



Loftus Peak

Loftus Peak Global Change Portfolio

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Letter
August 2017

Disruption is taking place across all industries – retail, transport, energy and banking, to name a few. Loftus Peak invests to generate returns from these major secular shifts. The geographic and sectoral diversification in the portfolio 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 +2.78% for August 2017, which was +1.74% above the benchmark (MSCI AC World Net Total Return Index in Australian dollars). The benchmark returned +1.04% for the month.

Performance*

| | 1m | 3m | 6m | 1y | 3y p.a. | Inception p.a. |
|--------------------------------|--------|--------|---------|---------|---------|----------------|
| Portfolio (gross-of-fees) | +2.78% | -1.49% | +16.20% | +25.88% | +20.08% | +21.07% |
| Index | +1.04% | -2.78% | +5.48% | +11.10% | +11.51% | +11.53% |
| Outperformance (gross-of-fees) | +1.74% | +1.29% | +10.72% | +14.78% | +8.57% | +9.54% |
| Portfolio (net-of-fees) | +2.66% | -2.83% | +14.24% | +22.68% | +17.42% | +18.44% |

Portfolio Contributors and Detractors

August was a volatile month owing to developments in the Korean peninsula, however the markets settled down towards the end of the month as the issues came into clearer focus. Interestingly, Asian markets emerged relatively unscathed, aside from South Korea's KOSPI, which lost -1.19% for the month.

On stock-specific matters, Apple had a solid month as the iPhone 'super-cycle' kicked into gear, with a new iPhone to be announced on 12 September. We believe augmented reality will be the major advance in this iteration of the device. If this succeeds, we expect the stock price to trend even higher in the coming months.

Tencent also did well. The company has global ambitions for its products, but admits that its greatest hope is via Chinese users taking the app with them overseas. Over 1.7 billion hours daily are now spent on Tencent apps, a staggering figure.

*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 |

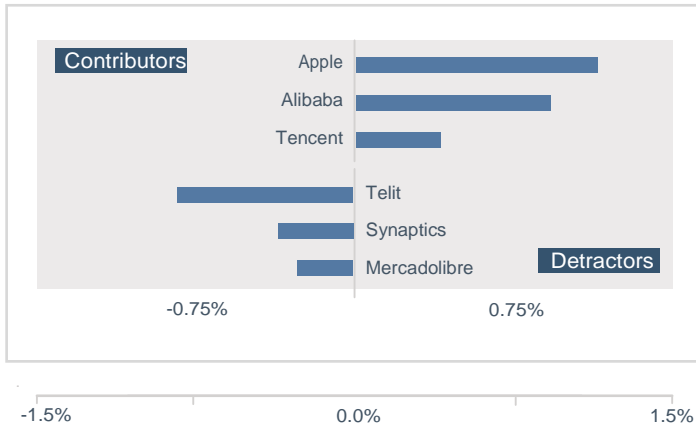
A significant challenge will be Tencent's secretive censorship policies and the surveillance of its products, which doesn't sit comfortably with a western audience.

Alibaba also did well as the market digested the implications of the company's media-sourced revenue, which is now a significant part of the business.

The portfolio lost some ground with Telit, which was hit with a governance issue, while Mercado Libre also took some heat.

The Australian dollar cooled over the month, depreciating -0.66% against the US dollar.

Contributors and Detractors



Portfolio Construction

92.6% of the Portfolio is invested in 20 holdings which the manager considers likely outperformers.

| Top Five Holdings | | Capitalisation USD | |
|-------------------|------|---------------------|-------|
| Apple | 9.5% | Mega Cap > \$100b | 59.6% |
| Nvidia | 7.6% | Large Cap \$50-100b | 16.2% |
| Baidu | 7.5% | Mid Cap \$2-50b | 11.9% |
| Alibaba | 7.2% | Small Cap < \$2b | 4.7% |
| Amazon | 6.9% | | |

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 or email 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 portfolio, 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.