



# Loftus Peak Global Disruption Fund

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Letter  
November 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

November was another volatile month, with the Fund delivering a negative return of -2.5%, which was -0.8% below the benchmark (MSCI All Countries World Index (net in AUD)). The period was marked by significant uncertainty as China and the US manoeuvred for position in the trade war. It should be noted that even with this volatility, performance would have been positive were it not for a 3.24% appreciation in the AUD over the month. Since Loftus Peak took over the management of the fund it has returned 20.7% p.a., which is outperformance of 7.2% p.a. The Loftus Peak Global Change Portfolio, with the same underlying stock composition, has delivered 19.6% p.a. over 53 months.

## Performance

|                                | 1m     | 3m      | 6m     | 1y     | 3y p.a. | Inception p.a. |
|--------------------------------|--------|---------|--------|--------|---------|----------------|
| Fund (Net) <sup>1</sup>        | -2.50% | -10.71% | -1.20% | +4.88% | -       | +20.65%        |
| Index <sup>2</sup>             | -1.67% | -7.15%  | +0.93% | +2.63% | -       | +13.41%        |
| Value Added (Net) <sup>3</sup> | -0.84% | -3.55%  | -2.14% | +2.25% | -       | +7.24%         |

Past performance is not a reliable indicator of future performance.

Source for performance: Loftus Peak

<sup>1</sup> 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.

<sup>2</sup> The index for the Fund is MSCI All Countries World Index (net) as expressed in AUD from Bloomberg.

<sup>3</sup> The Value Added is shown as the Fund (Net) minus its Index.

## Fund Contributors and Detractors

**Nvidia** and **Apple** were the worst performers – **Apple** on fears that the company is now ex-growth in terms of units sold (which we think is broadly correct) with gains to come from the company's burgeoning services arm, which in the quarter delivered 16% of revenue. Nvidia shed almost a quarter of its value following a 20% reduction to fourth quarter revenue guidance as the company severely misjudged sales of its mid-range graphics cards (from slowing crypto demand). We were selective in our buying of companies at significantly lower prices.

It does appear that **Qualcomm** is close to a settlement in its long running litigation with **Apple**, a significant net positive for the company and one which will hopefully underpin sales of 5G modems into Apple phones post 2020. On the positive side, there was a welcome bounce in some of our China names, with **Alibaba**, and **Tencent** adding, while some of our machine learning investments started to bear fruit.

## 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 |

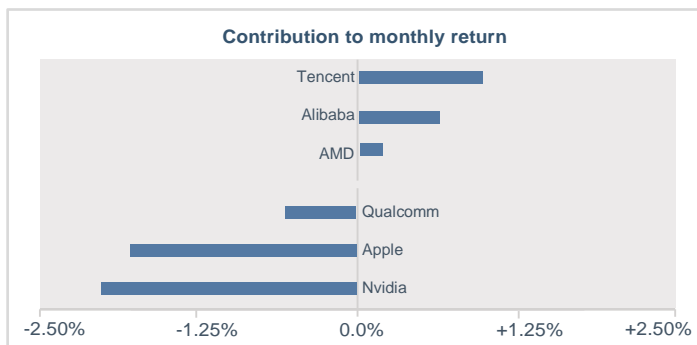
## Unit Prices

|                      |                  |
|----------------------|------------------|
| Date                 | 30 November 2018 |
| Entry Price (in AUD) | 1.5609           |
| Exit Price (in AUD)  | 1.5531           |

**NXPI** and **Broadcom** had better months after turmoil as both companies were involved in complex takeover action. **Tesla** outperformed on the back of delivering US\$1.4b of operating cashflow in the quarter – the company also crossed a significant milestone with a (GAAP) gross profit margin which expanded to 25.8% from 20.6% in the previous corresponding quarter.

The Australian dollar appreciated 3.24% over the month against the US dollar, which hurt the value of our US dollar positions. As at 30 November 2018, the Fund carried a foreign currency exposure of 99%.

## Selected Contributors and Detractors



## Portfolio Construction

The Fund is 92% 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   | 44.0% |
| Nvidia                | 7.9% | Large Cap \$50-100b | 24.5% |
| Tencent               | 7.8% | Mid Cap \$2-50b     | 23.9% |
| 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](http://www.loftuspeak.com.au) or email [enquiry@loftuspeak.com.au](mailto:enquiry@loftuspeak.com.au)

### IMPORTANT INFORMATION

This report was prepared by Loftus Peak Pty Limited ("Loftus Peak"). Equity Trustees Limited ("Equity Trustees") ABN 46 004 031 298 AFSL No. 240975, is a subsidiary of EQT Holdings Limited ABN 22 607 797 615, a publicly listed company on the Australian Securities Exchange (ASX:EQT), and is the Responsible Entity of the Loftus Peak Global Disruption Fund ("Fund").

This document has been prepared for the purpose of providing general information only, without taking account of any individual person's investment objectives, financial circumstances or needs. This document is not intended to take the place of professional advice and we do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors this document may contain. You should consider the Product Disclosure Statement ("PDS") in deciding whether to acquire, or continue to hold, the product.

A PDS and application form is available at [www.loftuspeak.com.au](http://www.loftuspeak.com.au). Loftus Peak and Equity Trustees do not guarantee the performance of the Fund or the repayment of the investor's capital. To the extent permitted by law, neither Equity Trustees, Loftus Peak, nor any of their related parties including its employees, directors, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this report. Past performance is not indicative of future performance.

## 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