

Loftus Peak Global Change Portfolio

Monthly Investor Letter September 2014

Global Change. Listed Investments. Daily Liquidity.

The Loftus Peak Global Change Portfolio posted a before-fee estimated return of +4.91% for September 2014, compared with a return of +3.41% for the Fund's benchmark, the MSCI AC World Net Total Return Index in Australian dollar terms.

Performance

The representative portfolio returned +4.91% (Loftus Peak estimate before fees) for the month of September 2014. This compares with benchmark return of +3.41% (MSCI AC World Net Total Return Index in Australian dollar terms).

Loftus Peak Thematic Overview

The market in established global disruption names in which Loftus Peak invests, such as Apple and Gilead, has been much firmer than the more speculative, highly priced early stage companies, many of which have fallen significantly in the past few months. We believe this trend will continue. There is significant overvaluation in the speculative end of the market, as we have seen in commentary from venture capital funds that have been lamenting the lack of appropriately priced start-ups. LP investors will now be noting the low-risk bias in the portfolio – this is unlikely to change.

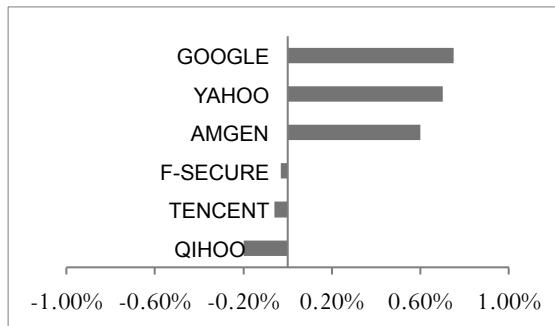
Currency Exposure

The market generally performed well throughout most of September only to sell off late in the month. The stock sell-off was accompanied by a 6.76% rise in the US dollar against the Australian currency, as investors grew more nervous about the economy; in part this was because of mining sector weakness related to the fall in the iron ore price. Thus investors in the LP portfolio benefited from this rise in the US dollar, which provided some solid performance in an otherwise difficult market.

The central philosophy behind Loftus Peak is the provision of a 'disruption' counter balance for the Australian market, given its focus on banks and resources and its denomination in Australian dollars. Virtually all of the investments in the portfolio are offshore companies, which are likely to continue as the major disrupters. As at 30 September 2014 the portfolio held 3.05% in Australian dollars and has no equity investments in Australia.

Portfolio Contributors/Detractors

The best and worst performing stocks in the portfolio during September are shown below.



Investors benefitted particularly from the IPO of **Alibaba** on the New York Stock Exchange, since one of the LP positions is in **Yahoo!**, the major asset of which is the Alibaba holding. We bought Yahoo! some months ago in anticipation of the Alibaba float, which we viewed as a significant development. We will hold the position until Alibaba goes through US\$110.

We recently added **Autodesk** because an increasing amount of the value in manufacturing is accruing to the design and management phase, in which Autodesk has a globally dominant position.

Portfolio Construction

91.36% of the fund was invested in 21 companies which the manager identified as likely out-performers. The largest 5 investments in the portfolio as at 30 September 2014 are shown below:

Company	% of Portfolio
Amazon	9.98%
Google	9.62%
Amgen	7.53%
Gilead Science	6.18%
Yahoo	5.63%

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