Loftus Peak Global Disruption Fund (Hedged)

Change. The way you **should** invest.

Loftus Peak

Research Ratings: Superior SQM Research – 4.25 Stars

February 2025

Loftus Peak is a global equities fund manager focused on disruptive businesses. Founded in 2014, the Fund invests in global companies driving industry change, such as Nvidia, first bought in 2016. As well as Microsoft and Google, the diverse portfolio also includes many less well-understood companies which are expected to be household names in the future, such as AMD and Qualcomm. This global approach aims to reduce concentration risk often associated with home-biased Australian portfolios. 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.

	1m	3m	6m	1y	3y p.a.	5y p.a.	7y p.a.	Inception p.a.
Loftus Peak (Net)	-4.41%	+0.93%	+6.08%	+17.79%	-	-	-	+24.34%
Benchmark	-0.78%	+0.78%	+5.62%	+15.71%	-	-	-	+15.79%
Outperformance (Net)	-3.63%	+0.15%	+0.46%	+2.08%	-	-	-	+8.55%

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

Review and Performance

February was a poor month for the Fund, which dropped -4.4% net-of-fees, underperforming the benchmark MSCI All Countries World Index (net) hedged to Australian dollars by -3.6%.

As we noted in last month's Insight, some of this poor performance is a factor of the uncertain policy coming out of the White House - investors withdraw when uncertainty increases, and we have weathered considerable uncertainty in the past few weeks. Notably, the CEO's of the big three US car companies (Ford, GM and Stellantis, the maker of Dodge and Chrysler) complained directly to Trump about the rapid changes in tariff policy, with at least one saying it could cause significant harm to the companies. Encouragingly, Trump repealed those tariffs, but the stock market has remained unconvinced, and so has fallen.

These abrupt shifts are not necessarily bad - they provide important buying opportunities for the portfolios managed by Loftus Peak. When lower stock prices allow entry into quality companies with strong cashflows and balance sheets, it has in the past turned out well for investors.

Contributors and Detractors to Return[2]

The biggest positions, those companies which we believe have the best return for the lowest risk, underperformed the most. For example, **Taiwan Semiconductor Manufacturing Company** generated -0.7% of the Fund's negative performance, with **Qualcomm** only just better with a -0.7% detraction. A number of the Magnificent Seven constituents also featured negatively, with Fund holdings in **Amazon**, **Alphabet**, **Meta** and **Microsoft** hit, for a combined negative contribution of -1.4% for the month.

What ties all these names together is their reliance on AI to provide the next level of growth. **Nvidia**'s earnings report at the end of February, while well received, arrived against a backdrop of these White House policy shifts. Obviously, with some US$300b to be invested in AI capacity by these big names, investors became increasingly nervous.

Results were better outside the big names and where there is an easily understood narrative. For example, **Uber** performed well (+0.4%) with solid contributions from **Eli Lilly** (+0.4%) and Latin American e-commerce player **MercadoLibre** (+0.2%).

In Uber's case, there has been nervousness about the possibility of a driverless car fleet disrupting its business model. More likely is that the driverless fleet would need to be one of the many services already offered by Uber. Otherwise any such fleet would need to be big enough to provide city-by-city competition to Uber at a fleet size which would need to be large enough to ensure ride certainty for users and commercial viability for the provider. The capital involved in doing this would itself be large – even 10k cars would be a cash cost of $300m, and this would be in just one city. We are seeing this play out with Google's Waymo selectively selling its rideshare inventory through Uber. Up until now, autonomy has been a two-horse race between Waymo and Tesla.

Key Facts

Inception Date	1 July 2022
APIR Code	ETL9930AU
Strategy FUM (AUD)	$1,124 million
Product Type	Registered Managed Investment Scheme domiciled in Australia
Responsible Entity	Equity Trustees Limited
Investment Universe	Listed Global Equities
No. of Investments	15-35
Benchmark	MSCI All Countries World Index (net dividends reinvested) hedged to Australian dollars
Minimum Cash	1%
Maximum Cash	20%
Suggested time frame	3-5 years
Minimum Investment	$5,000
Platforms	Available on Macquarie, HUB24, Powerwrap, Praemium and Mason Stevens (IDPS only)

