



Loftus Peak

# Loftus Peak Global Change Portfolio

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Letter  
June 2017

The Loftus Peak Global Change Portfolio invests in disruptive companies around the world. The portfolio provides geographical and sectoral diversification which lowers the concentration risk inherent in the typical Australian portfolio, with its heavy skew toward banks, resources and the Australian dollar.

## Review & Outlook

The portfolio manager estimated return gross of fees\* was -5.02% for June 2017, which was -2.31% below the benchmark (MSCI AC World Net Total Return Index in Australian dollars). The benchmark returned -2.71% for the month.

## Performance\*

|                                | 1m     | 3m     | 6m      | 1y      | 3y p.a  | Inception p.a |
|--------------------------------|--------|--------|---------|---------|---------|---------------|
| Portfolio (gross-of-fees)      | -5.02% | +7.68% | +13.19% | +32.65% | +20.88% | +20.88%       |
| Index                          | -2.71% | +3.84% | +4.78%  | +15.21% | +12.23% | +12.23%       |
| Outperformance (gross-of-fees) | -2.31% | +3.84% | +8.41%  | +17.44% | +8.65%  | +8.65%        |
| Portfolio (net-of-fees)        | -6.10% | +6.22% | +11.29% | +29.28% | +18.20% | +18.20%       |

## Portfolio Contributors and Detractors

Alibaba was the stand-out performer for the month, however it was overshadowed by negative contributions from Apple, Comcast and Alphabet (Google). These companies sold off toward the end of the month on concerns that they had run too hard, with cyberattacks on a number of large enterprises in Europe not helping.

Alibaba's performance has been strong this year, re-rating more than 50%, as revenue growth has been upgraded on the back of mobile take rates being higher than desktop. In addition, the company's advertising business continues to expand. Alibaba has also emerged as a significant cloud provider in China and Asia, with 874,000 paying customers, representing market share of 40.7% in China, making it larger than the next seven competitors combined. Google was weaker on the back of an EU fine of US\$4B, levied for anti-competitive behaviour, which the company is challenging. Apple sold off on valuation issues, even as the company made significant headway with the launch of the developer kit for augmented reality.

\*Manager estimated returns. The Portfolio Benchmark is the MSCI ACWI (net) (as expressed in AUD from Bloomberg). Portfolio Inception date is 30/06/14. All returns are shown to two decimal places. Returns for the periods more than one year are annualised. Total returns include realised and unrealised gains. Valuations are computed and performance reported in Australian dollars. Gross-of-fees performance returns are presented before management and performance fees but after all trading expenses. Net-of-fees performance returns are presented after management and performance fees. Returns are based on the theoretical performance of a portfolio which implemented the Model Portfolio based on simplifying assumptions and stock weightings. Actual individual returns of each client's portfolio will differ depending on factors such as date of initial investment, timing of transactions, contributions and withdrawals, fees and any customisations. Past performance is not a reliable indicator of future performance and may not be achieved in the future. Each client should also take into account their own taxation situations. All information provided in this Report is correct as at the date of this Report.

## Key Facts

|                                  |  |
|----------------------------------|--|
| Inception Date                   | 30 June 2014   |
| Product Type                     | Managed Discretionary Account                        |
| Product Sponsor                  | Mason Stevens Ltd                                    |
| Benchmark                        | MSCI ACWI (net) (as expressed in AUD from Bloomberg) |
| Number of Investments            | 10-30  |
| Minimum Cash Allocation          | 1%   |
| Maximum Cash Allocation          | 50%  |
| Maximum weighting per investment | 20% at time of purchase                              |
| Minimum Investment               | AU\$50,000   |
| Liquidity                        | Daily  |
| Suggested Timeframe              | 3-5 years  |

## Fees

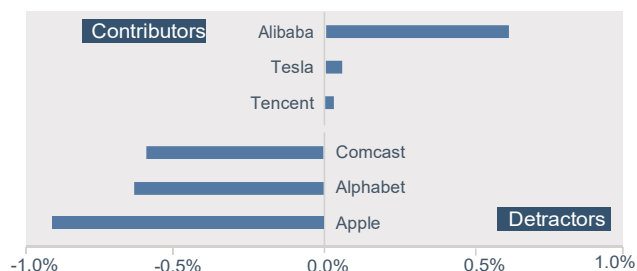
|                        |  |
|------------------------|--|
| Annual Management Cost | 1.00% per annum (inc. GST) calculated daily and charged monthly in arrears |
| Performance Fee        | 15% of excess returns over the benchmark return                            |
| Transaction cost       | 0.55% of the value of the transaction                                      |

There is a possibility that Apple will emerge as a major player in this area, which will enable a user to place a virtual object in a real room on an iPhone screen, for play, work, design etc.

Tesla was a small positive contributor with news that the company is on track to deliver 20K Model 3's a month by December of this calendar year. This target will probably be missed, but that won't change the underlying story, which is one of disruption of the existing fossil fuel/internal combustion engine model for a cheaper, cleaner one

The Australian dollar was a major negative contributor for the Fund this month, appreciating by +3.4%, which meant the value of our offshore positions fell.

## Contributors and Detractors



## Portfolio Construction

89.6% of the Fund is invested in 21 holdings which the manager considers likely outperformers.

| Top Five Holdings |       | Capitalisation USD  |       |
|-------------------|-------|---------------------|-------|
| Apple             | 10.1% | Mega Cap > \$100b   | 52.0% |
| Alibaba           | 7.5%  | Large Cap \$50-100b | 22.1% |
| Tencent           | 7.5%  | Mid Cap \$2-50b     | 8.9%  |
| Amazon            | 7.3%  | Small Cap < \$2b    | 6.7%  |
| Alphabet          | 7.0%  |                     |       |

## Learn more

For the latest on investment in global change and disruption, see us in the Australian Financial Review, the Constant Investor, or the Sydney Morning Herald, or on Livewire or visit us at [www.loftuspeak.com.au](http://www.loftuspeak.com.au) or email [alexpollak@loftuspeak.com.au](mailto:alexpollak@loftuspeak.com.au)

## IMPORTANT INFORMATION

This report was prepared by Loftus Peak Pty Ltd.

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## About Loftus Peak

Loftus Peak is a global fund manager with a focus on investing in listed disruptive businesses. Our team's extensive experience of successfully investing in disruptive businesses brings significant discipline to the investment process.

The Fund, which includes large capitalisation names like Apple, Google and Alibaba, is constructed on the basis of strict criteria, giving investors exposure to the some of the best and fastest-growing companies in the world, at carefully determined valuations. This kind of geographical and sectoral diversification lowers the concentration risk inherent in the typical Australian portfolio, with its heavy skew toward banks, resources and the Australian dollar.

We believe self-managed super funds, and investors generally, want a professionally-managed portfolio that gives them access to these important secular trends.

## The Team

The portfolio is managed by Alex Pollak and Anshu Sharma.

### Alex Pollak CEO, 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.au to

the Australian stock market. His deep knowledge of investment and global change companies means you are ideally placed to benefit financially from the movements in technology which are daily changing the face of markets.

### Anshu Sharma Portfolio Manager



Anshu started his career in global disruption investment almost a decade ago at TechInvest. This was followed by Portfolio Manager and TMT 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.

He has an M.Comm from the University of New South Wales and a B.Comm (Hons) from Delhi University. He holds the CIPM® certificate and the Chartered Financial Analyst® designation.