



Loftus Peak Global Change Portfolio

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Letter
April 2019



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 and Performance*

Earnings season has generally been benign for many of the companies in the Portfolio, alleviating concerns around growth in April, while the Federal Reserve's hold on interest rate hikes for the foreseeable future also helped the market to rally. The Portfolio delivered a gross-of-fees return of +6.7%, which was outperformance of +2.7%. This brings returns for 2019 to +27.8% gross-of-fees, outperforming the benchmark by +12.0%. The Portfolio's cash levels are increasing, as we continue to take profits on positions to which we deployed cash in December, and which were trading at the lower end of their valuation range. The Loftus Peak Global Change Portfolio has delivered +22.4% p.a. gross-of-fees since inception (58 months ago), which is outperformance of +9.5% p.a.

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+6.73%	+18.16%	+17.32%	+27.01%	+27.74%	+22.43%
Index	+4.05%	+10.85%	+9.70%	+12.45%	+14.19%	+12.91%
Outperformance (gross-of-fees)	+2.68%	+7.31%	+7.62%	+14.56%	+13.54%	+9.52%
Portfolio (net-of-fees)	+6.62%	+17.79%	+16.57%	+24.23%	+24.94%	+19.78%

*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 periods of 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 was a major contributor for the month, following the settlement of a long-running dispute with **Apple** regarding modems. This settlement resulted in a six-year deal which is beneficial to both companies – Apple has certainty over the delivery of a 5G phone using Qualcomm's market leading modems and technology, and Qualcomm will see increased revenue from Apple phones. We have held Qualcomm since our inception and expect to see continued growth as the company capitalises on its strategic position in 5G. **Apple** continues to deliver as its results showed, even as it shifts its emphasis from hardware to services including Apple TV+, Apple News, healthcare, ApplePay and its new Card, among many others. This has the potential to open significant additional revenue streams from its installed base 1.4 of billion devices.

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

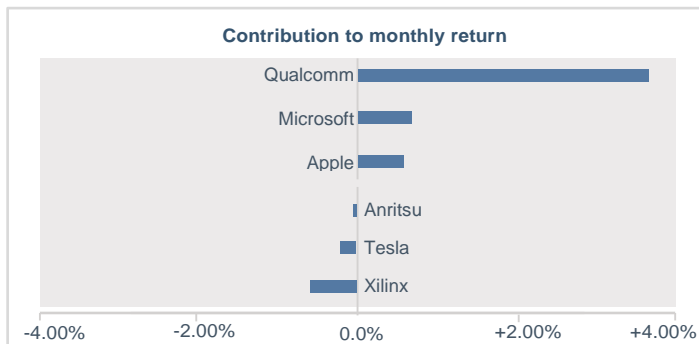
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction cost	0.55% of the value of the transaction

For a company that briefly surpassed a market capitalisation of US\$1 trillion, **Microsoft** seems to be defying the 'law of large numbers' principle (on which we have written previously), delivering strong growth in its cloud and enterprise offerings for the March Quarter.

Xilinx was a detractor for the month as the company's earnings and margins came in slightly lower than the market had expected. We remain confident in Xilinx's long-term strategy, especially as the world increases demand for faster processing.

The Australian dollar depreciated -0.92% over the month against the US dollar, which meant the value of our US dollar positions increased. As at 30 April 2019, the Fund carried a foreign currency exposure of 99%.

Selected Contributors and Detractors



Portfolio Construction

The Portfolio is 84% invested in 20 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Xilinx	10.9%	Mega Cap > \$100b	50.2%
Qualcomm	9.2%	Large Cap \$50-100b	13.4%
Apple	7.8%	Mid Cap \$2-50b	20.0%
Tencent	6.8%	Small Cap < \$2b	0.0%
Alibaba	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 [Cuffelinks](https://www.cuffelinks.com) 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.

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.