



Loftus Peak Global Change Portfolio

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Letter
August 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 Portfolio'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

August was a very strong month, which saw the portfolio deliver its best return this calendar year. It rose +8.0%, with +3.7% outperformance relative to the index. For the fifty months since inception, the portfolio has delivered +24.4% p.a. gross of fees, with outperformance of +10.3% p.a.

Performance*

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+7.98%	+11.78%	+14.49%	+35.74%	+23.28%	+24.44%
Index	+4.29%	+8.71%	+10.73%	+22.90%	+11.50%	+14.16%
Outperformance (gross-of-fees)	+3.69%	+3.07%	+3.76%	+12.85%	+11.79%	+10.28%
Portfolio (net-of-fees)	+7.87%	+10.41%	+12.70%	+32.20%	+20.24%	+21.61%

*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.

Portfolio Contributors and Detractors

The month of August began with a familiar theme – more tariffs. The effects of these are being felt by China with exports to the US slowing, raising concerns around Chinese companies which prompted a sell-off. Conversely, the outlook for the US economy is optimistic, showing few signs of slowing with strong GDP growth.

Qualcomm stock rallied after investors sold shares amounting to only half the US\$10b tendered through its US\$67.50/share buyback. Investor confidence in the company is growing as it becomes clear how important **Qualcomm** is for the outlay of a 5G network, with growing visibility from many data points, including Chinese companies getting ready to rollout 5g services. Also, the company has important optionality in low power high performance processors – expanding into laptops (previously an untouched area).

Momo reported earnings that beat expectations, with 58% YoY growth in net revenues. This saw an 8.6% jump in price, strengthening to 12.9% by month end. **Momo's** future growth will be dependent on its ability to sell more virtual goods and convert users to paid subscriptions.

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

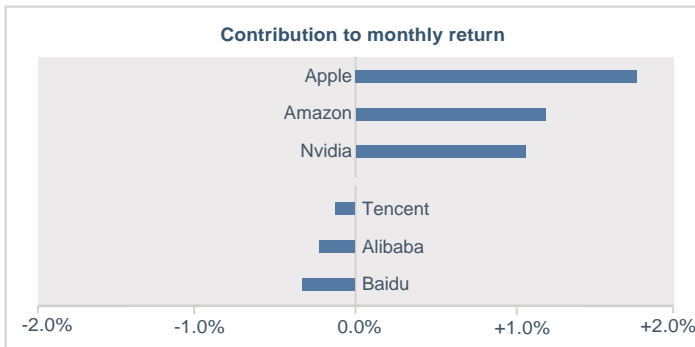
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Tencent reported midway through August, however missed expectations with its first profit fall in 13 years. Adding to its woes, the government continued to crack down on gaming and screen time among children, banning one of **Tencent's** games and halting the licensing of new games, temporarily. Whilst a definite roadblock, **Tencent** has other services such as WeChat (with over 1 billion users) which will produce a growing share of revenue going forward.

Tesla beat revenue (but not profit) estimates and met its Model 3 production targets. However, the CEO's antics saw the share price rise 27.3%, only to give it all back by month end.

The Australian dollar depreciated -3.2% over the month against the US dollar, which meant the value of our US dollar positions rose. As at 31 August 2018, the Portfolio carried a foreign currency exposure of 100%.

Selected Contributors and Detractors



Portfolio Construction

The Portfolio is 90% invested in 23 holdings which the manager considers likely outperformers. The balance is in cash.

Selected Top Holdings		Capitalisation USD	
Apple	8.2%	Mega Cap > \$100b	56.3%
Qualcomm	7.3%	Large Cap \$50-100b	19.8%
Amazon	7.3%	Mid Cap \$2-50b	14.1%
Tencent	7.2%	Small Cap < \$2b	0.0%
Microsoft	6.5%		

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.