



Loftus Peak Global Disruption Fund

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 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

August was a very strong month, which saw the fund deliver its best return this calendar year. It rose 7.3%, with 3.0% outperformance relative to the index. Since inception, the fund has delivered 31.9% p.a., with outperformance of 11.6% p.a.

Performance

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Fund (Net) ¹	+7.26%	+10.64%	+13.60%	+32.13%	-	+31.93%
Index ²	+4.29%	+8.71%	+10.73%	+22.90%	-	+20.30%
Value Added (Net) ³	+2.97%	+1.93%	+2.87%	+9.24%	-	+11.63%

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.

Fund 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 point, 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, which resulted in 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	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

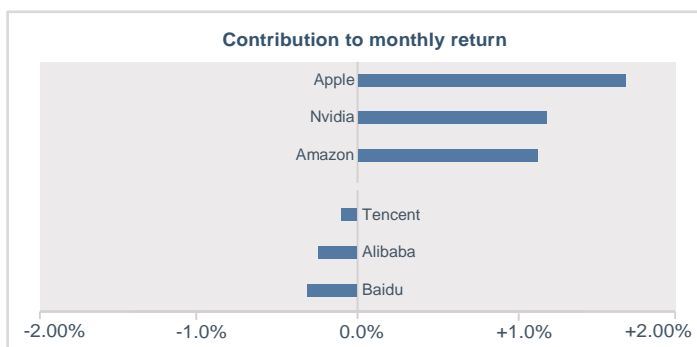
Date	31 August 2018
Entry Price (in AUD)	1.7481
Exit Price (in AUD)	1.7393

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 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 -2.7% 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 Fund is 89% invested in 23 holdings which the manager considers likely outperformers. The balance is in cash.

Selected Top Holdings		Capitalisation USD	
Apple	8.0%	Mega Cap > \$100b	55.3%
Amazon	7.4%	Large Cap \$50-100b	19.9%
Qualcomm	7.1%	Mid Cap \$2-50b	14.0%
Tencent	7.1%	Small Cap < \$2b	0.0%
Baidu	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 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.