

Loftus Peak Global Disruption Fund

Investing | Future Focused



Research Ratings:



April 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, Google (Alphabet) and Alibaba, as well as many others that we expect to be household names in the future. This approach to investment across a wide range of industries globally lowers the concentration risk inherent in the typical Australian portfolio, with its heavy skew toward banks, resources and the Australian dollar.

Review and Performance

The Loftus Peak Global Disruption Fund was up +3.0% net-of-fees in April, performing in line with the benchmark MSCI All Countries World Index net in Australian dollars. One-year net performance to 30 April is +34.8%, which is outperformance of +11.5%.

The big story during April was the quarterly earnings of the biggest names in disruption, including **Apple, Google, Amazon** and **Microsoft**. The revenue growth numbers reported by these companies appear to defy the law of large numbers, with growth actually accelerating on an already large base (a point made in our 2018 article *Runaway returns to scale*, originally published on Firstlinks). Despite this record growth, the market failed to reward many of these companies, questioning the sustainability of growth, perhaps on the grounds that it is simply a post-COVID bounce. Our view differs: many of the core companies in our portfolio performed strongly despite COVID (recall **Microsoft** CEO Satya Nadella reporting on the March quarter 2020 “We’ve seen two years’ worth of digital transformation in two months”). The strong quarterly results of many of our investee companies suggest this period of hyper-growth may be with us for some time.

	1m	3m	6m	1y	3y p.a.	4y p.a.	Inception p.a.
Loftus Peak (Net) ¹	+3.03%	-0.37%	+10.83%	+34.80%	+25.26%	+23.73%	+25.58%
Benchmark ²	+3.10%	+8.68%	+16.78%	+23.31%	+12.51%	+12.67%	+14.47%
Outperformance (Net) ³	-0.07%	-9.05%	-5.94%	+11.48%	+12.74%	+11.05%	+11.11%

Past performance is not a reliable indicator of future performance.

Source: Loftus Peak, MSCI

¹ 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.

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 Fund (Net) minus the benchmark.

Contributors and Detractors to Return

Amazon was a top contributor to return in April, following a quarter in which it delivered a 40% lift in its US retail sales, 60% in international retail and 32% for the cloud business (AWS) relative to the prior corresponding period. **Google** was also strong in the lead-up to earnings. It reported a 34% increase in revenues, with a near tripling of earnings per share for the quarter to US\$26.29/share, a clear demonstration of operating leverage. **Apple** too delivered stellar results with total sales of US\$89.6b in the quarter, an increase of 53% over the same period a year ago, lifting operating income before tax by 113%.

Virtually all of **Microsoft’s** growth in the past three years has come from its services business – the company has the number two position in cloud and has migrated the old Windows perpetual license business into a software-as-a-service giant across a range of different product lines.

Key Facts

Inception Date	15 November 2016
ASX Code APIR Code	LPGD MMC0110AU
Fund FUM (AUD)	\$179 million
Strategy FUM (AUD)	\$195 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 Risk Rating	82% less carbon intensive than benchmark. No exposure to companies involved in fossil fuel extraction, generation and related products and services. ¹
No. of Investments	15-35
Minimum Cash	1%
Maximum Cash	50%
Suggested time frame	3-5 years
Minimum Investment	AU\$5,000 ²
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.

¹ Source: Sustainalytics

² Only applicable to investors who apply for units directly with the Fund.

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 April 2021
Entry Price (in AUD)	2.9375
Exit Price (in AUD)	2.9229

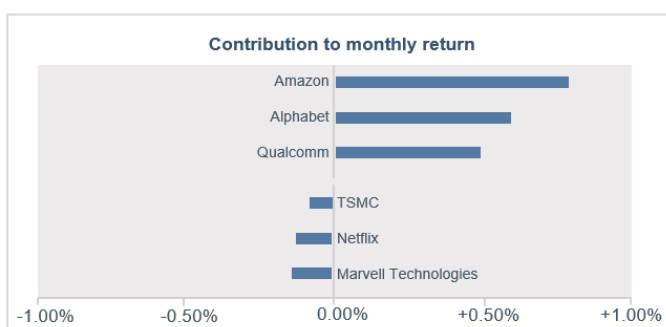
Our 5G investment in **Qualcomm** has already paid off to a degree – the stock has almost doubled over the past year, however there seems to be more to come, with a quarterly increase in sales of 52% to \$7.9b figure compared with a year ago.

There is a global shortage of silicon processing power, a development which has clearly played into the decision by **Taiwan Semiconductor Manufacturing Company** (the world’s largest producer of cutting edge chips) to increase its capex commitment by US\$20b to US\$100b over the next three years.

Netflix was a detractor, even as the company announced a US\$5b buyback of stock, a clear sign that the company has started to throw off cash, while still having a significant growth runway ahead of it.

The Australian dollar appreciated +1.4% over the month against the US dollar, which meant the value of the Fund’s US dollar positions decreased. As at 30 April 2021, the Fund carried a foreign currency exposure of 98.2%.

Selected Contributors and Detractors



Portfolio Construction

At April month end, the Fund was 88.9% invested in 33 holdings with the balance in cash exposure.

Top Holdings	Capitalisation USD	
Qualcomm	Mega Cap > \$100b	66.6%
Amazon	Large Cap \$50-100b	7.9%
Apple	Mid Cap \$2-50b	14.3%
Alibaba	Small Cap < \$2b	0.0%
Alphabet		

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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 almost 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.