



# Loftus Peak Global Disruption Fund

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Letter  
February 2018



Traditional business models are being disrupted as connectivity, networks and the sharing economy impact all industries – retail, transport, energy, banking to name a few. Loftus Peak invests to generate returns from these major secular shifts. The Fund's 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.

## Review & Outlook

February was a bad month for markets, with the MSCI AC World Net Total Return Index in Australian dollars (against which our investments are measured) down -1.0% for the month, and the S&P500 index falling -2.3%. The problems were brought on by fears of inflation which sparked a round of speculation on interest rate rises, which the market finally took in its stride. Companies in the portfolio made real ground with the Fund manager estimated return net of fees of +1.3% which was +2.3% above our benchmark.

## Performance

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Fund (Net) <sup>1</sup>	+1.31%	+3.39%	+16.32%	+34.99%	-	+33.06%
Index <sup>2</sup>	-0.98%	-0.17%	+10.99%	+17.07%	-	+19.42%
Value Added (Net) <sup>3</sup>	+2.29%	+3.57%	+5.33%	+17.91%	-	+13.64%

Past performance is not a reliable indicator of future performance.

Source for performance: Loftus Peak

<sup>1</sup> Net-of-fees performance is based on end-of-month redemption prices after the deduction of fees and expenses and the reinvestment of all distributions.

Figures include changes in principal value. Investment return and principal value will vary, and an account may be worth more or less at termination than at inception. For further details, please refer to each fund's product disclosure statement and reference guide.

<sup>2</sup> The index for the fund is MSCI All Countries World Index (net) as expressed in AUD from Bloomberg

<sup>3</sup> The Value Added is shown as the Fund (Net) minus its Index.

## Portfolio Contributors and Detractors

The Fund's performance for February was pleasing, even as the index fell short during a mixed reporting season.

**Alibaba** sold down in the final days of February after good quarterly numbers failed to convince investors. Margins are tightening due to new investments the company is making in distribution. - for example, Cainiao, its logistics business, which helped add RMB\$3.9 billion to core commerce segment revenue for 2017, closing the loop between ordering and fulfillment.

**Alphabet** (Google) also took a hit following a very strong run in the past year, possibly as investors raise doubts about its voice business, especially in relation to that of Amazon.

**Baidu** reported solid earnings for the quarter, with revenue in line with consensus and better on the bottom line. Baidu's streaming business iQiyi filed for an IPO to raise US\$1.5 billion on NASDAQ. Almost 6 billion hours are spent on the service each month.

## Key Facts

Inception Date	15 November 2016
APIR Code	MMC0110AU
Product Type	Registered Managed Investment Scheme domiciled in Australia
Responsible Entity	Equity Trustees Limited
Investment Universe	Listed Global Equities
Benchmark	MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg)
Number of Investments	15-35
Minimum Cash	1%
Maximum Cash	50%
Suggested time frame	3-5 years
Minimum Investment	AU\$5,000
Liquidity	Daily
Pricing Frequency	Daily
Withdrawal Notice	Generally, notifications received before 2pm on a business day will be processed using the unit price effective for that day.

## Fees

Distributions	Paid annually as at 30 June
Annual Management Costs	1.20% per annum (inc. GST)
Performance Related Fee	15% in excess of the hurdle return with a high watermark payable six monthly as at 30 June and 31 December each year

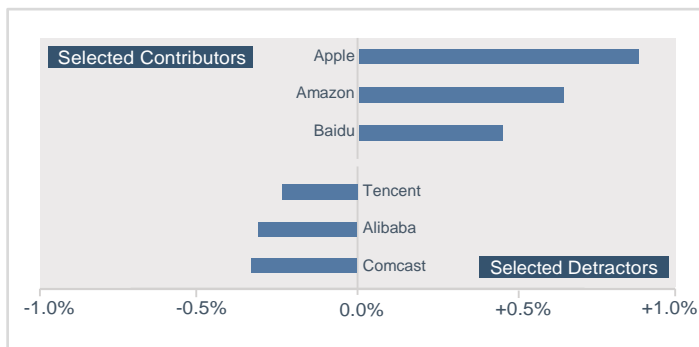
## Unit Prices

Date	28 February 2018
Entry Price (in AUD)	1.5404
Exit Price (in AUD)	1.5328

**Apple** performed well. The reason we hold the company is that revenue and earnings growth is likely to continue in the medium term as higher selling prices roll through its new phones, especially the iPhone X, with incremental sales from products like the home speaker and watch. The company had its biggest ever quarter, exceeding expectations on the top and bottom lines. All of Apple's geographical segments grew double digits in the quarter.

The Australian dollar depreciated -3.72% over the month against the US dollar, which is beneficial to our US denominated holdings. As at 28th February 2018, the Fund carried a foreign currency exposure of 99% (inclusive of shareholdings).

## Contributors and Detractors



## Portfolio Construction

The Fund is 95.8% invested in 24 holdings which the manager considers likely outperformers. The balance is in cash.

Selected Top Holdings		Capitalisation USD	
Apple	9.3%	Mega Cap > \$100b	61.7%
Amazon	8.1%	Large Cap \$50-100b	19.7%
Qualcomm	7.4%	Mid Cap \$2-50b	11.0%
Baidu	7.2%	Small Cap < \$2b	3.5%
Alibaba	7.0%		

### 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 [enquiry@loftuspeak.com.au](mailto: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 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.