



Loftus Peak Global Disruption Fund

Investing | Future Focused

Monthly Fund 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 Fund finished the month with performance of -1.1% net-of-fees. Our benchmark, the MSCI All Countries World Index (net in \$A) fell -5.2%, thus delivering Loftus Peak investors outperformance of +4.1%.

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 16% 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.	Inception p.a.
Fund (Net) ¹	-1.05%	+4.94%	+13.04%	+23.15%	+22.43%	+22.80%
Index ²	-5.15%	-1.92%	+4.82%	+13.63%	+13.13%	+14.36%
Value Added (Net) ³	+4.10%	+6.85%	+8.22%	+9.52%	+9.30%	+8.44%

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.

Key Facts

Inception Date	15 November 2016
APIR Code	MMC0110AU
Fund FUM (AUD)	\$83 million
Strategy FUM (AUD)	\$100 million
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 Timeframe	3-5 years
Minimum Investment	AU\$5,000
Liquidity	Daily
Pricing Frequency	Daily
Withdrawal Notice	Generally, notice received by 2pm receives price effective for that business 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	28 February 2020
Entry Price (in AUD)	2.0917
Exit Price (in AUD)	2.0813

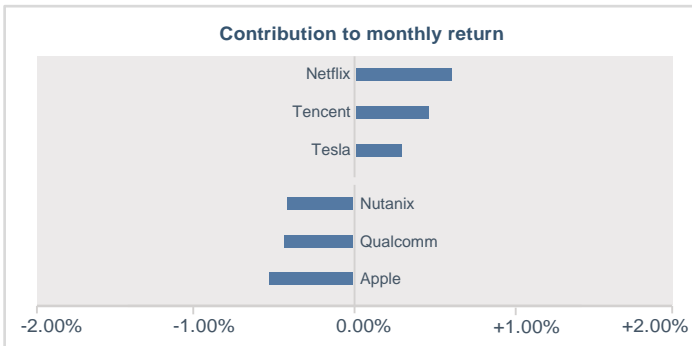
Fund Contributors and Detractors

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 -4.2% over the month against the US dollar, which meant the value of the Fund's US dollar positions increased. As at 28 February 2020, the Fund carried a foreign currency exposure of 92%.

Selected Contributors and Detractors



Portfolio Construction

At month end, the Fund was 84% invested in 22 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Xilinx	9.9%	Mega Cap > \$100b	52.1%
Alphabet	7.9%	Large Cap \$50-100b	9.8%
Qualcomm	7.8%	Mid Cap \$2-50b	22.3%
Tencent	7.4%	Small Cap < \$2b	0%
Amazon	6.9%		

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.

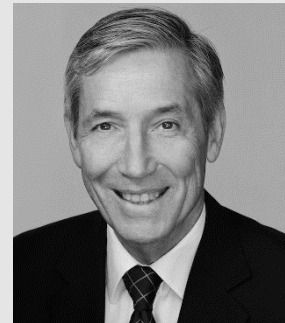


Anshu Sharma Portfolio Manager

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.

Ratings			
Platforms			