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

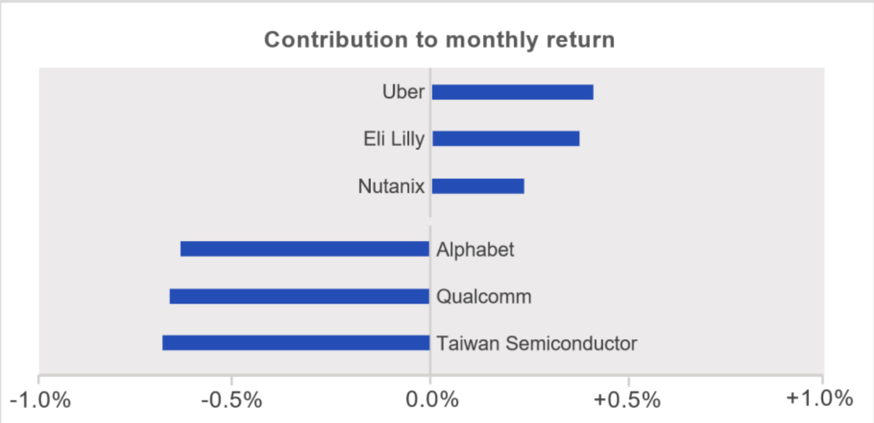
This would obviously be bad for an aggregator like Uber which thrives in a market of fragmented supply. So it was that BYD's entry to the advanced-driver-assistance/autonomy space by way of its free 'God's Eye' offering (vs Tesla's $10,000 FSD) provided a data point in favour of a more competitive market in the supply of autonomous vehicle solutions.

Eli Lilly was strong on the back of a series of developments, including the building of 3 new plants to service demand for its obesity medications. The company also announced it was seeking FDA approval as early as 2026 for the oral version of its obesity drug Orfogliperon. The oral version may be preferred relative to its weekly injectable drug Mounjaro, for which approval has also been granted against sleep apnoea and in certain cases heart conditions.

Nutanix was a bright spot and one of the only higher growth companies in the Fund that outperformed for the month, adding +0.2% to Fund value. The company provides software that enables enterprise customers to operate their digital infrastructure virtually across on-premises IT environments as well as private and public cloud. Nutanix reported a great set of earnings at the end of February, increasing its full fiscal year revenue guidance as it executes on an opportunity to move upmarket.

As at 28 February 2025, after the impact of currency hedging, the Fund carried an Australian dollar exposure of 96.8%.

Selected Contributors and Detractors[2]



Portfolio Construction[2]

At February month end, the Fund was 98.7% 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)	
Advantest	Netflix
Amazon	Nvidia
Broadcom	NXP Semiconductors
Meta	Qualcomm
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > $100b	66.3%
Large Cap $50-100b	9.3%
Mid Cap $2-50b	23.1%
Small Cap < $2b	0.0%

Unit Prices

Pricing Frequency	Daily
Date	28 February 2025
Entry Price (in AUD)	1.7158
Exit Price (in AUD)	1.7072

Distributions

Distribution Frequency	Paid annually as at 30 June
Latest distribution date	30 June 2024
Latest distribution	7.5 cents

Applications and Withdrawals

Withdrawal Notice	Generally, notice received by 2pm (Sydney time) receives the price effective for that business day.

ESG Attributes

Carbon Intensity[1]	**60% less carbon intensive** than benchmark: tCO2e/Mil USD  No exposure to companies involved in fossil fuel extraction, generation and related products and services.

[1] Source: Sustainalytics as at 28 February 2025.

The Team

Alex Pollak	CIO and Founder
Anshu Sharma, CFA	Portfolio Manager and Founder
Harry Morrow, CFA	Senior Investment Analyst
Raymond Tong, CFA	Head of Research

Firm Awards

FINALIST 2024 BEST AUSTRALIAN BASED GLOBAL MANAGER Loftus Peak

2024 FINALIST BEST LISTED ALTERNATIVE INVESTMENT PRODUCT HEDGE FUNDS Rock

IMAP MANAGED ACCOUNT AWARD FINALIST INTERNATIONAL EQUITIES

THE AUSTRALIAN FUND MANAGER AWARDS 2023 WINNER BEST AUSTRALIAN BASED GLOBAL EQUITY MANAGER

FUND MANAGER OF THE YEAR 2022 HIGHLY COMMENDED Global Equities Large Cap

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The Loftus Peak Global Disruption Active ETF's Target Market Determination is available at 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.

[2] The portfolio characteristics shown in this report, apart from references to currency exposure, refer to the data applying to the Loftus Peak Global Disruption Active ETF, 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.