

Loftus Peak Global Change Portfolio Monthly Investor Letter December 2014 *Global Change. Listed Investments. Daily Liquidity.*

The Loftus Peak Global Change Portfolio posted a manager estimated return* of +1.17% for December 2014, compared with a return of +2.19% for the Fund's benchmark, the MSCI AC World Net Total Return Index (AS)

Performance

The representative portfolio produced an adviser estimated return* of +1.17% for the month of December 2014. This compares with a benchmark return of +2.19% (MSCI AC World Net Total Return Index in Australian dollar terms).

December was a volatile month for markets following the collapse of the oil price. A 4.0% favourable movement in the US dollar was gobbled up by weakness in some of the stocks that we hold, especially those which are perceived to be part of the consumer story. Markets actually seemed to be suggesting that whatever benefit attached to falling input costs was more than offset by write-offs, labour dislocation and loss of earnings for companies and the economy generally.

In the short term, we broadly concur - as these cuts roil individual companies they will become large and numerous enough to have an effect on the overall economy. Oil and related industries (include auto manufacturing as well) account for a significant amount of the workforce, so a change to these industries would create poor economic numbers at the macro level.

This also played out in the flight out of commodity-heavy currencies like the rouble and into the safe haven of the US dollar.

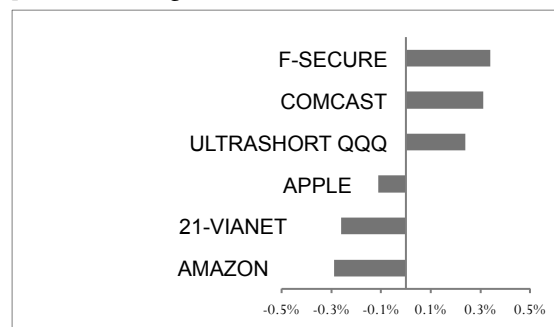
Loftus Peak Thematic Overview

It will get more interesting from here, as the market re-assesses its fundamental exposure to the winners of the past 10 years – especially commodities and yield stocks - and starts searching for the sustainable businesses of the next decade. Benjamin Graham noted that the market started out as a 'voting machine but in the long run, it is a weighing machine' – meaning that all stocks get hurt in a rout, but gradually quality is rewarded.

This should benefit businesses which have positioned themselves as beneficiaries of the collapsing value chains that are part of the "unconnected" business world, in favour of companies that offer products and services that are better/faster/cheaper.

Portfolio Contributors/Detractors

The best and worst performing stocks in the portfolio during December are shown below:



Portfolio Construction

We entered December with a US listed security that reduced your exposure to global sharemarkets. The largest 5 investments in the portfolio as at 31 December 2014 are shown below:

Company	% of Portfolio
Google	8.3%
Amazon	7.5%
Apple	7.2%
Gilead Science	5.5%
Comcast	5.3%

Enquiries

The quarterly report for the December quarter will be provided in coming weeks. For enquiries plus our latest commentary on global change, including our publications in the Australian Financial Review, BRW and on 2GB, you can visit us at www.loftuspeak.com.au or email alexpollak@loftuspeak.com.au