

# Loftus Peak Global Change Portfolio

## Monthly Investor Letter December 2015

The Loftus Peak Global Change Portfolio posted a manager estimated return\* of -4.26% for December 2015, compared with a return of -2.57% for the Fund's benchmark, the MSCI AC World Net Total Return Index in A\$

### Performance

The portfolio manager estimated return gross\* of fees was -4.26% which was -1.69% below the benchmark (MSCI AC World Net Total Return Index in Australian dollars). The benchmark returned -2.57% for the month.

Most of the rout took place in the last few trading days of December in the wake of the US rate rise, then continued in the new year, so that US markets recorded their worst ever start to a new year with a fall of 5% by the end of first week of January.

### Portfolio Construction

Traders sold off the best performers of the year including Amazon and Alphabet (Google). These are among our biggest positions. We hold them in these weights because they represent the best businesses to own in a networked world which is evolving toward mobility, with China additionally a play on the movement to the consumer economy.

Company	% of Portfolio
APPLE	9.0%
AMAZON	5.8%
ALPHABET	5.5%
TENCENT	5.3%
ALIBABA	5.3%

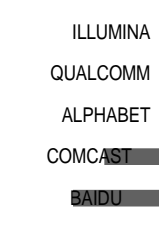
We had expected that our disruption thematic would hold up better on the basis of strong earnings performances in past quarters, especially with crashing oil, iron ore and coal. Indeed, the portfolio performed best in earnings release months including February, May, July and October. But the major problem seems to be that collapsing commodity prices mean a slowdown

in spending on infrastructure, construction and employment. This creates a drag on world growth which makes the markets fall. Indeed, whole countries including Australia are affected when commodity prices drop, with the dis-benefits of the slowdown outweighing lower input prices.

The Australian dollar was stable for the month, rising around 0.8% against the greenback.

### Portfolio Contributors/Detractors

Best and worst contributors are shown below with Baidu, Apple and Comcast performing poorly.



In Apple's case the company was hit with talk about cuts in orders to the companies' suppliers, implying a build-up of inventory brought on by slower-than-expected sales. This sell-off fails to recognise the value being created in the software businesses such as the app store, which is among the largest distributors of the Netflix app on the various devices (iPhone, Apple TV etc).

### Learn More

For the latest on investment in global change and disruption, including our commentary in the Sydney Morning Herald, Financial Review, BRW, Sky Business, Livewire, and on 2GB, visit us at [www.loftuspeak.com.au](http://www.loftuspeak.com.au) or email [alexpollak@loftuspeak.com.au](mailto:alexpollak@loftuspeak.com.au).

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\*Returns calculated by the manager based on portfolio valuations provided by Mason Stevens Limited before management and performance fees. The returns quoted in this monthly report may differ from the returns determined by Mason Stevens.