



Loftus Peak

# Loftus Peak Global Change Portfolio

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Letter  
May 2017

The Loftus Peak Global Change Portfolio invests in disruptive companies around the world. The portfolio provides geographical and sectoral diversification which lowers the concentration risk inherent in the typical Australian portfolio, with its heavy skew toward banks, resources and the Australian dollar.

## Review & Outlook

The portfolio manager estimated return gross of fees\* was +7.66% for May 2017, which was +4.84% above the benchmark (MSCI AC World Net Total Return Index in Australian dollars). The benchmark returned +2.81% for the month.

## Performance\*

	1m	3m	6m	1y	2y p.a	Inception p.a
Portfolio (gross-of-fees)	+7.66%	+17.96%	+22.14%	+33.07%	+18.42%	+23.71%
Index	+2.81%	+8.49%	+12.71%	+14.34%	+6.96%	+13.67%
Outperformance (gross-of-fees)	+4.84%	+9.47%	+9.42%	+18.73%	+11.46%	+10.04%
Portfolio (net-of-fees)	+7.54%	+17.57%	+21.06%	+31.03%	+16.18%	+21.36%

## Portfolio Contributors and Detractors

Reporting season was solid for many of our core holdings including Comcast, Alphabet and Amazon. However, the stand-out contributor was Nvidia, which has jumped around 30% on the back of almost tripling its revenue from sales into the data centers of US\$409m in the quarter. The company supplies the machine learning tools for virtually all the major hyperscale businesses globally. The importance of this can be judged in the context of Google developing its own Tensor chip.

Amazon post month-end has gone through US\$1000/share. Some have criticised the company for its lack of profit, but this is a gross simplification, and in our view wrong. The company sells goods for less since it doesn't pay mall rents, giving it a 10% price advantage from the get-go. The smart money has been pulling out of retail property for years (Westfield has halved since 2007) possibly in contemplation of a future which doesn't include anchor tenants like Harvey Norman, and possibly even Coles and Woolies.

\*Manager estimated returns. The Portfolio Benchmark is the MSCI ACWI (net) (as expressed in AUD from Bloomberg). Portfolio Inception date is 30/06/14. All returns are shown to two decimal places. Returns for the periods more than one year are annualised. Total returns include realised and unrealised gains. Valuations are computed and performance reported in Australian dollars. Gross-of-fees performance returns are presented before management and performance fees but after all trading expenses. Net-of-fees performance returns are presented after management and performance fees. Returns are based on the theoretical performance of a portfolio which implemented the Model Portfolio based on simplifying assumptions and stock weightings. Actual individual returns of each client's portfolio will differ depending on factors such as date of initial investment, timing of transactions, contributions and withdrawals, fees and any customisations. Past performance is not a reliable indicator of future performance and may not be achieved in the future. Each client should also take into account their own taxation situations. All information provided in this Report is correct as at the date of this Report.

## Key Facts

Inception Date	30 June 2014
Product Type	Managed Discretionary Account
Product Sponsor	Mason Stevens Ltd
Benchmark	MSCI ACWI (net) (as expressed in AUD from Bloomberg)
Number of Investments	10-30
Minimum Cash Allocation	1%
Maximum Cash Allocation	50%
Maximum weighting per investment	20% at time of purchase
Minimum Investment	AU\$50,000
Liquidity	Daily
Suggested Timeframe	3-5 years

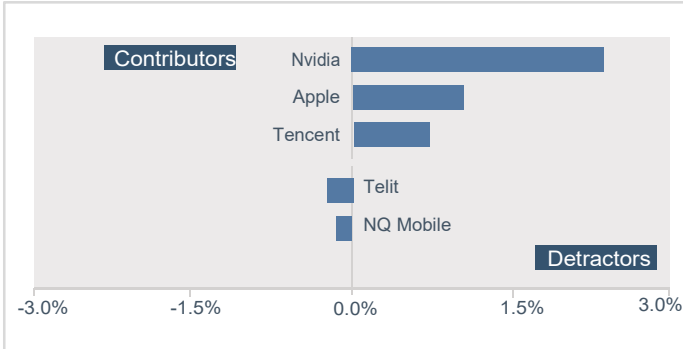
## Fees

Annual Management Cost	1.00% per annum (inc. GST) calculated daily and charged monthly in arrears
Performance Fee	15% of excess returns over the benchmark return
Transaction cost	0.55% of the value of the transaction

Tencent was also a strong performer, with Q1 revenues climbing 55% (well above expectations) to RMB49.5 billion (US\$7.2 billion). Mobile gaming delivered 57% growth, an annualised run rate of US\$6.6b-from a zero base a few years ago. In addition, its WeChat application is starting to look more like a mobile operating system than a simple messaging platform.

The Australian dollar was a slight positive for the Fund this month, depreciating by -0.69%.

## Contributors and Detractors



## Portfolio Construction

83.6% of the Fund is invested in 19 holdings which the manager considers likely outperformers.

Top Five Holdings	
Apple	11.6%
Nvidia	7.3%
Alphabet	7.3%
Amazon	6.9%
Comcast	6.9%

## Learn more

For the latest on investment in global change and disruption, see us in the Australian Financial Review, the Constant Investor, or the Sydney Morning Herald, or on Livewire or visit us at [www.loftuspeak.com.au](http://www.loftuspeak.com.au) or email [alexpollak@loftuspeak.com.au](mailto:alexpollak@loftuspeak.com.au)

## IMPORTANT INFORMATION

This report was prepared by Loftus Peak Pty Ltd.

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Loftus Peak doesn't guarantee the performance of the portfolio or the repayment of the investor's capital. To the extent permitted by law, Loftus Peak, including its employees, consultants, advisers, officers or authorised representatives, is not liable for any loss or damage arising as a result of reliance placed on the contents of this report. Past performance is not indicative of future performance.

## About Loftus Peak

Loftus Peak is a global fund manager with a focus on investing in listed disruptive businesses. Our team's extensive experience of successfully investing in disruptive businesses brings significant discipline to the investment process.

The Fund, which includes large capitalisation names like Apple, Google and Alibaba, is constructed on the basis of strict criteria, giving investors exposure to the some of the best and fastest-growing companies in the world, at carefully determined valuations. This kind of geographical and sectoral diversification lowers the concentration risk inherent in the typical Australian portfolio, with its heavy skew toward banks, resources and the Australian dollar.

We believe self-managed super funds, and investors generally, want a professionally-managed portfolio that gives them access to these important secular trends.

## The Team

The portfolio is managed by Alex Pollak and Anshu Sharma.

### Alex Pollak CEO, CIO and Founder



With 25 years' experience in disruptive business models gained during a career with Macquarie Bank, Alex heads one of the best-performing teams in global listed disruptive business investment in Australia.

He was instrumental in bringing both Seek and Carsales.com.au to the Australian stock market. His deep knowledge of investment and global change companies means you are ideally placed to benefit financially from the movements in technology which are daily changing the face of markets.

### Anshu Sharma Portfolio Manager



Anshu started his career in global disruption investment almost a decade ago at TechInvest. This was followed by Portfolio Manager and TMT Analyst responsibilities for the Asia region at Eight Investment Partners.

Being mentored by the best in this space early on in his career

and having extensively travelled in Asia to meet hundreds of companies, Anshu brings a wealth of experience to investing globally.

He has an M.Comm from the University of New South Wales and a B.Comm (Hons) from Delhi University. He holds the CIPM® certificate and the Chartered Financial Analyst® designation.