



Loftus Peak Global Disruption Fund

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Letter
December 2018



Traditional business models are being disrupted as connectivity, networks and the sharing economy impact all industries – retail, transport, energy and banking to name a few. Loftus Peak invests to generate returns from these major secular shifts. The Fund's geographical and sectoral diversification lowers the concentration risk inherent in the typical Australian portfolio with its heavy skew toward banks, resources and the Australian dollar.

Review & Outlook

The run of volatility continued into December, with the fund dropping -5.49%, which was -1.8% below the benchmark (MSCI All Countries World Index net in AUD). This included a day when the US indices surged 5% in a day, a range not seen since the global financial crisis, and an indicator not of how bad things are (they are not, even with the spectre of rising interest rates) but of how uncertain investors are. The situation is not helped by the president of the world's largest capitalist economy revising history and policy from one week to the next. This uncertainty has hurt the performance of some of the best companies in the world today (because of cashflow generation built around durable business models), especially Apple, Amazon, Tencent and Alibaba. Since Loftus Peak took over the management of the Fund it has returned +16.6% p.a., which is outperformance of +5.8% p.a. The Loftus Peak Global Change Portfolio, with the same underlying stock composition, has delivered +17.7% p.a. over 54 months, which is outperformance of +7.4% p.a.

Performance

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Fund (Net) ¹	-5.49%	-15.23%	-8.49%	+2.29%	-	+16.62%
Index ²	-3.69%	-10.37%	-4.49%	+0.47%	-	+10.87%
Value Added (Net) ³	-1.80%	-4.86%	-4.00%	+1.81%	-	+5.75%

Past performance is not a reliable indicator of future performance.

Source for performance: Loftus Peak

¹ Net-of-fees performance is based on end-of-month redemption prices after the deduction of fees and expenses and the reinvestment of all distributions.

Figures include changes in principal value. Investment return and principal value will vary, and an account may be worth more or less at termination than at inception. For further details, please refer to each Fund's product disclosure statement and reference guide.

² The index for the Fund is the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg.

³ The Value Added is shown as the Fund (Net) minus its Index.

Fund Contributors and Detractors

Nvidia, Alibaba and **Baidu** were the worst performers. We believe we understand how to value growth, and are firmly of the view that these companies are among the best and most prospective in the world today. Notwithstanding a misjudgment by **Nvidia** on channel sales, it is hard to see a world requiring fewer accelerators in data centres in five years, especially with the end of Moore's law. Similarly, **Alibaba's** hold on e-commerce in China is a rare opportunity.

Key Facts

Inception Date	15 November 2016
APIR Code	MMC0110AU
Product Type	Registered Managed Investment Scheme domiciled in Australia
Responsible Entity	Equity Trustees Limited
Investment Universe	Listed Global Equities
Benchmark	MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg)
No. of Investments	15-35
Minimum Cash	1%
Maximum Cash	50%
Suggested time frame	3-5 years
Minimum Investment	AU\$5,000
Liquidity	Daily
Pricing Frequency	Daily
Withdrawal Notice	Generally, notifications received before 2pm on a business day will be processed using the unit price effective for that day.
Research Ratings (Lonsec, SQM)	Click Lonsec or SQM logo on our website to request a copy.

Fees

Distributions	Paid annually as at 30 June
Annual Management Costs	1.20% per annum (inc. GST)
Performance Related Fee	15% in excess of the hurdle return with a high watermark payable six monthly as at 30 June and 31 December each year

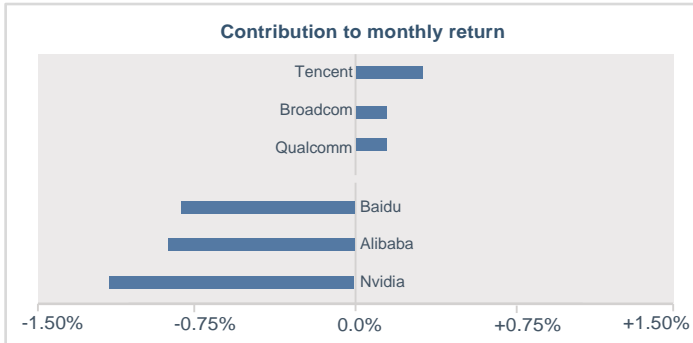
Unit Prices

Date	31 December 2018
Entry Price (in AUD)	1.4752
Exit Price (in AUD)	1.4678

Tencent performed better on expectations of the commencement of the approval process for its new games, while **Broadcom** was stronger as investors became more comfortable about its acquisition strategy.

The Australian dollar depreciated 3.75% over the month against the US dollar, which meant the value of our US dollar positions rose. As at 31 December 2018, the Fund carried a foreign currency exposure of 99%.

Selected Contributors and Detractors



Portfolio Construction

The Fund is 94% invested in 22 holdings which the manager considers likely outperformers. The balance is in cash.

Selected Top Holdings		Capitalisation USD	
Tencent	7.7%	Mega Cap > \$100b	42.6%
Apple	7.4%	Large Cap \$50-100b	25.3%
Nvidia	7.3%	Mid Cap \$2-50b	25.8%
Alibaba	7.1%	Small Cap < \$2b	0.0%
Qualcomm	6.8%		

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 Cufflinks or visit us at www.loftuspeak.com.au or email enquiry@loftuspeak.com.au

IMPORTANT INFORMATION

This report was prepared by Loftus Peak Pty Limited ("Loftus Peak"). Equity Trustees Limited ("Equity Trustees") ABN 46 004 031 298 AFSL No. 240975, is a subsidiary of EQT Holdings Limited ABN 22 607 797 615, a publicly listed company on the Australian Securities Exchange (ASX:EQT), and is the Responsible Entity of the Loftus Peak Global Disruption Fund ("Fund").

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About Loftus Peak

Loftus Peak is a global fund manager with a focus on investing in listed disruptive businesses. Our team's extensive experience of successfully investing in disruptive businesses brings significant discipline to the investment process.

The Fund, which includes large capitalisation names like Apple, Google and Alibaba, is constructed on the basis of strict criteria, giving investors exposure to the some of the best and fastest-growing companies in the world, at carefully determined valuations. This kind of geographical and sectoral diversification lowers the concentration risk inherent in the typical Australian portfolio, with its heavy skew toward banks, resources and the Australian dollar.

We believe self-managed super funds, and investors generally, want a professionally-managed portfolio that gives them access to these important secular trends.

The Team

The portfolio is managed by Alex Pollak and Anshu Sharma.



Alex Pollak
CEO, 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 TMT 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