

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

October was the Portfolio's worst month ever in absolute terms (-8.28% down), -2.91% relative to the benchmark (MSCI All Countries World Index (net in AUD)). It is never the case that stock market performance is linear, and we used this weakness to add to a number of key strategic holdings at low prices, starting the month with 10% in cash and finishing at 2%. The portfolio has delivered 20.8% p.a. over 52 months.

## Performance\*

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-8.28%	-1.68%	+8.26%	+12.58%	+16.31%	+20.76%
Index	-5.36%	-1.53%	+2.51%	+7.78%	+8.10%	+12.08%
Outperformance (gross-of-fees)	-2.91%	-0.15%	+5.75%	+4.80%	+8.21%	+8.68%
Portfolio (net-of-fees)	-8.38%	-2.00%	+6.57%	+9.52%	+13.44%	+18.05%

\*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 worst performing company was **Nvidia**, which was down 25% over the month. It was sold off following fears of underperformance after other semiconductor companies reported earnings misses. However, **Nvidia's** importance in machine learning and global data centres cannot be overstated, which will become clear over the next few months.

The China market has been falling for most of the year, a result of declining economic growth as tariffs begin to make an impact. This saw both **Tencent** and **Alibaba** sell off. **Amazon** also took a substantial fall, justifiably in our view, given some very aggressive price targets.

**Qualcomm** has been embroiled in a legal battle with **Apple** for several months now, which saw a subsequent drop in revenue, hurting its price and performance. However, **Qualcomm** will be key in the roll out of the 5G network, which is why we continue to invest.

On the positive side, **Tesla** performed well on the back of delivering US\$1.4b of operating cashflow in the quarter, with a (GAAP) gross profit margin which expanded to 25.8% from 20.6% in the previous

## 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

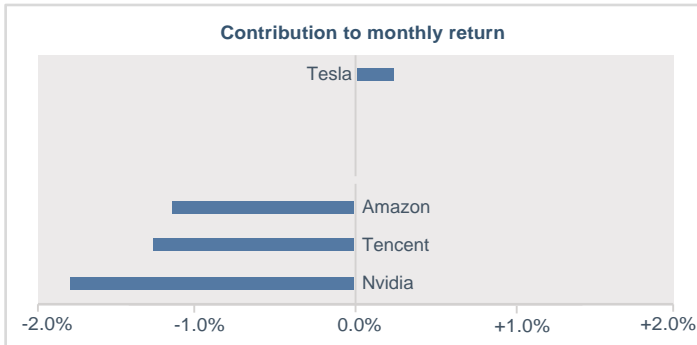
## Fees

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

corresponding quarter. By contrast, BMW reported an automotive margin which halved to 4.4% relative to one year ago, with higher costs across R&D as the company struggles to re-tool for electric. VW may have been the headline company in the diesel scandal, but the ramifications are hitting all car makers, with VW CEO Herbert Diess suggesting that the number of German prestige auto marques which will still be considered in the world's elite car companies could halve within ten years.

The Australian dollar depreciated -1.78% over the month against the US dollar, which meant the value of our US dollar positions increased. As at 30 September 2018, the Portfolio carried a foreign currency exposure of 99%.

## Selected Contributors and Detractors



## Portfolio Construction

The Portfolio is 98% invested in 24 holdings which the manager considers likely outperformers. The balance is in cash.

Selected Top Holdings		Capitalisation USD	
Apple	8.0%	Mega Cap > \$100b	56.0%
Tencent	7.8%	Large Cap \$50-100b	19.5%
Nvidia	7.6%	Mid Cap \$2-50b	22.1%
Microsoft	7.0%	Small Cap < \$2b	0.0%
Baidu	6.9%		

### 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.