

# Loftus Peak Global Disruption Fund (Hedged)

Investing | Future Focused



## Research Rating:



4.25 Stars

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

Toward the end of December "Trump trade" names cooled after weeks of strong performance. Markets rotated towards well-capitalised companies with platform businesses. There was also heightened interest in application specific integrated circuits (ASICs) designed for Artificial Intelligence (AI).

The Fund ended December with a +0.0% net-of-fees return, outperforming the MSCI All Countries World Index (net dividends reinvested) hedged to Australian dollars by +1.7%. For the year to 31 December 2024, the Fund returned +27.6% net-of-fees, outperforming by +8.0%. Across the last three months, the Australian dollar fell -10.8% against the U.S. dollar which brings the full year change in currency to -9.3%.

The Fund's top ten performers generated the majority of calendar year performance. **Taiwan Semiconductor Manufacturing Company** (TSMC) was the top contributor for the year followed by **Netflix**. Others solid performers included **Micron**, **Qualcomm** and of course **Nvidia**, which is no longer in the portfolios we manage.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Loftus Peak (Net) <sup>1</sup>	+0.01%	+2.89%	+5.36%	+27.61%	-	-	+25.79%
Benchmark	-1.65%	+1.20%	+5.93%	+19.57%	-	-	+15.79%
Outperformance (Net) <sup>2</sup>	+1.66%	+1.69%	-0.57%	+8.04%	-	-	+10.01%

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

<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>

The strong finish for the year was not based on Trump/Musk names such as Tesla, but on the emergence of ASICs (application specific integrated circuits) as a competitor to Nvidia's graphics processing units (GPUs). ASICs are chips designed for a single specific function-set or workload. ASICs cannot be repurposed beyond their intended use but are more cost-effective at scale than the more flexible GPUs. The scale necessary to make ASIC cost effective in datacentres means that for the most part, they are only feasible for hyperscalers like **Amazon** (+0.7%) and **Alphabet** (+0.8%).

**Broadcom** was the principal beneficiary of this shift to ASIC's, adding US\$200 billion in market cap (or around 20%) in a single day after its quarterly earnings release. It was also the top contributor to Fund performance in December, contributing +1.6% to Fund return. The company has been part of the portfolio since mid-2023 and is now the second chip company to be valued at over US\$1 trillion. On its earnings call, the company pointed to multiple opportunities in 2027 each comprising clusters of one million ASIC's worth ~US\$20-30b dollars (a figure including some networking chips). Companies such as **Marvell**, which has been in the Fund, as well as **Mediatek** (+0.4%) are also beneficiaries.

In the context of AI models, the implication is that the architecture will not radically change at least in the medium term - rather the cost for running similar architecture will decrease. This is positive for companies with emerging revenue lines built on existing AI models like **Salesforce** (+0.3%) and **GitLab** (-0.1%).

## December 2024 Update

### Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	\$1,121 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>56% less carbon intensive</b> than benchmark:</p> <p>tCO2e/Mil USD</p> <p>50.8 (LPGD)</p> <p>91.8 (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
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
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.

<sup>3</sup> Source: Sustainalytics as at 31 December 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

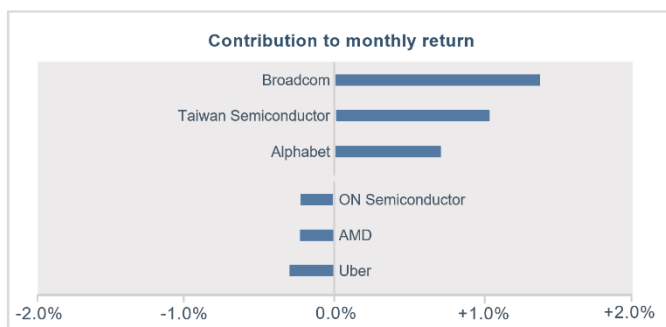
Date	31 December 2024
Entry Price (in AUD)	1.6999
Exit Price (in AUD)	1.6915

While ASICs will not replace GPUs entirely, they may mitigate the growth rate. Nvidia's growth is dropping back to double digits year over year. Regardless of whether ASICs or GPUs triumph, TSMC (+1.1%) is the only company capable of fabricating these chips. TSMC has recovered following offhand Trump comments last month but still trades at a discount to indices including the Philadelphia Semiconductor Index.

Uber (-0.3%) was the largest detractor to the Fund. The company continues to fall on investor fears surrounding autonomous driving, namely that fleets of autonomous vehicles will operate on competition such as Google's Waymo, which has already happened in Miami, and Elon Musk's self-driving cybertaxi fleet and service, which exists nowhere. We think these fears are overblown. In the end, we Waymo will need a demand aggregator like Uber to smooth users into their city-by-city deployment.

As at 31 December 2024, after the impact of currency hedging, the Fund carried an Australian dollar exposure of 103.6%

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



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

At December month end, the Fund was 98.8% invested in 32 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	Meta	Mega Cap > \$100b	59.4%
Amazon	Microsoft	Large Cap \$50-100b	14.1%
Broadcom	Netflix	Mid Cap \$2-50b	25.3%
John Deere	Qualcomm	Small Cap < \$2b	0.0%
MediaTek	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

**SQM:** The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

**IMPORTANT INFORMATION:** This report was prepared by Loftus Peak Pty Limited ("Loftus Peak"). Equity Trustees Limited ("Equity Trustees") ABN 46 004 031 298 AFSL No. 240975, is a subsidiary of EQT Holdings Limited ABN 22 607 797 615, a publicly listed company on the Australian Securities Exchange (ASX:EQT), and is the Responsible Entity of the Loftus Peak Global Disruption Fund (Hedged). This document has been prepared for the purpose of providing general information only, without taking account of any individual person's investment objectives, financial circumstances or needs. This document is not intended to take the place of professional advice and we do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors this document may contain. You should consider the Product Disclosure Statement ("PDS") and Reference Guide in deciding whether to acquire, or continue to hold, the product. The PDS, Reference Guide and application form are available at <http://www.loftuspeak.com.au>. Loftus Peak and Equity Trustees do not guarantee the performance of the Fund or the repayment of the investor's capital. To the extent permitted by law, neither Equity Trustees, Loftus Peak, nor any of their related parties including its employees, directors, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this report. Past performance is not indicative of future performance.

The Loftus Peak Global Disruption Fund (Hedged) Target Market Determination is available at [www.loftuspeak.com.au](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 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](http://www.loftuspeak.com.au) to find more commentary, including Fund performance.

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