

Traditional business models are being disrupted as digitisation and the internet change the way businesses and people connect and consume across all industries – retail, transport, communications, energy and banking to name a few. Loftus Peak generates investment return by positioning investors to profit from these changes. Loftus Peak's strategy complements other sharemarket investments, particularly those in Australia where there is a heavy skew towards banks, resources and the Australian dollar.

Review and Performance*

From its trough in February to a peak in early June, the S&P 500 rallied +44%. Whether this bull market will hold remains to be seen, especially against a backdrop of recessions in countries such as the US and UK, to name just two, as well as rising infection rates in many countries.

The Loftus Peak Global Change Portfolio posted a gross-of-fees return of +2.2% for May, which was underperformance of -0.3% against our benchmark, the MSCI All Countries World Index (net in \$A). The table below highlights the position over a number of time periods, including a +22.2% p.a. gross-of-fees return since inception.

With many investee companies approaching valuation targets, we took the opportunity to take profits and raise the Portfolio's cash weighting during the month.

	1m	3m	6m	1y	3y p.a.	5y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+2.17%	+9.27%	+15.47%	+36.33%	+20.71%	+19.78%	+22.18%
Benchmark	+2.51%	-2.34%	-4.21%	+10.05%	+9.23%	+8.31%	+11.39%
Outperformance (gross-of-fees)	-0.34%	+11.61%	+19.68%	+26.28%	+11.48%	+11.47%	+10.78%
Portfolio (net-of-fees)	+2.06%	+8.93%	+14.49%	+34.29%	+18.08%	+17.32%	+19.69%

*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.

Contributors and Detractors to Return

Continuing the trend which produced our solid showing in April, the best performing investments in the strategy were in companies with well-developed digital strategies allowing users to work and play while sheltering in place – companies such as **Amazon**, **Microsoft**, **Nvidia** and **Nutanix**. **Nvidia** continues to build its presence in the datacentre – increasingly important in a digital world – and grew revenues for that segment by 80% year-over-year. We remain confident that these companies will continue to deliver in a post-COVID-19 world, especially those with strong cashflows (**Apple**) and successful business models (**Netflix**).

Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$114 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

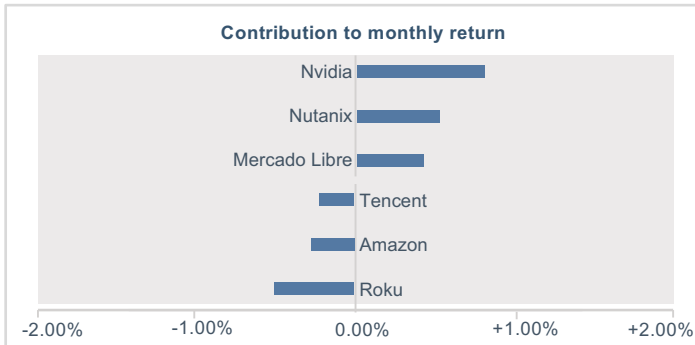
Fees

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

The main detractors were **Roku** and **Amazon**. Investors appeared wary of **Amazon's** current quarter strategy which will see the company deploy all of its quarterly cashflow (around US\$4b) to hardening its business against biohazards such as COVID-19. **Roku** expects increasing advertising revenues in a year where total advertising expenditure in the US will be down, but its share price continues to be weighed down by the market's expectation of additional competitive pressures, which we believe are overstated.

The Australian dollar appreciated 2.4% over the month against the US dollar, which meant the value of the Portfolio's US dollar positions decreased. As at 31 May 2020, the Portfolio carried a foreign currency exposure of 98%.

Selected Contributors and Detractors



Portfolio Construction

At May month end, the Portfolio was 79% invested in 24 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Xilinx	8.8%	Mega Cap > \$100b	48.0%
Amazon	6.8%	Large Cap \$50-100b	8.3%
Alphabet	6.3%	Mid Cap \$2-50b	22.5%
Qualcomm	6.2%	Small Cap < \$2b	0%
Alibaba	5.9%		

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.

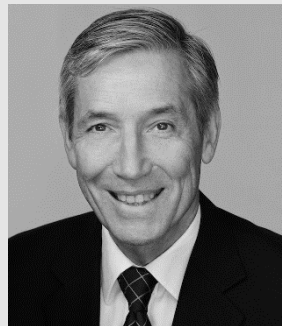


Anshu Sharma Portfolio Manager

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.