



Loftus Peak Global Change Portfolio

Investing | Future Focused

Monthly Portfolio Update
February 2020



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 continued spread of the coronavirus jolted markets towards the end of February, and although most major indices finished down significantly, the Portfolio finished the month with performance of -1.2% gross-of-fees. Our benchmark, the MSCI All Countries World Index (net in \$A) fell -5.2%, thus delivering Loftus Peak investors outperformance of +4.0%.

This sell-down was not pointed directly at our investee companies, given many of them are part of the solution for conducting commerce (and living life) at a distance from others, while still being connected. For example, **Microsoft** Teams/Skype allow users to collaborate across geographies without having to travel. The same could be said for the infrastructure on which digital services are built, such as Microsoft and **Amazon's** cloud services businesses. In China, our core positions **Alibaba** and **Tencent** facilitate efficient commerce without the need to visit a mall. Digitally delivered services (**Tencent** games, **Netflix**) outperformed in the month.

Of course, with coronavirus there is definitely a slowdown in trade and demand across the board. However, the distinction should be made between a permanent loss, and a delay. If fewer iPhones are sold in the next two quarters that demand will likely show the following quarter. This is in contrast to transport (ie airlines, shipping) oil, shopping centres where the revenue may be lost permanently; this year's cancelled conference means it is gone – there will not be two conferences held next year. The Tokyo Olympics as an extreme, could be affected.

We entered January with 5% cash, but now are well positioned with 15% having booked some profits in the strong earnings season. We feel we are well-positioned to deploy this cash at discounts to our valuations.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	-1.16%	+5.67%	+14.17%	+24.08%	+23.82%	+18.47%	+21.35%
Index	-5.15%	-1.92%	+4.82%	+13.63%	+13.13%	+9.52%	+12.39%
Outperformance (gross-of-fees)	+3.99%	+7.59%	+9.35%	+10.45%	+10.70%	+8.95%	+8.95%
Portfolio (net-of-fees)	-1.26%	+5.11%	+13.19%	+22.21%	+21.12%	+16.02%	+18.83%

*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.

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$100 million
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

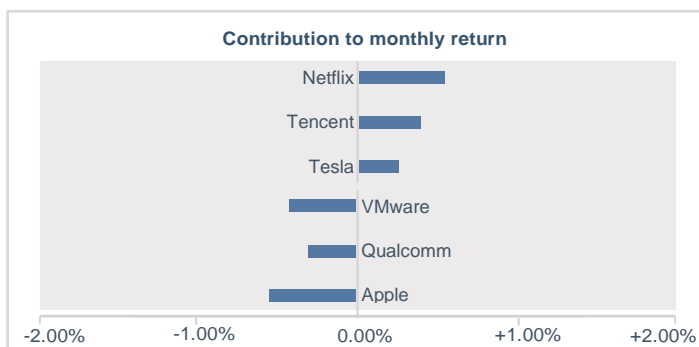
Portfolio Contributors and Detractors

The largest contributors to the performance this month were **Netflix**, **Tencent**, **Alibaba** and **Tesla**. **Netflix** numbers surprised on the upside – the competitive response to the launch of **Disney+** was... watching more **Netflix** (the Disney content offering is large, but hardly new, and quite narrow).

We had minor negative contributions from **Apple**, **Qualcomm** and **Alphabet** (Google), which were caught in the general market sell-off, having performed strongly in January.

The Australian dollar depreciated -2.7% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 28 February 2020, the Portfolio carried a foreign currency exposure of 96%.

Selected Contributors and Detractors



Portfolio Construction

At month end, the Portfolio was 85% invested in 22 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Xilinx	9.9%	Mega Cap > \$100b	52.5%
Alphabet	7.9%	Large Cap \$50-100b	10.0%
Qualcomm	7.8%	Mid Cap \$2-50b	22.2%
Tencent	7.1%	Small Cap < \$2b	0%
Amazon	7.0%		

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 Firstlinks 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.

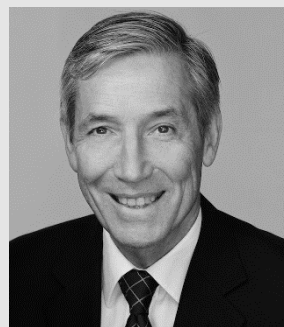


Anshu Sharma Portfolio Manager

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.