

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\*

Investors in the Portfolio had a solid January, with performance of +6.4%, which was outperformance of +2.7% over the benchmark MSCI All Countries World Index (net in \$A). However, the coronavirus took some of the shine off the numbers in the last week of the month, as China's containment effort involved shutting down the city of Wuhan to slow its spread. Markets have since remained volatile as the news coverage of this tragic event has panicked investors into selling great companies on short-term fears. Apart from raising cash to a little over 10%, we retained exposure to companies where we are confident of further upside.

|                                | 1m     | 3m      | 6m      | 1y      | 3y p.a. | 5y p.a. | Inception p.a. |
|--------------------------------|--------|---------|---------|---------|---------|---------|----------------|
| Portfolio (gross-of-fees)      | +6.38% | +15.40% | +13.91% | +34.55% | +24.72% | +19.94% | +21.95%        |
| Index                          | +3.72% | +7.87%  | +10.36% | +26.00% | +15.65% | +11.76% | +13.66%        |
| Outperformance (gross-of-fees) | +2.66% | +7.53%  | +3.55%  | +8.55%  | +9.07%  | +8.18%  | +8.29%         |
| Portfolio (net-of-fees)        | +6.27% | +14.78% | +12.93% | +32.53% | +22.00% | +17.46% | +19.41%        |

\*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 biggest contributors to performance were **Amazon**, **Alphabet** (Google) **Microsoft** and of course **Tesla**, which despite being a small, non-core position managed to record a strong contribution to the Portfolio's return. We hold this company at a low weight because while it may be capable of strong price growth as a result of its commanding lead in electric vehicles and the fact that the world is moving toward electrification, it has been susceptible to poor execution.

**Apple** continues to show strength, with one-year returns now just under 100%. Historically, the market has treated Apple as a hardware company, but this is changing with its shift to services; the valuation is now reflecting this shift.

## 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   |

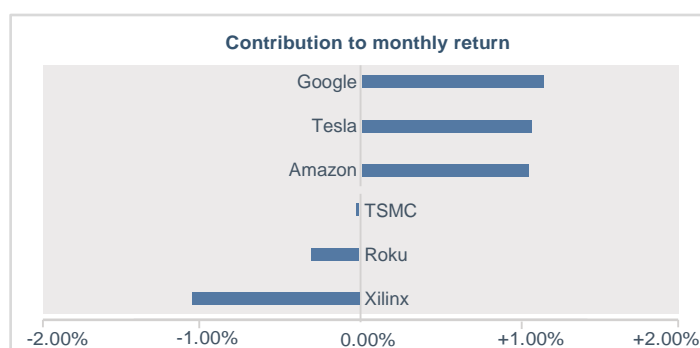
**Amazon** re-entered the trillion (US) dollar club (joining three other long-term holdings – Apple, Microsoft and Alphabet) following strong growth in its advertising business, which is growing at 50% compound, with similar growth in its cloud business.

**Microsoft** had a good month, culminating in the release of quarterly results which showed 100% of its increase in sales were captured in the company's gross margin.

**Xilinx** was the largest detractor, with quarterly results that were in line with the market's expectations, but guidance that was weaker. The company's revenue took a hit due to the ongoing Huawei ban by the US government, but we remain comfortable with our investment thesis on the company and consider its current share price as attractive.

The Australian dollar depreciated -4.7% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions increased. As at 31 January 2020, the Portfolio carried a foreign currency exposure of 99%.

## Selected Contributors and Detractors



## Portfolio Construction

At month end, the Portfolio was 89% invested in 23 holdings with the balance in cash.

| Selected Top Holdings |      | Capitalisation USD  |       |
|-----------------------|------|---------------------|-------|
| Xilinx                | 9.6% | Mega Cap > \$100b   | 52.7% |
| Alphabet              | 9.4% | Large Cap \$50-100b | 11.7% |
| Qualcomm              | 9.2% | Mid Cap \$2-50b     | 24.7% |
| Amazon                | 8.4% | Small Cap < \$2b    | 0%    |
| Apple                 | 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 Firstlinks 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

This report was prepared by Loftus Peak Pty Limited ("Loftus Peak"), for the purpose of providing general information only, without taking account of your particular investment objectives, financial circumstances or needs. It is not intended to take the place of professional advice and we do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors it may contain. You should consider the Investment Mandate for the Portfolio in deciding whether to acquire, or continue to hold, the product. The Investment Mandate and application form may be requested by emailing [enquiry@loftuspeak.com.au](mailto:enquiry@loftuspeak.com.au). Loftus Peak doesn't guarantee the performance of the portfolio or the repayment of the investor's capital. To the extent permitted by law, Loftus Peak, including its employees, consultants, advisers, officers or authorised representatives, is not liable for any loss or damage arising as a result of reliance placed on the contents of this report. Past performance is not indicative of future performance.

## 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.

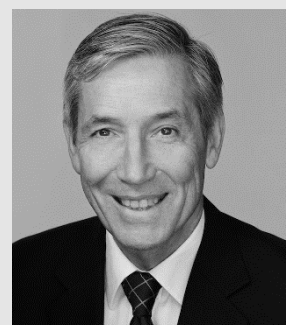


### Anshu Sharma Portfolio Manager

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 MEc 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.