



Loftus Peak Global Change Portfolio

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Letter
October 2017

Disruption is taking place across all industries – retail, transport, energy and banking, to name a few. Loftus Peak invests to generate returns from these major secular shifts. The geographic and sectoral diversification in the portfolio lowers the concentration risk inherent in the typical Australian portfolio with its heavy local skew toward banks, resources and the Australian dollar.

Review & Outlook

The portfolio manager estimated return gross of fees* was +7.63% for October 2017, which was +3.17% above the benchmark (MSCI AC World Net Total Return Index in Australian dollars). The benchmark returned +4.46% for the month.

Performance*

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+7.63%	+12.84%	+16.43%	+37.21%	+21.97%	+23.33%
Index	+4.46%	+8.78%	+7.62%	+22.33%	+12.99%	+13.40%
Outperformance (gross-of-fees)	+3.17%	+4.06%	+8.81%	+14.87%	+8.99%	+9.92%
Portfolio (net-of-fees)	+7.51%	+12.59%	+14.60%	+33.87%	+19.32%	+20.74%

Portfolio Contributors and Detractors

October reporting season in the US started well with Amazon, Alphabet and Microsoft delivering results which sent the stocks sharply higher, underwriting our strong October result.

Microsoft's Azure cloud business is doing well, almost doubling in size from the same time last year. Azure is putting on 120,000 new customer subscriptions per month. It is on track for US\$20b in revenue by 2020, which marks a very significant turnaround by the company under the leadership of Satya Nadella, surely one of the most accomplished executives in the US.

Apple's suite of new phones is likely to push EPS to over US\$13/share next year, implying a forward PER of 13x. In our view it is still a cheap company.

On the negative, **Tesla** was sold down as some analysts grow nervous as a result of production shortfalls in the Model 3, with the 25,000 car/month target now six months late and expected in the first quarter of calendar year 2018.

*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 Limited
Benchmark	MSCI ACWI (net) (as expressed in AUD from Bloomberg)
Number of Investments	10-35
Minimum Cash Allocation	2%
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

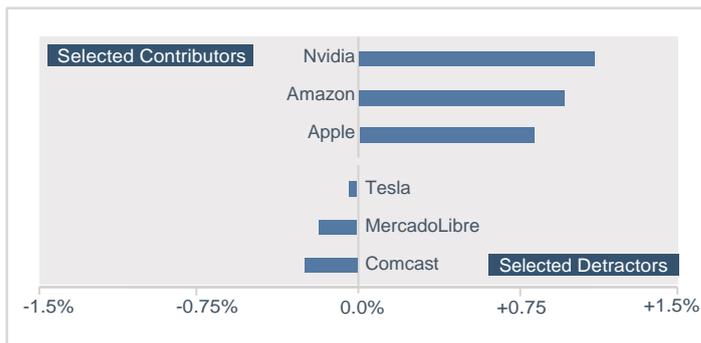
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for Investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction cost	0.55% of the value of the transaction

Comcast was down slightly as investors reacted to the loss of residential video (cable) customers, however high-speed residential internet customers grew by a greater amount, as users dump cable television in favour of cheaper online streaming services.

Baidu was subdued after a positive earnings season. The company did well, but has made some changes including the disposal of a food delivery business as it attempts to streamline the business to be more AI focused.

The Australian dollar was weaker over the month, falling -2.29% against the US dollar, which assisted total return, but not relative performance, since the benchmark and the fund are both in Australian dollars.

Contributors and Detractors



Portfolio Construction

91.8% of the Portfolio is invested in 21 holdings which the manager considers likely outperformers. The balance is in cash.

Selected Top Holdings		Capitalisation USD	
Apple	9.1%	Mega Cap > \$100b	59.1%
Tencent	6.7%	Large Cap \$50-100b	12.9%
Amazon	7.1%	Mid Cap \$2-50b	15.1%
Alibaba	7.1%	Small Cap < \$2b	4.9%
Baidu	6.1%		

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 or email enquiry@loftuspeak.com.au

IMPORTANT INFORMATION

This report was prepared by Loftus Peak Pty Ltd. This document has been prepared for the purpose of providing general information only, without taking account of your particular investment objectives, financial circumstances or needs. It is not intended to take the place of professional advice and we do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors it may contain. You should consider the Investment Mandate for the Portfolio in deciding whether to acquire, or continue to hold, the product. The Investment Mandate and application form is available at www.loftuspeak.com.au. 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 technology 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.