



Loftus Peak Global Disruption Fund

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Letter
October 2017



Disruption is taking place across all industries – retail, transport, energy and banking, to name a few. Loftus Peak invests in order to generate returns from these major secular shifts. The Fund's 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.

Review & Outlook

The Fund manager estimated return net¹ of fees was +6.93% for October 2017, which was +2.47% above the benchmark (MSCI AC World Net Total Return Index in Australian dollars). The benchmark returned +4.46% for the month.

Performance

	1m	3m	6m	1y	3y p.a.	Inception
Fund (Net) ¹	+6.93%	+11.65%	+15.01%	-	-	+35.49%
Index ²	+4.46%	+8.78%	+7.62%	-	-	+21.99%
Value Added(Net) ³	+2.47%	+2.86%	+7.39%	-	-	+13.50%

Past performance is not a reliable indicator of future performance.

Source for performance: Loftus Peak

¹ Net-of-fees performance is based on end-of-month redemption prices after the deduction of fees and expenses and the reinvestment of all distributions.

Figures include changes in principal value. Investment return and principal value will vary, and an account may be worth more or less at termination than at inception. For further details, please refer to each fund's product disclosure statement and reference guide.

² The index for the fund is MSCI All Countries World Index (net) as expressed in AUD from Bloomberg

³ The Value Added is shown as the Fund (Net) minus its Index.

Portfolio Contributors and Detractors

October reporting season in the US started well with Amazon, Alphabet and Microsoft delivering results which sent the stocks sharply higher, underwriting our strong October result.

Microsoft's Azure cloud business is doing well, almost doubling in size from the same time last year. Azure is putting on 120,000 new customer subscriptions per month. It is on track for US\$20b in revenue by 2020, which marks a very significant turnaround by the company under the leadership of Satya Nadella, surely one of the most accomplished executives in the US.

Apple's suite of new phones is likely to push EPS to over US\$13/share next year, implying a forward PER of 13x. In our view it is still a cheap company.

On the negative, **Tesla** was sold down as some analysts grow nervous as a result of production shortfalls in the Model 3, with the 25,000 car/month target now six months late and expected in the first quarter of calendar 2018.

Key Facts

Inception Date	15 November 2016
APIR Code	MMC0110AU
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)
Number of Investments	15-35
Minimum Cash	1%
Maximum Cash	50%
Suggested time frame	3-5 years
Minimum Investment	AU\$5,000
Liquidity	Daily
Pricing Frequency	Daily
Withdrawal Notice	Generally, notifications received before 2pm on a business day will be processed using the unit price effective for that day.

Fees

Distributions	Paid annually as at 30 June
Annual Management Costs	1.20% per annum (inc. GST)
Performance Related Fee	15% in excess of the hurdle return with a high watermark payable six monthly as at 30 June and 31 December each year

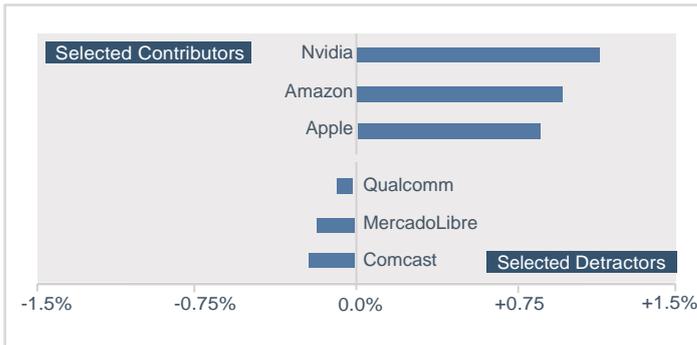
Unit Prices

Date	31 October 2017
Entry Price (in AUD)	1.4433
Exit Price (in AUD)	1.4361

Comcast was down slightly as investors reacted to the loss of residential video (cable) customers, however high-speed residential internet customers grew by a greater amount, as users dump cable television in favour of cheaper online streaming services.

Baidu was subdued after a positive earnings season. The company did well, but has made some changes including the disposal of a food delivery business as it attempts to streamline the business to be more AI focused. The Australian dollar was weaker over the month, falling -2.29% against the US dollar, which assisted total return, but not relative performance, since the benchmark and the fund are both in Australian dollars.

Contributors and Detractors



Portfolio Construction

The Fund is 89.9% invested in 21 holdings which the manager considers likely outperformers. The balance is in cash.

Selected Top Holdings		Capitalisation USD	
Apple	9.1%	Mega Cap > \$100b	56.4%
Nvidia	7.4%	Large Cap \$50-100b	15.6%
Baidu	6.8%	Mid Cap \$2-50b	13.1%
Amazon	6.8%	Small Cap < \$2b	3.7%
Alibaba	6.6%		

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 enquiry@loftuspeak.com.au

IMPORTANT INFORMATION

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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.