

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

September was a relatively flat month, which saw the portfolio deliver -0.7% gross of fees, underperformance of -0.5% relative to the index. Since inception, 51 months ago, the portfolio has delivered +23.7% p.a. gross of fees, which is outperformance of +9.9% p.a.

## Performance\*

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-0.73%	+8.98%	+19.09%	+32.10%	+23.80%	+23.69%
Index	-0.23%	+6.57%	+11.29%	+18.97%	+12.23%	+13.80%
Outperformance (gross-of-fees)	-0.50%	+2.41%	+7.80%	+13.13%	+11.57%	+9.90%
Portfolio (net-of-fees)	-0.84%	+8.62%	+17.24%	+28.51%	+20.75%	+20.90%

\*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

**Qualcomm** continued to rally as the market focused on its key position in 5G telephony, with somewhat unexpected sales coming from China telco.

The market took a second look at the acquisition of CA Technologies by **Broadcom**, however the jury is still out on whether the well regarded CEO Hock Tan can really extract value from the acquisition – it isn't nearly as strategic or important as the (failed) bid for **Qualcomm** would have been.

**Microsoft** was also a minor contributor as its cloud offering for enterprise continues to gain traction.

A larger detractor was **Alibaba**, which continues to struggle against the weak backdrop of the falling Chinese stock market. This has been made worse by the noise around the trade war notwithstanding good on-line retail growth and a solid performance from its cloud business.

**Tencent** also did poorly due to continued political commentary aimed at restricting the number of hours spent gaming, and what was thought to be a short-term freeze on gaming licenses has continued to drag on.

## 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

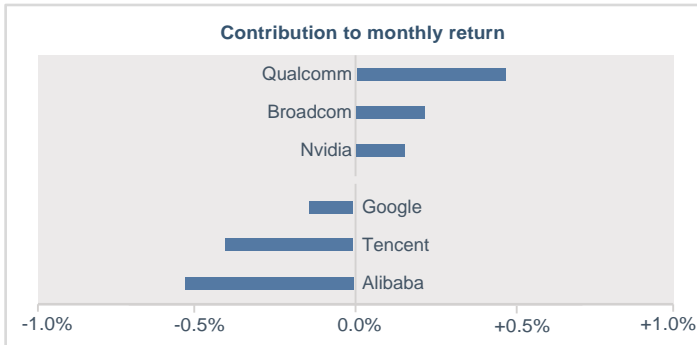
## Fees

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

**Tesla** built 80,142 cars in the September quarter, 50% more than its prior all-time high in Q2, including 53,239 Model 3 vehicles, upon which the company's medium-term success will be built. The company is now on track for annual production of more than 300k cars, which would be revenue of around US\$18b. Gross margin will trend over 25% as the company hits scale on its simplified electric drive assembly. We value Musk's insight enormously, but are of the view that a strong board must keep him in check if he is to remain CEO.

The Australian dollar appreciated +0.1% over the month against the US dollar, which meant the value of our US dollar positions declined. As at 30 September 2018, the Portfolio carried a foreign currency exposure of 99%.

## Selected Contributors and Detractors



## Portfolio Construction

The Portfolio is 91% 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	62.4%
Tencent	7.4%	Large Cap \$50-100b	13.4%
Baidu	7.3%	Mid Cap \$2-50b	15.6%
Alibaba	6.8%	Small Cap < \$2b	0.0%
Qualcomm	6.8%		

### 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 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.