

Loftus Peak Global Change Portfolio

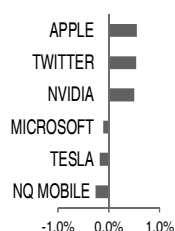
Monthly Investor Letter September 2016

The Loftus Peak Global Change Portfolio posted a manager estimated return* of +3.58% for September 2016, compared with a return of -1.25% for the Fund's benchmark, the MSCI AC World Net Total Return Index in Australian dollars

Performance drivers

The portfolio manager estimated return gross* of fees was +3.58%, which was +4.83% above the benchmark (MSCI AC World Net Total Return Index in Australian dollars). The benchmark returned -1.25% for the month. Since 30 June 2014 inception the portfolio is up +51.24%* vs 25.56% for the index, outperforming it by 25.68%. On an annualised basis since 30 June 2014 inception the portfolio is up +20.19%* outperforming the index by 9.54%.

Portfolio Contributors/Detractors



Apple was the best performer of the month on the release of the iPhone 7 and 7 plus, which met with greater-than-expected demand. It is clear from the new phone that the company is preparing users for a future which will see more search performed by voice, with the implications increasingly clear that Apple must improve its artificial intelligence to accommodate this.

This artificial intelligence push, which is really industry wide now, is what is powering the performance of Nvidia (which was also a good contributor to the portfolio this month) as well as Baidu and Amazon.

Twitter also performed better, but not necessarily for the right reasons – it has surfaced as a takeover target,

with its interest graph the major asset. The company also debuted its NFL-on-Twitter broadcast, which received generally good reviews and had over two million users. Still, the jury is out on whether the company has developed the correct advertising unit to monetise and grow users.

Alibaba in China was also a solid contributor as its sales numbers tracked higher than expectations and its move into providing fulfilment gained traction.

Tesla was amongst the worst performers for the month, with considerable negative commentary around the merger with Solar City and a spectacular launch malfunction in another Musk company SpaceX (though it has no real financial connection to Tesla except for ownership by Musk).

The Australian dollar increased 1.9% against the US\$, which hurt our holdings which are denominated in foreign currencies including the greenback.

Portfolio Construction

Around 87% of the fund was invested in 21 companies which the manager identified as likely out-performers. We have been reducing exposure into the strong earnings season, and are looking to add selected themes in the coming weeks.

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.