

Loftus Peak Global Change Portfolio

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Letter
November 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 +3.53% for November 2017, which was +0.26% above the benchmark (MSCI AC World Net Total Return Index in Australian dollars). The benchmark returned +3.27% for the month.

Performance*

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+3.53%	+13.67%	+11.97%	+36.75%	+21.42%	+23.95%
Index	+3.27%	+11.18%	+8.10%	+21.84%	+12.33%	+14.13%
Outperformance (gross-of-fees)	+0.26%	+2.49%	+3.88%	+14.91%	+9.09%	+9.82%
Portfolio (net-of-fees)	+3.42%	+13.42%	+10.22%	+33.42%	+18.77%	+21.38%

Portfolio Contributors and Detractors

November was strong, but was marred at month end by profit-taking in portfolio names after a very strong earnings season.

Also disappointing was **Momo**, a Chinese social media platform, which dipped despite beating forecasts because of weakness in premium user numbers and a below-expectations revenue outlook. The platform had 94.4 million active users in September.

Tencent reported strong quarterly results, with 980 million active WeChat users per month. Users can now pay their public transport fare using the app, complementing other mobile payment functions in the platform, leaving the company in a solid position to compete against banks.

*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

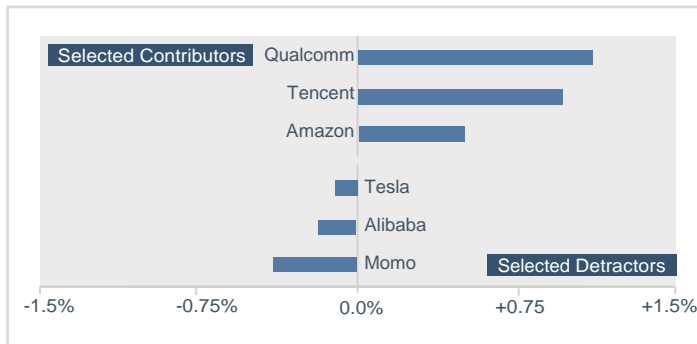
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for Investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Amazon's sales over the 'Turkey 5' – Thanksgiving to Cyber Monday - were its largest ever. Third party vendors made up the core of the hundreds of millions of products ordered, which should scare large Australian bricks-and-mortar retailers now that the site is live here

Alibaba sold down after a strong start to the month, with China's 'singles day' sales a hit, with US\$25.3 billion in sales, an increase of 39% on 2016-with 90% of those transactions settled through mobile phones using Alipay (think PayPal). At its peak, Alibaba Cloud processed 256,000 transactions per second, for a total of 1.48 billion transactions.

The Australian dollar depreciated -0.89% over the month against the US dollar, which is favourable to our US denominated holdings.

Contributors and Detractors



Portfolio Construction

88.5% 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	8.9%	Mega Cap > \$100b	58.8%
Amazon	6.8%	Large Cap \$50-100b	15.3%
Alibaba	6.2%	Mid Cap \$2-50b	9.7%
Baidu	6.6%	Small Cap < \$2b	4.7%
Comcast	5.4%		

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

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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.