



Loftus Peak Global Change Portfolio

Investing | Future Focused

Monthly Portfolio Update
December 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 sharemarket investments, particularly in Australia where there is a heavy skew towards banks, resources and the Australian dollar.

Review and Performance*

The Portfolio's holdings were strong in December, however an adverse movement in the currency impacted performance by -3.5%, leaving Loftus Peak investors essentially flat for the month. The portfolio was up +0.5% gross-of-fees, which was outperformance of +0.8% relative to the benchmark MSCI All Countries World Index (in \$A). The rhetoric around trade wars softened from both sides, with China pure-play stocks such as Tencent and Alibaba rebounding, while companies with exposure to China (Qualcomm, Tesla) also recording good returns. Our decision to deploy cash in October on weakness in key names was beneficial.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+0.50%	+11.52%	+11.35%	+36.82%	+22.19%	+19.30%	+20.95%
Index	-0.31%	+4.67%	+8.72%	+26.94%	+13.46%	+11.72%	+13.13%
Outperformance (gross-of-fees)	+0.81%	+6.85%	+2.63%	+9.88%	+8.73%	+7.58%	+7.83%
Portfolio (net-of-fees)	+0.18%	+10.92%	+10.39%	+34.76%	+19.52%	+16.84%	+18.42%

*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 **Tencent** stole the show with a +13% rise in the stock price for the month - revenue increased by 21% in the third quarter, with non-GAAP profit up 27%. The company signaled further Q4 growth (16% in revenue and earnings) with good numbers into 2020, which drove its contribution to overall performance. **Alibaba**, the online retailer, had its third month of price gains, and is up +55% for the year. Alibaba's three month rally in part the result of its Hong Kong Stock Exchange listing.

Apple continues to show strength, with a fourth consecutive positive month helping it to an +89% gain for the year. Historically, the market has treated Apple as a hardware company, but this is changing with its shift to services and subsequently the valuation that comes with it. This is not to say its hardware business is performing poorly – wearables and accessories (particularly AirPods) continue to deliver and analysts are now pointing to a possible '5G super cycle' for the iPhone this year.

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

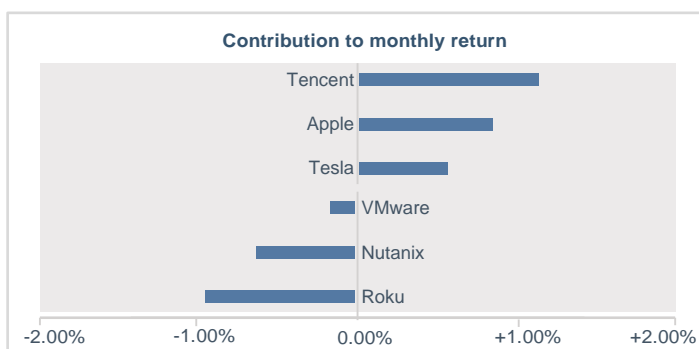
Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction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

Tesla has been doing well in recent months, with some penciling the sale of 500,000 cars in 2020, in part as its Shanghai 'Gigafactory' begins deliveries in January.

After the value of the investment in Roku quadrupled, the company had a relatively poor month on the back of misplaced concerns about competition in streaming from Disney and Apple. The fact is that Roku benefits from any material increase in the numbers of streaming players, since this drives streaming uptake, and thus the advertising the company generates.

The Australian dollar appreciated +3.7% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions decreased. As at 31 December 2019, the Portfolio carried a foreign currency exposure of 99%.

Selected Contributors and Detractors



Portfolio Construction

At month end, the Portfolio was 95% invested in 22 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Xilinx	11.2%	Mega Cap > \$100b	65.2%
Alphabet	9.7%	Large Cap \$50-100b	4.9%
Qualcomm	9.6%	Mid Cap \$2-50b	25.4%
Apple	9.2%	Small Cap < \$2b	0%
Alibaba	8.2%		

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.

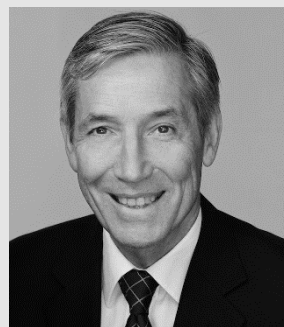


Anshu Sharma Portfolio Manager

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.