

# Loftus Peak Global Disruption Fund

Investing | Future Focused

Monthly Investor Update  
August 2019



Superior

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

August was a difficult month - the S&P 500 posted 11 moves, up and down, of more than 1% in 22 trading sessions, including three declines of at least -2.5% as well as the index's worst day this calendar year (to date). The Fund returned -0.7% net-of-fees, which was underperformance of -0.5%. The two main drivers were the continuing uncertainty around US-China trade relations and a recession signal being flashed by the bond market, with short term yields inverting (short term yields higher than long term yields).

We believe the choppy market will ultimately calm with underlying growth in the Fund's core positions coming to the fore. The longer-term performance of the sister product, the Loftus Peak Global Change Portfolio, has been driven by the strength of these core holdings. With the same underlying investment objective and stock composition as the Fund, the Portfolio has delivered +20.5% p.a. gross-of-fees, which is outperformance of +7.9% p.a. since inception over 5 years ago.

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Fund (Net) <sup>1</sup>	-0.66%	+9.14%	+8.95%	+5.86%	-	+21.92%
Index <sup>2</sup>	-0.14%	+7.50%	+8.41%	+6.54%	-	+15.18%
Value Added (Net) <sup>3</sup>	-0.52%	+1.64%	+0.54%	-0.68%	-	+6.74%

Past performance is not a reliable indicator of future performance.

Source: Loftus Peak, MSCI

<sup>1</sup> 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.

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

<sup>3</sup> The Value Added is shown as the Fund (Net) minus the benchmark.

## Fund Contributors and Detractors

The high volatility in August led to some negative moves in companies with exposure to China's Huawei. However, **Qualcomm** (which may still be similarly affected) was the best performer for the month as the US supreme court overturned a ruling preventing the company from selling its 5G componentry at a price commensurate with its investment.

**Microsoft** continues its breakneck run (it is one of only two companies worth over US\$1 trillion listed in the US, with Apple the other) as it rolls out its cloud offering to businesses around the world, using the existing relationships and products as the springboard.

## 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

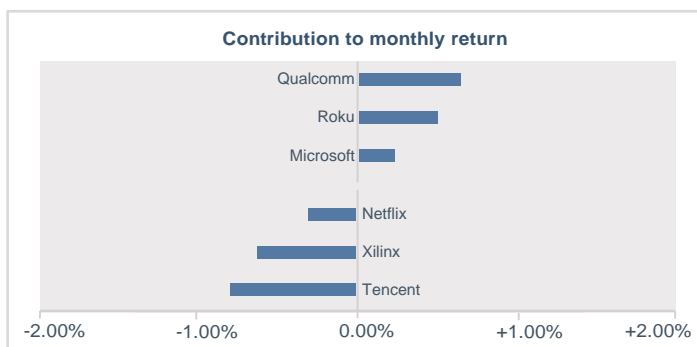
Date	31 August 2019
Entry Price (in AUD)	1.8504
Exit Price (in AUD)	1.8412

Netflix was weak on competition concerns arising from briefings given by Disney, as well as awareness of other players coming to the streaming market including Apple, AT&T/HBO and Amazon. We are still very early on in the disruption of global pay and free-to-air TV, and the sheer size of the market means it is likely there will be multiple winners. It remains to be seen how well Disney executes, and the patience investors have, as Disney goes about disrupting itself.

If proof were required about the likelihood of TV as an-app first product (rather than channel-first), we need only look at the share price performance of Roku, our second-best performing company for the month, which is up four-fold on our entry price.

The Australian dollar depreciated -2.3% over the month against the US dollar, which meant the value of the Fund's US dollar positions increased. As at 31 August 2019, the Fund carried a foreign currency exposure of 95%.

## Selected Contributors and Detractors



## Portfolio Construction

At month end, the Fund was 79% invested in 20 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Alphabet	9.3%	Mega Cap > \$100b	49.2%
Xilinx	8.0%	Large Cap \$50-100b	9.6%
Qualcomm	7.7%	Mid Cap \$2-50b	15.9%
Amazon	6.7%	Small Cap < \$2b	3.9%
Apple	6.5%		

### 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 Cuffelinks or visit us at [www.loftuspeak.com.au](http://www.loftuspeak.com.au) or email [enquiry@loftuspeak.com.au](mailto: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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A PDS and application form is available at [www.loftuspeak.com.au](http://www.loftuspeak.com.au). Loftus Peak and Equity Trustees do not guarantee the performance of the Fund or the repayment of the investor's capital. To the extent permitted by law, neither Equity Trustees, Loftus Peak, nor any of their related parties including its employees, directors, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this report. Past performance is not indicative of future performance.

## 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.

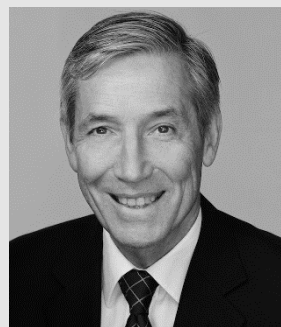


### Anshu Sharma Portfolio Manager

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 a director 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			