

# Loftus Peak Global Change Portfolio

## Monthly Investor Letter March 2016

The Loftus Peak Global Change Portfolio posted a manager estimated return\* of +0.52% for March 2016, compared with a return of +0.12% for the Fund's benchmark, the MSCI AC World Net Total Return Index in A\$

### Performance

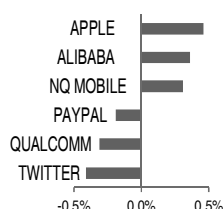
The manager estimated return gross\* of fees was +0.5%, which was +0.4% above the benchmark (MSCI AC World Net Total Return Index in Australian dollars). The benchmark returned +0.1% for the month. Since inception the portfolio is up +30.3%\* vs 17.9% for the index, outperforming it by 12.4%.

March was a solid month for the portfolio holdings in local currencies, however the +7.3% rise in the Australian dollar cut the overall return so the result was up only marginally for the month.

For example Google (Alphabet) started the month below US\$700 but recovered to finish only a few per cent off its all-time high, up around 5% at US\$745. There were similar performances from Apple, Baidu and China e-commerce giant Alibaba. With the rise in the A\$, these positive price movements were negated.

### Portfolio Contributors/Detractors

Apple was our top contributor in the month, with the launch of its 4 inch phone. The company sold 30m 4 inch phones in the past year while its larger phones were available. Servicing the demand for a smaller phone is what moved the needle for the company.



There is reason for concern in the manufacturing sector in China, but growth of the companies in the portfolio is

robust. In the case of Alibaba, its quarterly operating cashflow to 31 December was US\$4.0b, up 35% on the prior corresponding period. It has US\$9.8b of net cash at bank. Gross merchandise value rose 30% to US\$453b for the year. In Q4 Baidu generated US\$940m of operating cashflow, up 14%. The company has US\$5.1b of net cash at bank. Tencent, produced operating cashflow for the year of US\$7.8b and has US\$11b of net cash at bank.

### Portfolio Construction

Top five portfolio weights are shown below. Cash weight is 15.5% of the portfolio.

Company	% of Portfolio
APPLE	11.4%
ALPHABET	6.8%
TENCENT	5.7%
ALIBABA	5.7%
BAIDU	5.6%

By the time April is over, we will have had quarterly reporting from 12 of our holdings including TSMC, Amazon, Alphabet, Apple, Twitter, Baidu, NXP and Comcast.

We exited some of our smaller positions in the past few weeks, including Topcon, Illumina and eBay.

### 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.

