



Proven history in valuing disruption to produce above market returns

Alex Pollak | Principal, CEO, CIO
Anshu Sharma | Principal & PM

Specialists in thematic investing in strategic global disruptive businesses

Experienced

Seasoned
investors

Edge

Early identification
of secular long term
trends

History

Investing in
disruption for
over 20 years.
Brought Seek
(2002),
Carsales (2005)
to market

Ownership

Owned 79% by
founders and
principals, with
outside
shareholders 21%

Commitment

Principals and
shareholders
invest their own
money in portfolios
managed by the firm

Our focus

is on understanding
where business is
heading because
of disruption



DISRUPTION?

It isn't a single sector or IT play -
it is shifting value in consumer
discretionary, energy,
industrials, healthcare,
financials, telecommunications,
real estate – the whole market

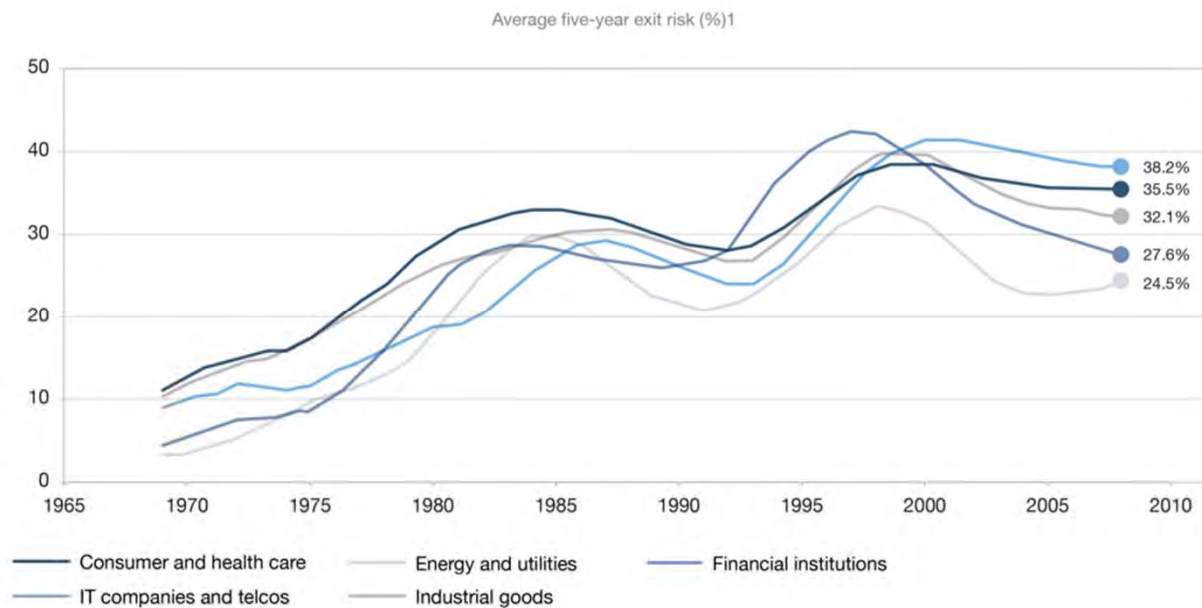
DISRUPTION?

Disruptive companies don't operate based on GICS classifications – they disrupt across GICS boundaries

DISRUPTION?

