



# Loftus Peak Global Change Portfolio

Investing | Future Focused

Monthly Portfolio Update  
October 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\*

October signalled the beginning of Wall Street's earnings season with many companies' share prices beaten down and a generally bearish tone. Loftus Peak used the weakness to deploy some cash. This move was rewarded as a number of investee companies reported solid numbers, especially **Apple** and **Tesla**. The impact of tariffs was also downplayed to the benefit of companies like **Nvidia**, as the US administration focuses on more pressing issues. These factors helped deliver a return for clients of +2.8% (gross-of-fees) for the month, which was outperformance of +2.2% relative to the index which delivered +0.6%.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+2.80%	-1.29%	-1.31%	+15.78%	+21.43%	+18.81%	+19.83%
Index	+0.65%	+2.31%	+5.38%	+15.60%	+15.08%	+12.44%	+12.73%
Outperformance (gross-of-fees)	+2.15%	-3.60%	-6.69%	+0.18%	+6.34%	+6.38%	+7.10%
Portfolio (net-of-fees)	+2.69%	-1.62%	-1.97%	+14.27%	+18.77%	+16.28%	+17.33%

\*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 **Tesla** doubters were caught short as the company posted another surprise earnings number, which means the company has generated positive cash flow from its operations for five straight quarters, with GAAP net profits in three. These numbers are even more encouraging since they include a period of lower deliveries pending the ramp-up in sales in the Model 3, and as Tesla's Shanghai Gigafactory started turning out finished cars.

**Apple** was also very strong, not just on the back of better than expected iPhone 11 sales, but also as the company's services revenue soared 19.5% to US\$12.5b in the quarter, representing 18% of total sales. The company continues to leverage its 1.4 billion installed base, providing more reasons to be part of the Apple ecosystem with services including Apple Pay, Apple Card, Apple News, Apple Arcade and the most recent addition of Apple TV+.

## 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

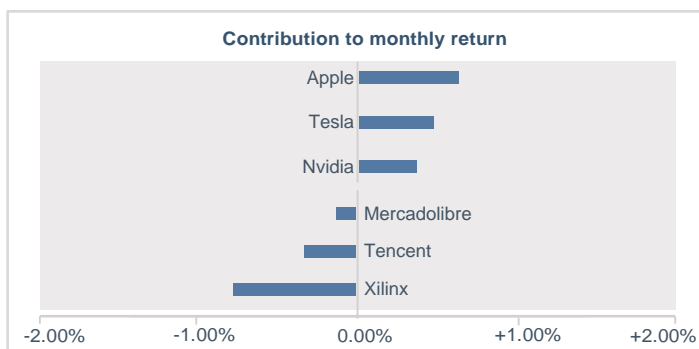
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

**Qualcomm** had a much better month as investors began to focus on the roll-out of 5G and the resulting 50% increase in average selling prices for some of its new more advanced products. arm, the company behind the chip architecture which powers a majority of smart phones, estimates there will be one trillion connected devices by 2035. We believe Qualcomm will be a key beneficiary as demand for its chips escalates.

**Netflix** was solid as well - streaming has been on the rise for a decade, and last year, for the first time, the number of streaming subscribers around the world (613 million) surpassed the number of cable according to the Motion Picture Association of America.

The Australian dollar appreciated +2.1% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions decreased. As at 31 October 2019, the Portfolio carried a foreign currency exposure of 96%.

## Selected Contributors and Detractors



## Portfolio Construction

At month end, the Portfolio was 90% invested in 20 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Alphabet	9.9%	Mega Cap > \$100b	53.2%
Xilinx	9.9%	Large Cap \$50-100b	10.6%
Apple	8.5%	Mid Cap \$2-50b	26.4%
Qualcomm	7.8%	Small Cap < \$2b	0%
Tencent	6.7%		

### 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 Cufflinks 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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## 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.

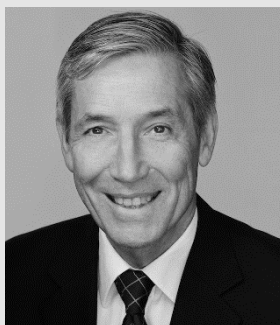


### Anshu Sharma Portfolio Manager

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.