Loftus Peak Global Disruption Fund

Investing | Future Focused

Loftus Peak

ASX:LPGD

Research Ratings:

Lonsec Research - Recommended

SQM Research - 4.25 Stars

Zenith Investment Partners - Approved

August 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

August was a very mixed bag for Loftus Peak investors. The Fund delivered a +0.4% net-of-fees return, outperforming the MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg) by +1.3%. The swoon of early August was caused by the rapid unwind of the 'yen carry trade' – investors borrowing in yen at low rates to invest in US stocks.

The trigger for the unwind was a rapid appreciation in the yen, resulting in a blowout in liabilities and forcing the sale of shares in many US companies at stressed prices. At the same time, there was nervousness over the narrow base of the stock market rally generally (read Magnificent Seven) and renewed fears that the US economy would tip into a recession. By mid-August, the safest course appeared to be a heavier weighting to the digital economy generally, so streaming did well, as did e-commerce and some of the payments companies.

	1m	3m	6m	1y	3y p.a.	5y p.a.	7y p.a.	Inception p.a.
Loftus Peak (Net)[1]	+0.43%	+4.48%	+7.78%	+33.74%	+12.18%	+20.07%	+19.55%	+20.73%
Benchmark[2]	-0.90%	+4.67%	+6.23%	+18.18%	+8.58%	+12.04%	+12.72%	+13.15%
Outperformance (Net)[3]	+1.34%	-0.19%	+1.55%	+15.56%	+3.61%	+8.03%	+6.84%	+7.58%

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

Cloud computing player **Nutanix** was the top performer for the month, adding +0.5% to Fund value following earnings which came in above expectations and upbeat guidance for the next fiscal year. A poor enterprise spending environment and longer sales cycles meant investors had discounted the likelihood of a strong result although initiatives from the company to move upmarket look to be working. In the longer term, Nutanix is positioned well to take share from its main competitor, VMware, as the company raises prices following its acquisition by Broadcom.

The number two performer in the month was **MercadoLibre**, the "**Amazon**" of Latin America, adding +0.5% to performance after a 20% rally in the stock price in August. Much like Amazon, the company has a burgeoning advertising business. This is in addition to its payments business, which reported 52 million monthly active users in its latest earnings result. **Adyen**, a European payment processor, lifted the Fund by +0.4%, with streaming names **Netflix** and **Roku** contributing +0.8% between them.

Against this, **Qualcomm**, the largest Fund position, reduced value by -0.9%, as the market focused more on its AI capabilities (which are real but suffered slightly as investors fretted about the hype). Less focus was given to cyclical recovery in the mainstay smartphone business or automotive end market (an area of market share expansion for Qualcomm). Recovery in these areas seems likely, as the Fed again hinted at a rate cut in September. Meanwhile, Amazon was affected by concerns about the company's AI-tilted cloud business, driving the Fund -0.7% lower.

Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMC0110AU
Fund FUM (AUD)	$541 million
Strategy FUM (AUD)	$954 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 [1]	**64% less carbon intensive** than benchmark: tCO2e/Mil USD 44.9 (LPGD) 124.5 (benchmark) No exposure to companies involved in fossil fuel extraction, generation and related products and services.
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: 349845 Customer Reference Number (CRN): generated after initial application. *Please note that BPAY® is not available for purchasing units on the ASX.*
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] Source: Sustainalytics as at 30 August 2024.

[2] 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

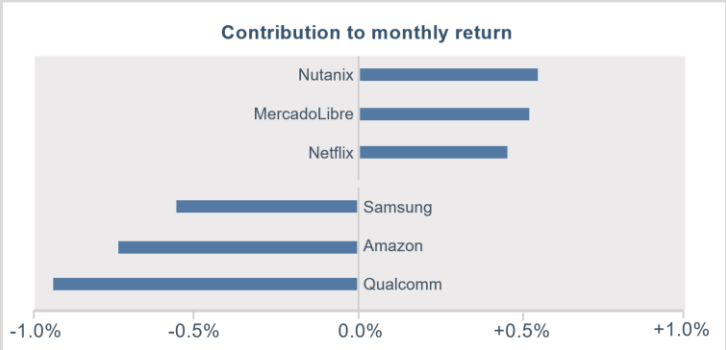
Date	30 August 2024
Entry Price (in AUD)	4.6183
Exit Price (in AUD)	4.5953

Salesforce (which detracted -0.2%) reported solid numbers in the final week of August, beating on revenue earnings, and raising margin guidance for the full fiscal year. Notwithstanding this, management commentary flagged a continuation of the soft spending environment that has plagued enterprise software players over the past year. Powell's higher interest rates have constrained enterprise spending, forcing increased scrutiny on costs and so denting revenues. Salesforce management did reveal some encouraging trends around the AI opportunity, with enthusiastic adoption of tools to turn data into actionable services. This is consistent with the strategies of other Fund holdings including **ServiceNow, Adobe, Microsoft** and **GitLab.**

All of this points to an evolving AI story. The dramatic revenue growth for companies like Nvidia and AMD, which make the GPU tools, can only continue if that growth morphs into demand for the software applications. These will then populate commerce with better outcomes for customers – more accurate voice recognition, improved sales visualisation and intuitive customer service. Broadly, these are the downstream beneficiaries of the hardware.

The Australian dollar appreciated +3.9% against the US dollar over the month, so the Fund's US dollar positions decreased. As at 30 August 2024, the Fund carried a foreign currency exposure of 98.0%.

Selected Contributors and Detractors



Portfolio Construction

At August month end, the Fund was 95.2% invested in 29 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)	
Alphabet	Netflix
Amazon	Nutanix
Eli Lilly	Qualcomm
Meta	Roku
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > $100b	66.6%
Large Cap $50-100b	10.1%
Mid Cap $2-50b	18.5%
Small Cap < $2b	0.0%

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 thematics early in the investment cycle.

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.

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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.