

# Loftus Peak Global Disruption Fund

Investing | Future Focused



## Research Ratings:



September 2021

Founded in 2014, Loftus Peak is a global fund manager with a focus on investment in listed disruptive businesses. Our extensive experience means we bring significant discipline to the process. Our 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 at carefully determined valuations. Holdings include large capitalisation names like Apple and Alphabet (Google), as well as many others that we expect to be household names in the future, such as Roku 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

September was a poor month for markets generally – our benchmark index, the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg, fell -2.8%, while the Fund had one of its worst months, dropping -5.4%, resulting in underperformance of -2.6%. Since the Fund's inception in 2016, the Fund has returned +24.5% p.a., outperformance of +9.3% p.a.

The market continues to focus on the “re-opening trade”, attempting to time its way into cruise liners, airlines and other travel related companies. While a rebound is in order, there remains a disconnect between the market's expectations of continuing growth for these businesses in light of the changing nature of the market, brought on by disruption.

	1m	3m	6m	1y	3y p.a.	4y p.a.	Inception p.a.
Loftus Peak (Net) <sup>1</sup>	-5.43%	-2.92%	+8.50%	+22.18%	+21.14%	+23.08%	+24.47%
Benchmark <sup>2</sup>	-2.83%	+2.84%	+12.21%	+26.69%	+12.69%	+14.23%	+15.14%
Outperformance (Net) <sup>3</sup>	-2.60%	-5.76%	-3.71%	-4.51%	+8.44%	+8.85%	+9.33%

**Past performance is not a reliable indicator of future performance.**

Source: Loftus Peak, Bloomberg

<sup>1</sup> Net-of-fees performance for the Loftus Peak Global Disruption 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 reference guide.

<sup>2</sup> The benchmark for the Fund is the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg.

<sup>3</sup> Outperformance is shown as the Loftus Peak (Net) minus the benchmark.

## Contributors and Detractors to Return

**Netflix** was the top contributor for the month, buoyed by talk of its new gaming venture and a 42-strong movie slate for release over the US winter. It would be remiss of us not to mention the breakout Korean hit TV show *Squid Game*, which quickly became Netflix's number one title in 90 countries. We believe this is an excellent example of why global streaming is a better business model than traditional linear TV: diverse content, direct to the consumer with global reach.

The other contributors were only marginally accretive which was not enough to counteract the weak performance of some of our holdings, including **Qualcomm**, **Roku** and **Alphabet (Google)**. In Roku's case the company is cycling last year's strong seasonal numbers which saw Americans huddle at home around the (Roku) TV during the COVID winter. For the record, the history of growth in subscriber TV is not linear, so we are looking through this weaker period to better numbers ahead. The company was down around -11.1% over the past few months but is still 8x the price at which we first entered.

## Key Facts

Inception Date	15 November 2016		
ASX Code APIR Code	LPGD MMC0110AU		
Fund FUM (AUD)	\$217 million		
Strategy FUM (AUD)	\$234 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 <sup>1</sup>	<p><b>77% less carbon intensive</b> than benchmark:</p> <p>tCO2e/Mil USD</p> <table border="1"> <tr> <td>37.0 (Fund)</td> </tr> <tr> <td>163.5 (Benchmark)</td> </tr> </table> <p>No exposure to companies involved in fossil fuel extraction, generation and related products and services.</p>	37.0 (Fund)	163.5 (Benchmark)
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163.5 (Benchmark)			
No. of Investments	15-35		
Minimum Cash	1%		
Maximum Cash	50%		
Suggested time frame	3-5 years		
Minimum Investment <sup>2</sup>	\$5,000		
Pricing Frequency	Daily		
Withdrawal Notice	Generally, notice received by 2pm receives price effective for that business day.		
Research Ratings (Lonsec, SQM, Zenith)	Click Lonsec, SQM or Zenith logo on our website to request a copy.		

<sup>1</sup> Source: Sustainalytics

<sup>2</sup> There is no minimum investment for units purchased on the ASX

## Fees

Distributions	Paid annually as at 30 June
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

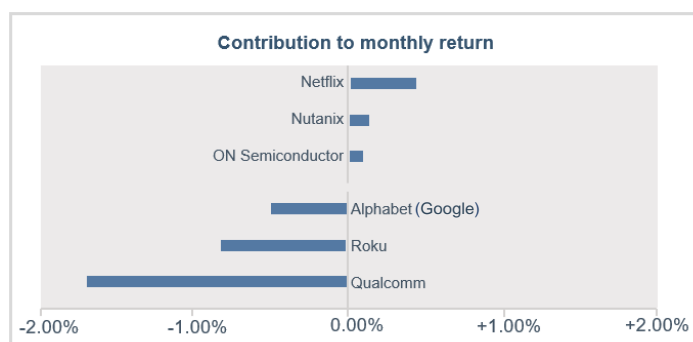
Date	30 September 2021
Entry Price (in AUD)	3.0935
Exit Price (in AUD)	3.0781

Qualcomm was also a poor performer – it detracted -1.7 percentage points from the Fund’s performance in September as concerns continue around semiconductor shortages as well as the move by **Apple** to fabricate its own 5G chips.

Frankly, we are fascinated by the opportunity that the company presents. Two years ago, Qualcomm was viewed as troubled as a result of legal issues both in the US with Apple and also in Asia. It has rebounded, recording a 40% rise in the quarter to 30 June in its core handsets business of modems for 3G, 4G and 5G phones. More importantly there was an 83% jump in its automotive and connected devices divisions to US\$1.7b, putting it on track to record US\$7b annually. These are new revenue streams which did not exist two years ago. Looking ahead, Qualcomm’s products will be critical for various end markets in which cars and objects are connected over mobile networks.

The Australian dollar depreciated -1.2% over the month against the US dollar, which meant the value of the Fund’s US dollar positions increased. As at 30 September 2021, the Fund carried a foreign currency exposure of 97.5%.

## Selected Contributors and Detractors



## Portfolio Construction

At September month end, the Fund was 90.3% invested in 29 holdings with the balance in cash exposure.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	68.5%
Roku	Large Cap \$50-100b	7.6%
Alphabet (Google)	Mid Cap \$2-50b	14.2%
Amazon	Small Cap < \$2b	0.0%
Apple		

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The Loftus Peak Global Disruption Fund’s Target Market Determination is available at [www.loftuspeak.com.au](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.

## 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 listed disruptive business investment in Australia.

He was instrumental in bringing both Seek and Carsales.com to the Australian stock market. He has a deep knowledge of investment and global change companies.



### Anshu Sharma Portfolio Manager and Founder

Anshu started his career in global disruption investment more than a decade ago at TechInvest. This was followed by Portfolio Manager and Technology Analyst responsibilities for the Asia region at Eight Investment Partners.

Being mentored by the best in this space early on in his career and having extensively travelled in Asia to meet hundreds of companies, Anshu brings a wealth of experience to investing globally.



### 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 funds management firms in Australia, including 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.

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