

# Loftus Peak Global Change Portfolio

## Monthly Investor Letter - July 2014

### *Global Change. Listed Investments. Daily Liquidity.*

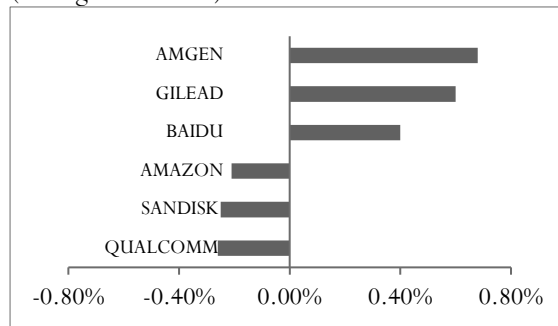
The Loftus Peak Global Change Portfolio posted a before-fee return of +2.14% for July 2014, compared with a return of +0.24% for the Fund's benchmark, the MSCI AC World Net Total Return Index in Australian dollar terms.

#### Performance

The representative portfolio returned +2.14% (before fees) month to date for July 2014. This compares with benchmark return of +0.24% (MSCI AC World Net Total Return Index in Australian dollar terms).

#### Contributors and Detractors

The best and worst performing stocks in the portfolio during the month of July are shown below (manager estimates).



Loftus Peak holds Amazon and has been buying more of the company as it has fallen, as the market has become nervous about the group's "profitless prosperity" – Amazon re-invests heavily in its business and chooses to expense rather than capitalise these costs, which have the effect of lowering disclosed profit. We view this practice as one which adds significant value to the company.

Gilead is a core holding which has rewarded investors (it is up 10.42%) on the back of the Hepatitis drug Solvadi, which had the biggest initial quarter of any drug in history. Loftus Peak has been selling Apple recently following its strong run. It is trading at 7x EBITDA, and still justifies a spot in the portfolio ahead of the launch of its new larger format iPhone.

We recent added Comcast to the portfolio, on the basis it is rolling out a product which will effectively compete with cellular telephony its its cable area, and which therefore completes its royal flush in communications – cable tv, internet, wired and now mobile communications.

#### Portfolio Construction

85.2% of the fund was invested in 18 companies which the manager identified as likely out-performers. The largest 5 investments in the portfolio as at 31 July 2014 are shown below:

Company	% of Portfolio
Amazon.com Inc	9.9%
Google Inc	9.8%
Amgen Inc	8.0%
TSMC	5.6%
Gilead Science Inc	5.4%

#### Currency Exposure

The central philosophy behind Loftus Peak is the provision of a 'disruption' hedge for the Australian market, given its focus on banks and resources. For this reason, virtually all of the investments in the portfolio are offshore companies, which are in our view likely to continue as the major disrupters. As at 31 July 2014 the portfolio holds 1.0% in Australian dollars and has no equity investment in Australia.

#### Market Overview

The market performed strongly during the month of July, only to sell off heavily on the very last trading day of the month (Thursday night Australian time)

For enquiries relating to this communication or the Portfolio's investments please contact:

Alex Pollak at Loftus Peak on (02) 8274 2005

email [info@loftuspeak.net](mailto:info@loftuspeak.net).

[www.loftuspeak.net](http://www.loftuspeak.net)