

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*

The Portfolio delivered gross-of-fees returns of -9.8%, with underperformance of -5.5%. While this is a poor result, since June 1 we have clawed back some of these falls (we are up 3.4% as this note goes to press). During May we had raised cash as high as 26% (from 17% at the end of April), as our companies approached their upper valuation targets. Subsequent to the May sell-off in our key names, we re-allocated cash towards companies which had sold off significantly, finishing the month with 15% cash.

The May outcome was impacted by Donald Trump's decision to include Huawei on the "Entity List," which, if implemented, essentially means Huawei would be unable to access US technologies in its 5G products, leading to a slow-down of the 5G rollout. The flow-on effect would be lower spending in datacentres as well as slower growth in areas such as the 'internet of things' and autonomous vehicles.

The results should also be seen in the context of the performance history - since inception, almost five years ago (59 months), the Portfolio has delivered +19.5% gross-of-fees p.a., which is outperformance of +7.8% p.a.

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-9.78%	-0.54%	+8.94%	+7.73%	+19.74%	+19.48%
Index	-4.32%	+0.84%	+6.74%	+7.73%	+10.63%	+11.67%
Outperformance (gross-of-fees)	-5.47%	-1.38%	+2.21%	0.00%	+9.11%	+7.81%
Portfolio (net-of-fees)	-9.89%	-0.87%	+8.24%	+5.37%	+17.11%	+16.92%

*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

This mooted ban on sales to Huawei would be bad – if it happens. Trump and key staff now are softening the rhetoric, but meanwhile the share prices of the companies in which we invest, such as **Qualcomm**, **Xilinx** and **Nvidia** have been hurt on fears of lower sales.

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

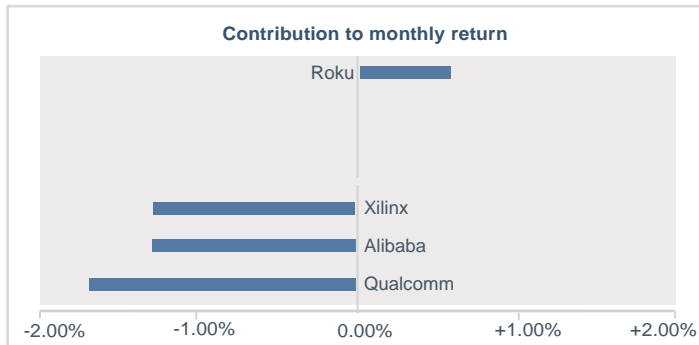
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

But Trump's actions have also underlined the critical importance of these companies to 5G and in datacentres generally, meaning that they are important irrespective of what company sells them, which is why we remain confident in the positions.

Elsewhere, the impact was visible in companies such as **Alibaba**, which, though delivering strong first quarter results, especially its cloud offering, did not perform well (it has improved ~7% since month end.)

The Australian dollar depreciated -1.6% over the month against the US dollar, which meant the value of our US dollar positions increased. As at 31 May 2019, the Portfolio carried a foreign currency exposure of 100%.

Selected Contributors and Detractors



Portfolio Construction

At month end, the Portfolio was 85% invested in 21 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Xilinx	11.3%	Mega Cap > \$100b	47.4%
Qualcomm	8.7%	Large Cap \$50-100b	13.2%
Apple	8.0%	Mid Cap \$2-50b	20.3%
Tencent	7.2%	Small Cap < \$2b	4.3%
Amazon	7.0%		

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.

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.

How can investors access Loftus Peak's global equity disruption capability?

- For **retail** investors, the Loftus Peak Global Disruption Fund
- For **wholesale** or **sophisticated** investors, the Loftus Peak Global Change Portfolio

While offered by way of two different legal structures, the two products are managed according to the same underlying investment objective.