



Loftus Peak Global Disruption Fund

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Letter
October 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

October was the Fund's worst month ever in absolute terms (-8.00% down), -2.64% 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%. Since Loftus Peak took over the management of the fund it has returned 23.2% p.a., which is outperformance of 8.20% p.a. The portfolio, with a longer track record and the same underlying stock composition, has delivered 20.8% p.a. over 52 months.

Performance

| | 1m | 3m | 6m | 1y | 3y p.a. | Inception p.a. |
|--------------------------------|--------|--------|--------|--------|---------|----------------|
| Fund (Net) ¹ | -8.00% | -1.76% | +7.11% | 11.05% | - | +23.20% |
| Index ² | -5.36% | -1.53% | +2.51% | +7.78% | - | +15.00% |
| Value Added (Net) ³ | -2.64% | -0.24% | +4.59% | +3.27% | - | +8.20% |

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 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.

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) |
| No. 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. |
| Research Ratings (Lonsec, SQM) | Click Lonsec or SQM logo on our website to request a copy. |

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 |

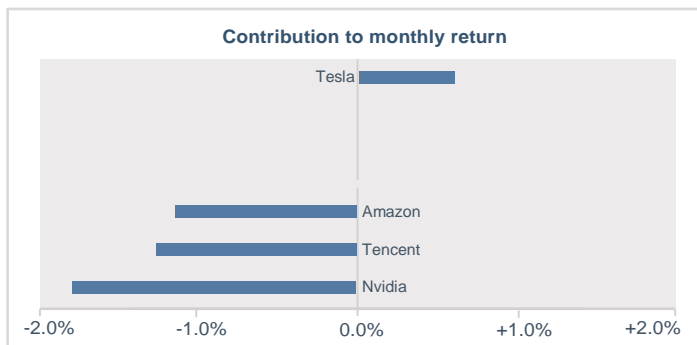
Unit Prices

| | |
|----------------------|-----------------|
| Date | 31 October 2018 |
| Entry Price (in AUD) | 1.6010 |
| Exit Price (in AUD) | 1.5930 |

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 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 2.05% over the month against the US dollar, which meant the value of our US dollar positions increased. As at 30 October 2018, the Portfolio carried a foreign currency exposure of 99%.

Selected Contributors and Detractors



Portfolio Construction

The Fund is 98% invested in 24 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% |
| Nvidia | 7.9% | Large Cap \$50-100b | 19.4% |
| Tencent | 7.8% | Mid Cap \$2-50b | 21.9% |
| Baidu | 7.2% | Small Cap < \$2b | 0.0% |
| Alibaba | 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 [Cuffelinks](#) 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