

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*

August was a difficult month - the S&P 500 posted 11 moves, up and down, of more than 1% in 22 trading sessions, including three declines of at least -2.5% as well as the index's worst day this calendar year (to date). The portfolio returned -1.4% gross-of-fees, which was underperformance of -1.3%. The two main drivers were the continuing uncertainty around US-China trade relations and a recession signal being flashed by the bond market, with short term yields inverting (short term yields higher than long term yields).

We believe the choppy market will ultimately calm with underlying growth in the Portfolio's core positions coming to the fore, which has been the case for the Portfolio since its inception: over more than 5 years the Portfolio has delivered +20.5% p.a. gross-of-fees, which is outperformance of +7.9% p.a.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-1.39%	+9.27%	+8.68%	+5.31%	+21.68%	+19.90%	+20.51%
Index	-0.14%	+7.50%	+8.41%	+6.54%	+13.31%	+12.67%	+12.64%
Outperformance (gross-of-fees)	-1.25%	+1.77%	+0.27%	-1.23%	+8.37%	+7.23%	+7.87%
Portfolio (net-of-fees)	-1.50%	+8.92%	+7.96%	+3.94%	+19.01%	+17.34%	+17.97%

*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

The high volatility in August led to some negative moves in companies with exposure to China's Huawei. However, **Qualcomm** (which may still be similarly affected) was the best performer for the month as the US supreme court overturned a ruling preventing the company from selling its 5G componentry at a price commensurate with its investment.

Microsoft continues its breakneck run (it is one of only two companies worth over US\$1 trillion listed in the US, with Apple the other) as it rolls out its cloud offering to businesses around the world, using the existing relationships and products as the springboard.

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

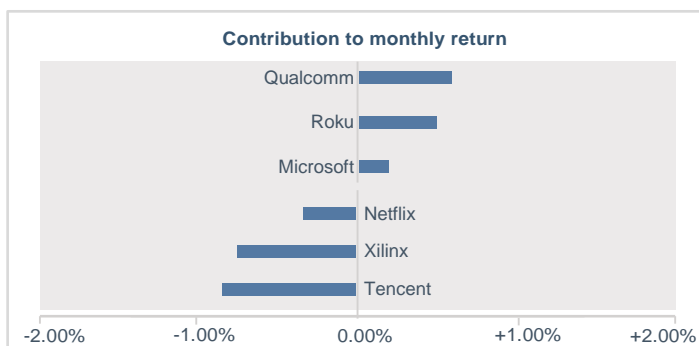
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Netflix was weak on competition concerns arising from briefings given by **Disney**, as well as awareness of other players coming to the streaming market including **Apple**, **AT&T/HBO** and **Amazon**. We are still very early on in the disruption of global pay and free-to-air TV, and the sheer size of the market means it is likely there will be multiple winners. It remains to be seen how well Disney executes, and the patience investors have, as Disney goes about disrupting itself.

If proof were required about the likelihood of TV as an-app first product (rather than channel-first), we need only look at the share price performance of **Roku**, our second-best performing company for the month, which is up four-fold on our entry price.

The Australian dollar depreciated -1.6% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 31 August 2019, the Portfolio carried a foreign currency exposure of 95%.

Selected Contributors and Detractors



Portfolio Construction

At month end, the Portfolio was 79% invested in 20 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Alphabet	9.6%	Mega Cap > \$100b	49.8%
Xilinx	8.0%	Large Cap \$50-100b	9.7%
Qualcomm	7.8%	Mid Cap \$2-50b	16.0%
Alibaba	6.7%	Small Cap < \$2b	3.8%
Amazon	6.6%		

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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The Team

The portfolio is managed by Alex Pollak and Anshu Sharma.



Alex Pollak 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.

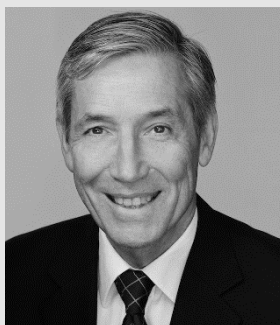


Anshu Sharma Portfolio Manager

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.



Rick Steele CEO

Drawing on more than 30 years in funds management and government Rick is the CEO of Loftus Peak. After a successful career in the Australian Treasury, Rick held senior positions at Prudential Assurance, Morgan Grenfell Australia, BT Funds Management, TechInvest and Eight Investment Partners.

Rick is also a director of CitizenBlue, an impact enterprise operating a container recycling service for its environmental members.

Rick has a MEd from the Australian National University, is a Fellow of the Financial Services Institute of Australasia and has completed the AICD Company Director's Course.

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.