

Loftus Peak Global Change Portfolio

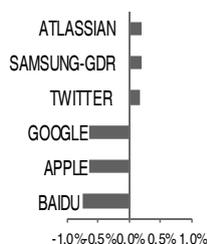
Monthly Investor Letter June 2016

The Loftus Peak Global Change Portfolio posted a manager estimated return* of -4.71% for Jun 2016, compared with a return of -3.45% 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 -4.71%, which was -1.27% below the benchmark (MSCI AC World Net Total Return Index in Australian dollars). The benchmark returned -3.45% for the month. Since inception the portfolio is up +33.6%* vs 22.7% for the index, outperforming it by 10.9%.

Portfolio Contributors/Detractors



We gave back some of our May performance, predictably, with Brexit and the local election playing into markets generally. However, July has been good thus far - we have clawed back all the June underperformance and are level with the absolute number at 30 June.

We don't own [Linkedin](#), but do own Microsoft which bought it for \$26b, as we explained to 2GB's Ross [Greenwood](#). It's probably a sound buy - LinkedIn is one of only a handful of business social media platforms out there. It isn't fully appreciated how important that is - almost half a billion people regularly update their cv's online for nothing. We are not certain even Microsoft fully understands how it plans to integrate it with its own rich product set, but believe there is optionality in the purchase. Twitter, which we also own, bounced on the back of the news.

We lost a little ground on our Tesla position after [Elon Musk's determined effort to send the share price down through the merger with SolarCity](#). Still, its performance will be helped by the fact that [VW declared a provision of US\\$10b](#) to cover the diesel scandal. This won't be enough - it covers only 500k vehicles in the US. Sales for the marque have weathered the storm, for now. It will get uglier in the next year or two, in our view.

As will the [new protectionism in Australia](#) which is a consequence of the new parliament.

More recently, we wrote for [Australian Financial Review Boss magazine on the impact of Amazon's push into fresh food delivery on Colesworth](#) - regular readers may already have picked this up.

We have previously [noted that Guvera would not pass our screens for portfolio inclusion](#). I was the analyst who signed off on the Macquarie Bank valuation for the float of both Seek and Carsales, so I hope I have some credibility here. We were disappointed to note that the company placed two of its subsidiaries into receivership, and is now rowing back from its commitment to being free for subscribers. Many users have deleted the app.

Portfolio Construction

Around 92% of the fund was invested in 23 companies which the manager identified as likely out-performers. The Australian dollar increased +2.9% 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.