



# Loftus Peak Global Disruption Fund

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Update  
May 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 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 and Performance

The Fund delivered a net-of-fees return of -9.0%, with underperformance of -4.7%. 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, two and a half years ago, the Fund has delivered +20.1% p.a. net-of-fees, with outperformance of +6.6% p.a. The sister product, the Loftus Peak Global Change Portfolio, which has the same underlying investment objective and stock composition, has delivered +19.5% gross-of-fees p.a. over a much longer period (59 months), which is outperformance of +7.8% p.a.

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Fund (Net) <sup>1</sup>	-9.02%	-0.18%	+8.62%	+7.31%	-	+20.12%
Index <sup>2</sup>	-4.32%	+0.84%	+6.74%	+7.73%	-	+13.51%
Value Added (Net) <sup>3</sup>	-4.70%	-1.02%	+1.88%	-0.42%	-	+6.60%

Past performance is not a reliable indicator of future performance.

Source: Loftus Peak, MSCI

<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.

Investment return and the principal value fluctuate, so your units, when sold, may be worth more or less than the original cost. For further details, please refer to the Fund’s product disclosure statement and reference guide.

<sup>2</sup> The index for the Fund is the 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 the benchmark.

## Fund 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	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

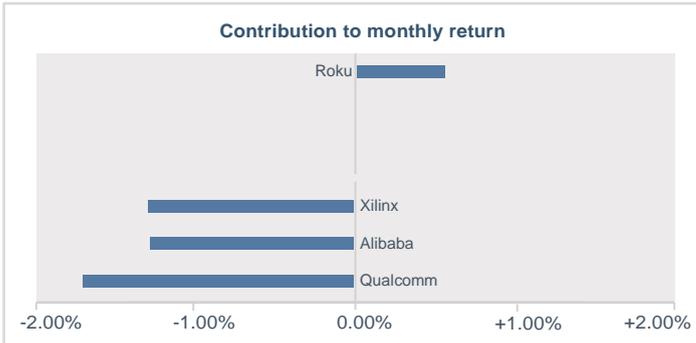
Date	31 May 2019
Entry Price (in AUD)	1.6954
Exit Price (in AUD)	1.6870

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 Fund carried a foreign currency exposure of 98%.

## Selected Contributors and Detractors



## Portfolio Construction

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

Selected Top Holdings		Capitalisation USD	
Xilinx	11.3%	Mega Cap > \$100b	46.6%
Qualcomm	8.7%	Large Cap \$50-100b	13.3%
Apple	8.0%	Mid Cap \$2-50b	20.4%
Tencent	7.2%	Small Cap < \$2b	4.3%
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

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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

Ratings	<b>Lonsec</b>	<b>SQM research</b> SUPERIOR ★★★★★	
Platforms	Invest Directly	OLIVIA23 Apply Online	MACQUARIE
	netwealth	ausmao Election results for your business	XPLORE WEALTH
	HUB 24	Powerwrap	MASON STEVENS