

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*

September was another volatile month for investors, with various issues across the globe unnerving the market, including sustained unrest in Hong Kong, ultra-low interest rates, more US/China tariffs and toward the end of the month an impeachment inquiry. This led to a return for the month of -2.6% gross-of-fees, compared to the index which delivered +1.8%.

We have invested through difficult circumstances many times and are confident our investment process will drive solid performance, as shown in the table below. Since month end more than a third of the September underperformance has been clawed back.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-2.63%	-0.14%	+2.46%	+3.19%	+19.22%	+18.09%	+19.55%
Index	+1.79%	+3.87%	+8.94%	+8.70%	+14.46%	+12.31%	+12.81%
Outperformance (gross-of-fees)	-4.41%	-4.01%	-6.48%	-5.51%	+4.76%	+5.78%	+6.74%
Portfolio (net-of-fees)	-2.74%	-0.48%	+1.78%	+1.84%	+16.61%	+15.57%	+17.04%

*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

Apple was the strongest contributor to performance for the month following a successful product launch event. The company's strategy of releasing an iPhone at a lower price point (iPhone XR and now iPhone 11) has resonated with consumers and demand has been much stronger than expected. Apple TV+ was also announced at \$4.99/month, undercutting rival products and leveraging the huge installed base of 1.4b devices.

Alphabet (Google) also contributed as the market digested news of its largest ever (US\$25b) stock repurchase, sourced from its cash hoard of US\$121b (at quarter end). The company is also months away from the launch of Stadia, its video game streaming platform, which is promising significant performance with very low latency.

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

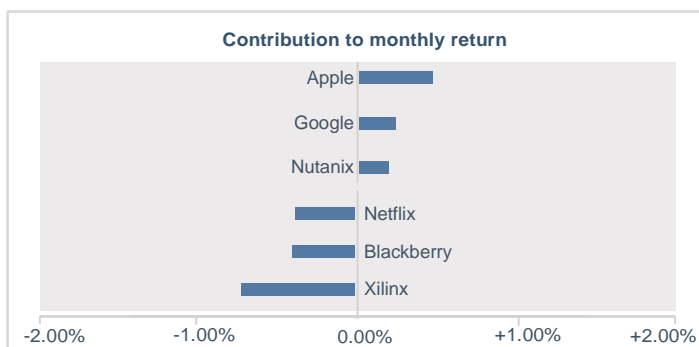
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

The stock prices of both **Xilinx** and **Qualcomm** were weak because of the continuing tariff volatility brought about by inconsistent policy from the US. We believe that the worst of this storm has passed as pressure mounts to stabilize some of the excesses coming from the White House.

Blackberry reported softer earnings than expected. The company is still working through a transition from hardware to software, with a focus on connectivity with security. This is specifically aimed at the automotive sector as the level of driver assistance continues to rise, with spin-offs into connected non-phone devices – the “internet of things.”

The Australian dollar appreciated +0.2% over the month against the US dollar, which meant the value of the Portfolio’s US dollar positions decreased. As at 30 September 2019, the Portfolio carried a foreign currency exposure of 96%.

Selected Contributors and Detractors



Portfolio Construction

At month end, the Portfolio was 87% invested in 20 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Alphabet	10.1%	Mega Cap > \$100b	51.9%
Xilinx	9.9%	Large Cap \$50-100b	10.5%
Qualcomm	7.8%	Mid Cap \$2-50b	24.7%
Apple	7.2%	Small Cap < \$2b	0%
Tencent	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.

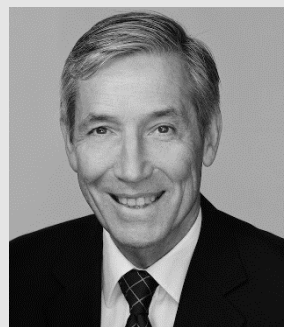


Anshu Sharma Portfolio Manager

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.