demanding relative to Nvidia, making them more attractive investments.

Qualcomm's AI edge opportunity remains a sleeper in a valuation sense - the company was the weakest performer, detracting -0.6% from the Fund. Rumours that Qualcomm had approached Intel on a possible acquisition weighed on the share price. Nevertheless, the company is well positioned for a cyclical recovery in

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$969 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	<p>64% 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> 47.8 (LPGD) </div> <div style="display: flex; align-items: center; margin-top: 5px;"> <div style="width: 100px; height: 20px; background-color: #666666; margin-right: 10px;"></div> 131.4 (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 ²	\$5,000
Additional Investment via BPAY [®]	BPAY [®] Biller Code: 427419 Customer Reference Number (CRN): generated after initial application.
Pricing Frequency	Daily
Distributions	Paid annually as at 30 June
Latest distribution date	30 June 2024
Latest distribution	7.5 cents
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 September 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	30 September 2024
Entry Price (in AUD)	1.6521
Exit Price (in AUD)	1.6439

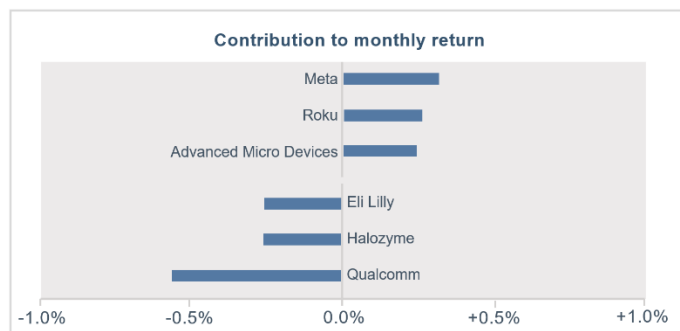
smartphones and a secular expansion of demand for chips in the automotive end market. The company's recent foray into the ARM PCs is a new avenue for revenue expansion. With this particular configuration being an improvement in terms of battery life. Meanwhile, Qualcomm trades at a discount to the semiconductor and the S&P 500 index.

Halozyme was the second weakest performer, detracting -0.3% as investors took profits. Nothing during the month suggested a change in the company's long-term fundamentals. Incrementally, Halozyme's Tecentriq Hybreza partnership with Roche for multiple types of cancer was approved, adding an additional royalty revenue stream.

Eli Lilly also cut -0.3% from Fund value. Broadly, large cap pharmaceutical companies traded down across the month. Lilly, which ran much harder than to its peers, sold off more than its peers. Lilly is enjoying a tailwind due to demand for its GLP-1 obesity medication.

As at 30 September 2024, after the impact of currency hedging, the Fund carried an Australian dollar exposure of 100.1%

Selected Contributors and Detractors⁴



Portfolio Construction⁴

At September month end, the Fund was 96.1% invested in 31 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	ON Semiconductor	Mega Cap > \$100b	62.6%
Amazon	Qualcomm	Large Cap \$50-100b	10.2%
Meta	Roku	Mid Cap \$2-50b	23.3%
Microsoft	Salesforce	Small Cap < \$2b	0.0%
Netflix	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 has a deep understanding of the mechanisms through which disruption changes business models and the impact it has on company valuation, with an acknowledged record of identifying thematic early in the investment cycle.

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.

6 Years of Recognition



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

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