



Loftus Peak Global Change Portfolio

Investing | Future Focused

Monthly Portfolio Update
November 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 generates investment return by focusing on these major secular shifts and how they will change the world in the next five to ten years. Loftus Peak's strategy complements other share market investments, particularly in Australia where there is a heavy skew towards banks, resources and the Australian dollar.

Review and Performance*

November was a very strong month for Loftus Peak investors, with the portfolio up +7.9% gross-of-fees, which was outperformance of +3.6% relative to the benchmark MSCI All Countries World Index (in \$A). Share markets were encouraged by the toning down of the tit-for-tat rhetoric by the US administration which was focused on other pressing issues - such as impeachment – but most of the return has come as key themes in which we have invested play out. Our decision to deploy cash in October on weakness in key names was rewarded.

| | 1m | 3m | 6m | 1y | 3y p.a. | 5y p.a. | Inception p.a. |
|--------------------------------|--------|--------|---------|---------|---------|---------|----------------|
| Portfolio (gross-of-fees) | +7.94% | +8.04% | +18.06% | +28.62% | +22.98% | +19.48% | +21.20% |
| Index | +4.32% | +6.87% | +14.89% | +22.64% | +15.32% | +12.28% | +13.41% |
| Outperformance (gross-of-fees) | +3.62% | +1.17% | +3.17% | +5.99% | +7.67% | +7.21% | +7.79% |
| Portfolio (net-of-fees) | +7.83% | +7.69% | +17.30% | +26.96% | +20.30% | +16.93% | +18.69% |

*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

China's **Alibaba**, the online retailer, was very strong, contributing +1.1% to the Portfolio's total return for the month. The strength came in the lead-up to, and following, its listing on the Hong Kong Stock Exchange, which saw the company finish the month up +13.2%.

Apple shares had a strong month and were up +7.4% as the market came to understand the importance of its services revenue, (growing at just under 20% annually) from Apple Pay, Apple Card, Apple News, Apple Arcade and the most recent addition of Apple TV+. The company also saw continued strength in wearables and accessories, particularly the AirPods Pro, for which it doubled production to meet demand.

Tesla released its electric 'Cybertruck', a competitor to Ford's top selling F150, which polarised both the motoring and investing communities. Its styling is not mainstream, but neither is its performance. There is no doubt the company is rewriting the global rule book on car-making.

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 |

Google (Alphabet) was up +3.7% for the month as it turned in another set of strong numbers showing year-over-year revenue growth at 20% in the most recent quarter. November also saw the launch of Google's game streaming service Stadia. The company is well positioned to deliver the product given its presence in the data centre segment; however it is too soon to tell whether it will be successful.

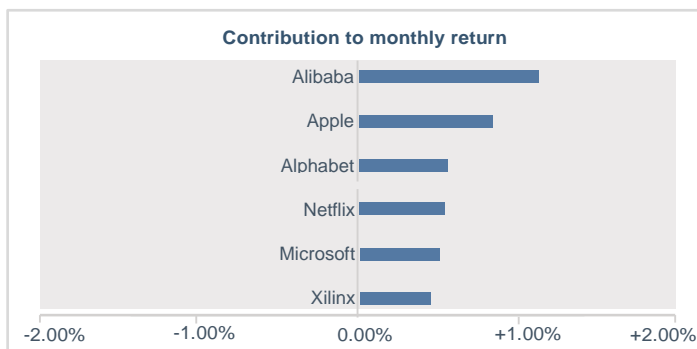
Qualcomm was up +3.9% following an investor day in New York in which the roadmap to the rollout of 5G took centre stage.

There were weak – although still positive – contributions from **Paypal**, **Mercado Libre** (online retailer in Latin America) and **Baidu**.

The Australian dollar depreciated -1.9% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 30 November 2019, the Portfolio carried a foreign currency exposure of 97%.

Selected Contributors and Detractors

There were no detractors for the month.



Portfolio Construction

At month end, the Portfolio was 94% invested in 20 holdings with the balance in cash.

| Selected Top Holdings | | Capitalisation USD | |
|-----------------------|-------|---------------------|-------|
| Xilinx | 10.5% | Mega Cap > \$100b | 54.9% |
| Alphabet | 9.8% | Large Cap \$50-100b | 11.4% |
| Qualcomm | 8.9% | Mid Cap \$2-50b | 27.2% |
| Apple | 8.7% | | |
| Alibaba | 8.1% | Small Cap < \$2b | 0% |

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

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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 Chairman 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.