

Loftus Peak Global Disruption Fund

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Letter
May 2018



Traditional business models are being disrupted as connectivity, networks and the sharing economy impact all industries – retail, transport, energy and 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

Performance jumped almost from the get-go in May, with Trump's bluster about tariffs dissolving only to re-emerge again in the past week. We remain optimistic that cooler heads will prevail, given the damage that would be done to the businesses in the heartland of Trump's voter base. The Fund had its strongest month this calendar year, jumping +5.7% (net of fees), and returning +5.8% above the benchmark, which returned -0.1%. Since inception in November 2016, performance is +29.2% p.a. (net of fees), which is +11.8% p.a. above the benchmark.

Performance

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Fund (Net) ¹	+5.70%	+2.67%	+6.16%	+17.37%	-	+29.23%
Index ²	-0.13%	+1.86%	+1.68%	+9.92%	-	+17.43%
Value Added (Net) ³	+5.82%	+0.82%	+4.48%	+7.46%	-	+11.80%

Past performance is not a reliable indicator of future performance.

Source for performance: Loftus Peak

¹ 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.

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

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

Portfolio Contributors and Detractors

We were of the view that our portfolio names would deliver good earnings and so were close to fully invested going into the earnings season – a position which was meaningfully rewarded, albeit slightly later than expected.

Qualcomm, **NXPI** and **Alibaba** rallied strongly. We exited **NXPI** a few months ago at a profit, however, negotiations between China and the US around **Qualcomm** and **ZTE** led to a drop in price, which enabled us to re-establish a position at a significant discount to our valuation.

Netflix was a strong performer. It is fascinating to watch both Disney and Comcast chasing the acquisition of 21st Century Fox. The Comcast price is down around a third since its bid was announced, while Disney is down

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

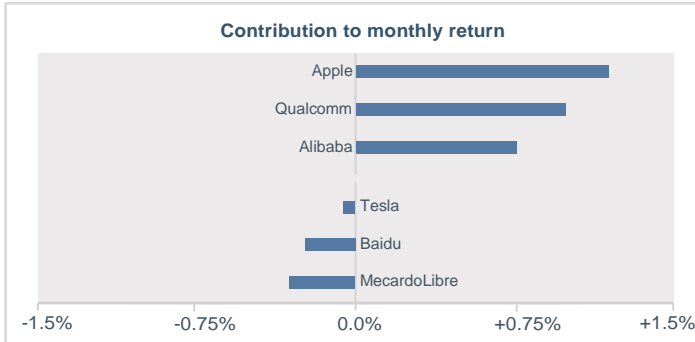
Date	31 May 2018
Entry Price (in AUD)	1.5816
Exit Price (in AUD)	1.5738

10%, at a time when both companies should be ramping up content production to compete with **Netflix**, instead of doubling down on an existing media strategy which looks problematic.

MercadoLibre was hit by a massive rise in interest rates (to 40%) in Argentina, a market which makes up one quarter of its sales. The stock is down around 25% since its peak.

The Australian dollar appreciated 0.24% over the month against the US dollar, which meant the value of our overseas positions fell. As at 31 May 2018, the Portfolio carried a foreign currency exposure of 99%.

Selected Contributors and Detractors



Portfolio Construction

The Fund is 90.8% invested in 22 holdings which the manager considers likely outperformers. The balance is in cash.

Selected Top Holdings		Capitalisation USD	
Apple	7.8%	Mega Cap > \$100b	57.0%
Baidu	7.4%	Large Cap \$50-100b	17.1%
Alibaba	7.3%	Mid Cap \$5-50b	15.3%
Tencent	7.2%	Small Cap \$1-5b	1.3%
Amazon	6.6%		

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 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.