

Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



Research Rating:



November 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

Market sentiment across November was dominated by the election of Donald Trump. Higher risk small cap names popped as did sectors considered insulated from the expected Trump tariffs. Of course, a rally in higher risk names is at odds with the inflationary pressures of tariffs and lower taxes, so conclusions are uncertain. The Fund ended November with a +3.3% net-of-fees return, underperforming the MSCI All Countries World Index (net dividends reinvested) hedged to Australian dollars by -0.8%.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+3.30%	+5.09%	+11.68%	+27.61%	-	-	+26.79%
Benchmark	+4.11%	+4.80%	+10.37%	+21.58%	-	-	+17.18%
Outperformance (Net) ²	-0.82%	+0.29%	+1.31%	+6.02%	-	-	+9.61%

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 best performing holdings in November are what the market might classify as Trump agnostic. **Netflix** (+1.1% contribution to return) was the top performer. The company is relatively tariff proof (no Chinese revenue and lacking tariff-able physical products) and a second order beneficiary of Trump's disdain for mainstream media. In terms of disruptive milestones, Netflix showcased its first venture into live sports streaming with the bout between Jake Paul and Mike Tyson. Other alternative streaming names: **Roku** (+0.3%) and **Spotify** (+0.5%) performed well, with the latter also delivering a strong earnings result.

Software performed strongly. With a cyclical recovery likely, and (in some cases) as beneficiaries of artificial intelligence, these are reasons to like the exposure. **Datadog** (+0.6% contribution to return), **GitLab** (+0.5%), **Salesforce** (+0.4%) and **Nutanix** (+0.2%) all contributed despite their relatively smaller weights in the portfolio.

Amazon (+0.7%) was the outlier, notching most of its performance before the election following a strong earnings result. After the election, the company traded sideways with the other big technology names: **Microsoft** (+0.2%), **Alphabet** (-0.1%) and **Meta** (+0.1%). Nvidia, another of the Magnificent Seven, also traded sideways despite another beat and raise in earnings. The company is priced for excellence with little valuation safety.

Semiconductor companies have underperformed since the election. A literal interpretation of Trump's tariff and Taiwan rhetoric would be bleak for chips. However, the application of such measures is not practical. **Taiwan Semiconductor Manufacturing** (-0.4%) has been pilloried for its purported "theft" of the U.S. chip industry. The suggestion of theft considers too narrowly the semi-conductor industry: it is so much more than fabrication. In fact, by most metrics, the U.S. chip has never been stronger. Case in point: Nvidia is the second largest company by market capitalisation in the world despite not fabricating its chips. Nvidia today is capitalised at ten times the size of Intel (one of the last U.S. chips fabricators) at its 2000 peak.

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$1,069 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 ^{3,4}	<p>58% less carbon intensive than benchmark: tCO2e/Mil USD</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 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 November 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

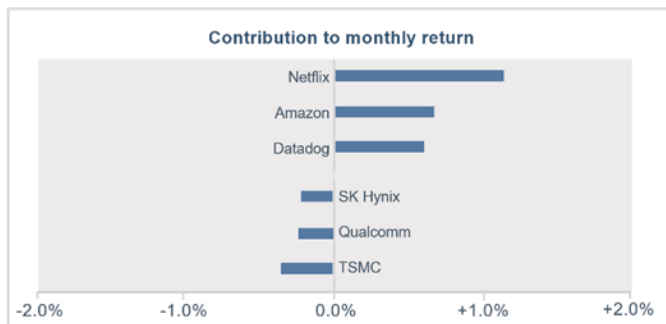
Date	30 November 2024
Entry Price (in AUD)	1.6998
Exit Price (in AUD)	1.6914

Trump has also threatened China with blanket tariffs, which would distress the semiconductor supply chain as well as the broader supply chain of electronic products. From raw materials to final assembly, the Chinese economy is intertwined with the physical products that use chips designed by U.S. companies with the Chinese government showing willingness to hit back at the U.S. by denying the export of rare earth metals. Very few modern-day products would be unaffected by blanket tariffs, however the market concern was focused on the semiconductors which traded slightly down in a month of strength for the broader market. In the portfolio, this was seen through **Advanced Micro Devices** (-0.2%), **SK Hynix** (-0.2%) and **Mediatek** (-0.1%).

Qualcomm (-0.2%) faced the same headwind in addition to concerns over its impending loss of the Apple modem business and fears of litigation with ARM. These risks are already priced while the disruptive opportunity is not, so offering upside.

As at 30 November 2024, after the impact of currency hedging, the Fund carried an Australian dollar exposure of 102.6%

Selected Contributors and Detractors⁴



Portfolio Construction⁴

At November month end, the Fund was 94.3% invested in 30 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	58.7%
Amazon	ON Semiconductor	Large Cap \$50-100b	15.6%
Deere	Qualcomm	Mid Cap \$2-50b	19.9%
Meta	Salesforce	Small Cap < \$2b	0.0%
Microsoft	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 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 more than 15 years ago as a global investment analyst, covering companies that have now been at the forefront of disruption for over a decade. He then took on a similar role with a focus on the Asian market, gaining a unique perspective on the global scale and impact of disruptive businesses. In 2014, Anshu became one of the founding members of Loftus Peak and quickly progressed to portfolio management, assuming the role of Portfolio Manager.

At Loftus Peak, his focus has been on developing a standardised repeatable process to unearth, value, and risk-adjust portfolio positions to stay ahead of the market.

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.



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

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