



Loftus Peak Global Disruption Fund

Global Change. Listed Investments. Daily Liquidity.

Monthly Investor Update
July 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 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 and Performance

July began strongly as it appeared a trade deal between the US and China was struck. But hostilities were not over - Trump and Xi agreed to hold off on any further tariff increases and remove the ban on Huawei but the follow-through on both these issues is inconclusive. The share prices of our investee companies rallied nevertheless, to deliver a +3.2% net-of-fees return for July, which was outperformance of +1.0%.

We have recently marked the five-year anniversary of the sister product, the Loftus Peak Global Change Portfolio. It has the same underlying investment objective and stock composition as the Fund, and has delivered +21.2% p.a. gross-of-fees returns over 61 months, which is outperformance of +8.3% p.a.

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Fund (Net) ¹	+3.16%	-0.04%	+17.17%	+14.29%	-	+22.97%
Index ²	+2.19%	+3.00%	+14.18%	+11.27%	-	+15.74%
Value Added (Net) ³	+0.97%	-3.05%	+2.99%	+3.03%	-	+7.23%

Past performance is not a reliable indicator of future performance.

Source: Loftus Peak, MSCI

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.

Investment return and the principal value fluctuate, so your units, when sold, may be worth more or less than the original cost. For further details, please refer to the 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 the benchmark.

Fund Contributors and Detractors

While trade uncertainty has weighed on company earnings and market expectations, some of our positions have still managed to deliver. **Apple** continues to reduce its reliance on the iPhone as a major source of revenue, with wearables and services increasing their share of the company's revenue mix. The shift to services (such as Apple Card, TV and News) will help to improve margins and most likely lift the multiple a few turns of earnings to be more in line with a services company.

Google and **Microsoft** both saw solid growth in their cloud offerings, with Google's share price up nearly 10% after its earnings were reported on news of a capital return and stability in its search business. Both companies have also been teasing game streaming services which are looking to tap into the \$100+ billion gaming market.

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

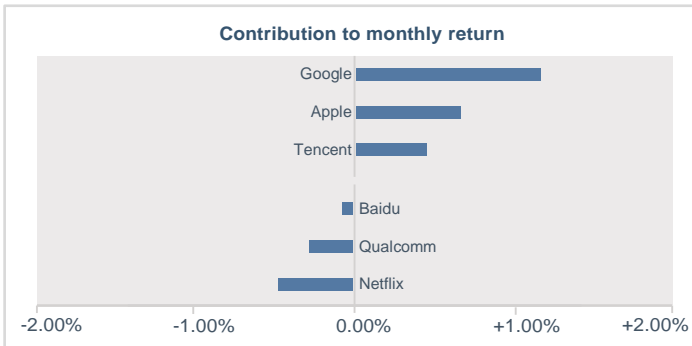
Date	31 July 2019
Entry Price (in AUD)	1.8626
Exit Price (in AUD)	1.8534

Netflix fell after reporting lower than expected subscriber growth. Whilst competitor product offerings (such as Disney and Warner) have unnerved the market, we believe the shift away from linear TV will continue to support growth in streaming services, particularly in the international market.

Qualcomm also announced softer earnings and lowered guidance for the next six months. It is not surprising that the company's customers are reducing demand to clear out 4G inventory, especially with commercial 5G less than a year away which will make that inventory worth significantly less.

The Australian dollar depreciated -1.8% over the month against the US dollar, which meant the value of the Fund's US dollar positions increased. As at 31 July 2019, the Fund carried a foreign currency exposure of 99%.

Selected Contributors and Detractors



Portfolio Construction

At month end, the Fund was 87% invested in 22 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Google	9.6%	Mega Cap > \$100b	55.7%
Alibaba	9.0%	Large Cap \$50-100b	10.3%
Xilinx	8.8%	Mid Cap \$2-50b	21.0%
Qualcomm	8.6%	Small Cap < \$2b	0.0%
Tencent	7.9%		

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

IMPORTANT INFORMATION

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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.

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 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

Ratings	
Platforms	