



Loftus Peak Global Disruption Fund

Investing | Future Focused

Monthly Investor Update
September 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

September was another volatile month for investors, with various issues across the globe unnerving the market, including sustained unrest in Hong Kong, ultra-low interest rates, more US/China tariffs and toward the end of the month an impeachment inquiry. This led to a return for the month of -2.5% net-of-fees, compared to the index which delivered +1.8%.

We have invested through difficult circumstances many times and are confident our investment process will drive solid performance, as shown in the table below, and in the longer running sister product, the Loftus Peak Global Change Portfolio. Since month end more than a third of the September underperformance has been clawed back.

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Fund (Net) ¹	-2.54%	-0.12%	+3.07%	+3.63%	-	+20.15%
Index ²	+1.79%	+3.87%	+8.94%	+8.70%	-	+15.42%
Value Added (Net) ³	-4.32%	-3.99%	-5.88%	-5.06%	-	+4.73%

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

Apple was the strongest contributor to performance for the month following a successful product launch event. The company’s strategy of releasing an iPhone at a lower price point (iPhone XR and now iPhone 11) has resonated with consumers and demand has been much stronger than expected. Apple TV+ was also announced at \$4.99/month, undercutting rival products and leveraging the huge installed base of 1.4b devices.

Alphabet (Google) also contributed as the market digested news of its largest ever (US\$25b) stock repurchase, sourced from its cash hoard of US\$121b (at quarter end). The company is also months away from the launch of Stadia, its video game streaming platform, which is promising significant performance with very low latency.

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

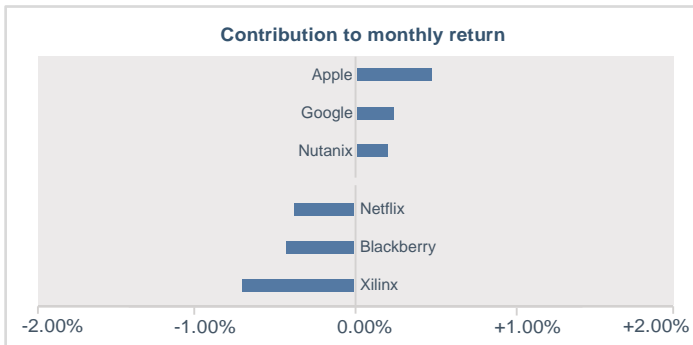
Date	30 September 2019
Entry Price (in AUD)	1.8035
Exit Price (in AUD)	1.7945

The stock prices of both **Xilinx** and **Qualcomm** were weak because of the continuing tariff volatility brought about by inconsistent policy from the US. We believe that the worst of this storm has passed as pressure mounts to stabilize some of the excesses coming from the White House.

Blackberry reported softer earnings than expected. The company is still working through a transition from hardware to software, with a focus on connectivity with security. This is specifically aimed at the automotive sector as the level of driver assistance continues to rise, with spin-offs into connected non-phone devices – the “internet of things.”

The Australian dollar appreciated +0.1% over the month against the US dollar, which meant the value of the Fund’s US dollar positions decreased. As at 30 September 2019, the Fund carried a foreign currency exposure of 95%.

Selected Contributors and Detractors



Portfolio Construction

At month end, the Fund was 87% invested in 20 holdings with the balance in cash.

Selected Top Holdings		Capitalisation USD	
Xilinx	10.0%	Mega Cap > \$100b	51.5%
Alphabet	9.9%	Large Cap \$50-100b	10.5%
Qualcomm	7.8%	Mid Cap \$2-50b	24.9%
Apple	7.2%	Small Cap < \$2b	0%
Amazon	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 Cuffelinks 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 a director of CitizenBlue, an impact enterprise operating a container recycling service for its environmental members.

Rick has a MEc 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	