



Loftus Peak Global Change Portfolio

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Update
July 2019



Traditional business models are being disrupted as connectivity, networks and the sharing economy impact all industries – retail, transport, communications, 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*

July began strongly as it appeared a trade deal between the US and China was struck. But hostilities were not over - Trump and Xi agreed to hold off on any further tariff increases and remove the ban on Huawei but the follow-through on both these issues is inconclusive. The share prices of our investee companies rallied nevertheless, to deliver a +4.0% gross-of-fees return for July, which was outperformance of +1.8%.

We have also recently marked the five-year anniversary of the Loftus Peak Global Change Portfolio. Since inception 61 months ago, the Portfolio has delivered +21.2% p.a. gross-of-fees, which is outperformance of +8.3% p.a.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+4.00%	-0.02%	+18.13%	+15.33%	+24.06%	+21.17%	+21.21%
Index	+2.19%	+3.00%	+14.18%	+11.27%	+13.82%	+13.09%	+12.89%
Outperformance (gross-of-fees)	+1.81%	-3.03%	+3.95%	+4.06%	+10.24%	+8.09%	+8.32%
Portfolio (net-of-fees)	+3.89%	-0.35%	+17.37%	+13.84%	+21.35%	+18.59%	+18.64%

*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

While trade uncertainty has weighed on company earnings and market expectations, some of our positions have still managed to deliver. **Apple** continues to reduce its reliance on the iPhone as a major source of revenue, with wearables and services increasing their share of the company’s revenue mix. The shift to services (such as Apple Card, TV and News) will help to improve margins and most likely lift the multiple a few turns of earnings to be more in line with a services company.

Google and **Microsoft** both saw solid growth in their cloud offerings, with Google’s share price up nearly 10% after its earnings were reported on news of a capital return and stability in its search business. Both companies have also been teasing game streaming services which are looking to tap into the \$100+ billion gaming market.

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

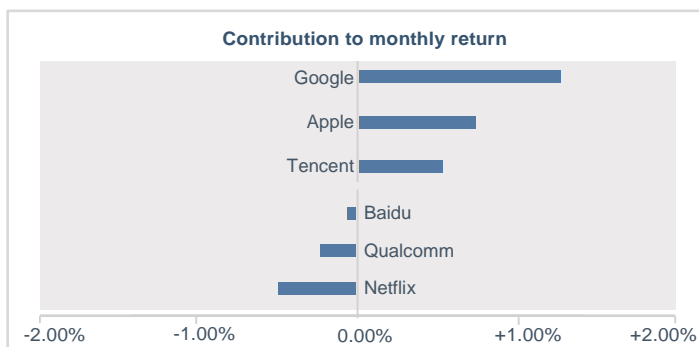
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Netflix fell after reporting lower than expected subscriber growth. Whilst competitor product offerings (such as Disney and Warner) have unnerved the market, we believe the shift away from linear TV will continue to support growth in streaming services, particularly in the international market.

Qualcomm also announced softer earnings and lowered guidance for the next six months. It is not surprising that the company's customers are reducing demand to clear out 4G inventory, especially with commercial 5G less than a year away which will make that inventory worth significantly less.

The Australian dollar depreciated -2.5% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 31 July 2019, the Portfolio carried a foreign currency exposure of 100%.

Selected Contributors and Detractors



Portfolio Construction

At month end, the Portfolio was 87% invested in 22 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Xilinx	9.8%	Mega Cap > \$100b	55.7%
Google	9.5%	Large Cap \$50-100b	10.1%
Alibaba	9.0%	Mid Cap \$2-50b	21.1%
Qualcomm	8.5%	Small Cap < \$2b	0.0%
Tencent	7.9%		

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

This report was prepared by Loftus Peak Pty Limited ("Loftus Peak"), for the purpose of providing general information only, without taking account of your particular investment objectives, financial circumstances or needs. It 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 it may contain. You should consider the Investment Mandate for the Portfolio in deciding whether to acquire, or continue to hold, the product. The Investment Mandate and application form may be requested by emailing enquiry@loftuspeak.com.au. Loftus Peak doesn't guarantee the performance of the portfolio or the repayment of the investor's capital. To the extent permitted by law, Loftus Peak, including its employees, consultants, advisers, officers or authorised representatives, is not 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 Portfolio, 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.