

Loftus Peak Global Change Portfolio

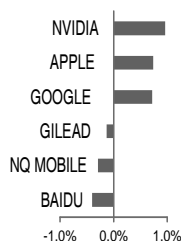
Monthly Investor Letter July 2016

The Loftus Peak Global Change Portfolio posted a manager estimated return* of +4.65% for July 2016, compared with a return of +2.38% for the Fund's benchmark, the MSCI AC World Net Total Return Index in A\$

Performance drivers

The portfolio manager estimated return gross* of fees was +4.65%, which was +2.27% above the benchmark (MSCI AC World Net Total Return Index in Australian dollars). The benchmark returned +2.38% for the month. Since inception the portfolio is up +39.8%* vs 25.62% for the index, outperforming it by 14.2%.

Portfolio Contributors/Detractors



This month saw a number of our core holdings report quarterly numbers, with very strong post-result performances from Alphabet, Apple and Microsoft, among others.

Microsoft continues to surprise, with the market re-assessing it as it transitions to a cloud and service company with deep links into its customer base. This push in part is behind the US\$26b purchase of LinkedIn, which is about adding a social component to those links. Its success can in part be measured by the cloud product Azure, which accelerated to grow 140% year over year (in constant currency).

Baidu reported just before month end, with revenue up 10.2% to CNY 18.3b (\$2.7b). Baidu continues its shift to mobile with mobile search monthly active users (MAUs) up 6% to 667 million for the month of June 2016 and

mobile revenue now standing at 62% of total revenues for the second quarter of 2016, compared to 50% for the corresponding period in 2015.

But it was Nvidia which was a star performer – the company has now risen by a third in just two months.

The group is pushing heavily into artificial intelligence, with applications in data centres, virtual reality, gaming and autonomous driving. In essence, Nvidia's Pascal architecture is powering 'watch and learn' computing, meaning that its systems are self-programming, which is why they are so suitable for self-driving cars. Through its eyes and ears (ie sensors) the chip is shown literally millions of normal driving interactions. When it hits an obstacle (car, person, animal) it fails, re-writing itself to avoid the collision next time.

A company which we do not hold, Netflix, sold off after its result, for very good reasons, which we outlined here in [A disruptor loses its edge](#).

Portfolio Construction

Around 91% of the fund was invested in 23 companies which the manager identified as likely out-performers. The Australian dollar increased +2.0% against the US\$, which hurt our holdings which are denominated in foreign currencies including the greenback.

Learn More

For the latest on investment in global change and disruption, see us in the Australian Financial Review or the Sydney Morning Herald, or on [Livewire](#) or visit us at www.loftuspeak.com.au or email 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.