# Loftus Peak Global Change Portfolio

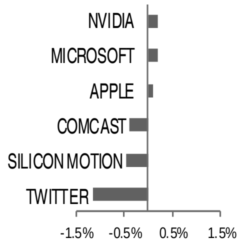
# Monthly Investor Letter October 2016

**The Loftus Peak Global Change Portfolio posted a manager estimated return* of -2.69% for October 2016, compared with a return of -0.99% 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 -2.69%, which was -1.71% below the benchmark (MSCI AC World Net Total Return Index in Australian dollars). The benchmark returned -0.99% for the month. Since 30 June 2014 inception the portfolio is up +46.54%* vs 24.32% for the index, outperforming it by 22.22%. On an annualised basis since 30 June 2014 inception the portfolio is up +17.80%* pa outperforming the index by 8.02% pa.

## Portfolio Contributors/Detractors




We had good performance from Nvidia, which continues to gain from its business in graphics processing, a key component in a number of disruptive businesses requiring machine learning, including autonomous cars and virtual reality.

Microsoft was also strong following a solid set of quarterly results showing Azure emerging as a clear public cloud winner. Its data centre business is gaining market share and benefiting from pricing gains, while sales for Office 365 are growing, with higher prices. Meanwhile, Windows OEM risks are abating, with the absence of a phone a positive for now. We also note continuing opex discipline.

Apple continued to show strength from the launch of its latest phone, while the decision by Samsung to discontinue its flagship smartphone in October was also a boost.

Twitter performed badly as the company struggled with user numbers and falling advertising revenue growth, as the initial flurry of interest by bidders evaporated. We believe the company will find a way through these problems, but don't expect a resolution until well into 2017.

Comcast corrected, despite good results, because of the announcement by AT&T of the launch of a Netflix-like pay tv service (DirecTV Now) for US$35/month, which is being (correctly) perceived as a threat to all US cable tv businesses. Still, we believe that Comcast's asset mix (content and distribution) over time will be revealed as a critical growth driver, a proposition which is being borne out by the proposed AT&T/Time Warner merger.

The Australian dollar decreased -0.73% against the US$, helping our holdings which are denominated in foreign currencies including the greenback.

## Portfolio Construction

Around 88% of the fund was invested in 22 companies which the manager identified as likely out-performers.

## Learn More

For the latest on investment in global change and disruption, see us in the Australian Financial Review or the Sydney Morning Herald, The Constant Investor, 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.