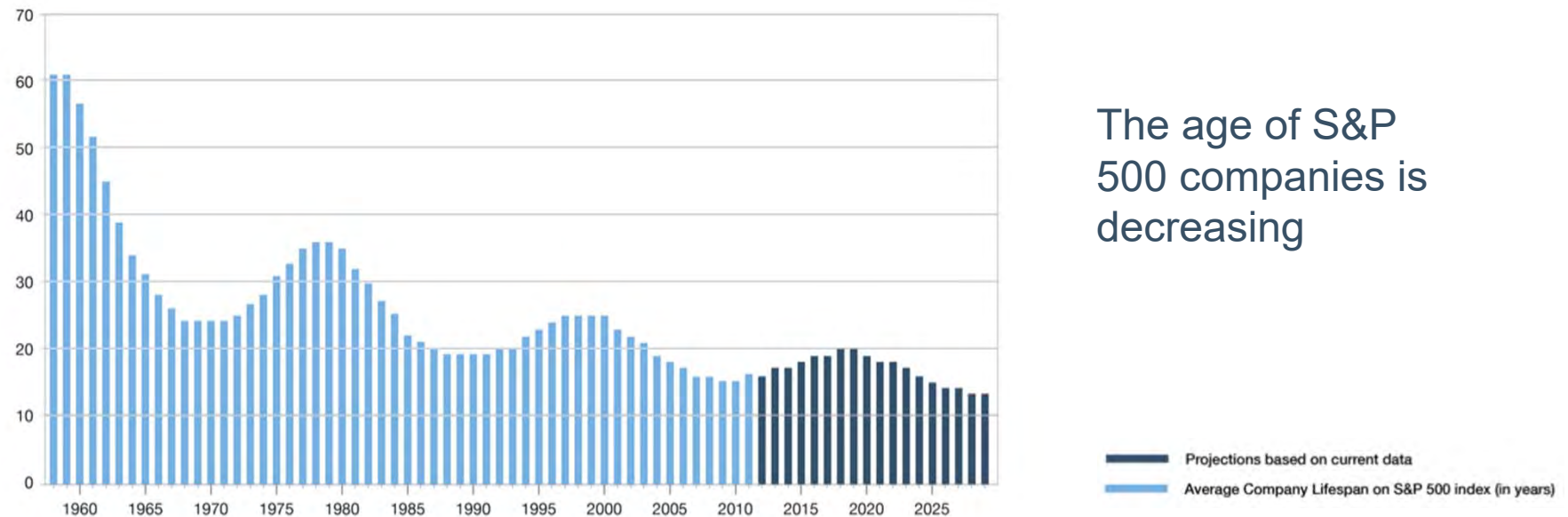
This erodes traditional GICS companies with new tools which attack traditional value and supply chains

Five Year Company Mortality Risk by Sector



Disruption is accelerating the displacement of S&P companies

A rolling 7 year average of average life-span



The age of S&P 500 companies is decreasing

Our five big thematics

1.

Networks

Arithmetic Growth in connections produces geometric growth in valuation

2.

Machine learning

Including cloud/data centre, radically changing industries including services, banking, media, transport

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Energy as a technology

Affecting automakers, oil, transport, mining and power

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4.

Connected devices

Leading to broad-based re-engineering of physical assets

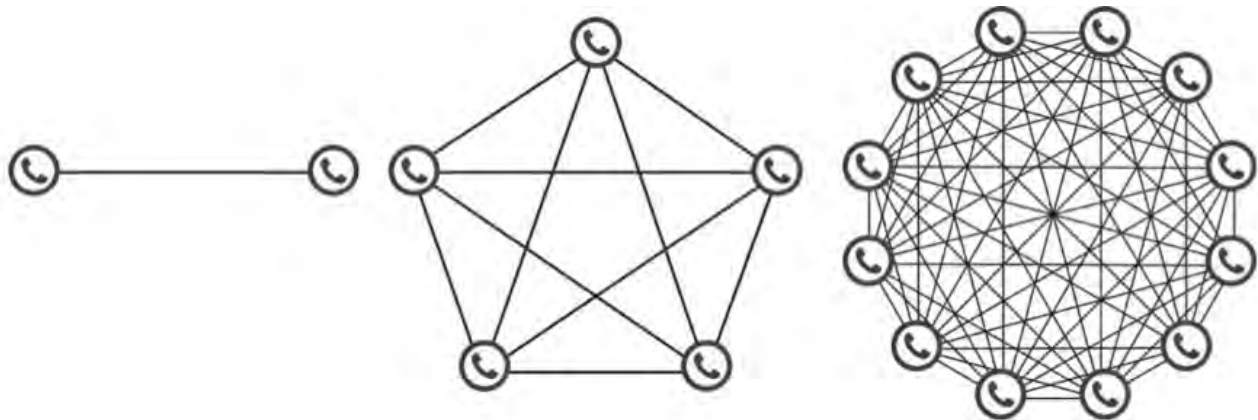
5.

China

By virtue of size, growth and its unique needs

1. Connectivity and Networks

TV networks, mailing lists (which are distributive) are valued on the arithmetic size of their audience, while communicative networks create geometric growth in value.



“the value of a telecommunications network is proportional to the square of the number of connected users” - Metcalfe’s law and the network effect

1. Networks allow transactions to be re-engineered



Amazon re-imagined the retail transaction



First, by understanding that retail could be parsed differently, allowing consumers to separate the selection and purchase of goods from physical stocking and transfer



This worked initially with books, movies, music.



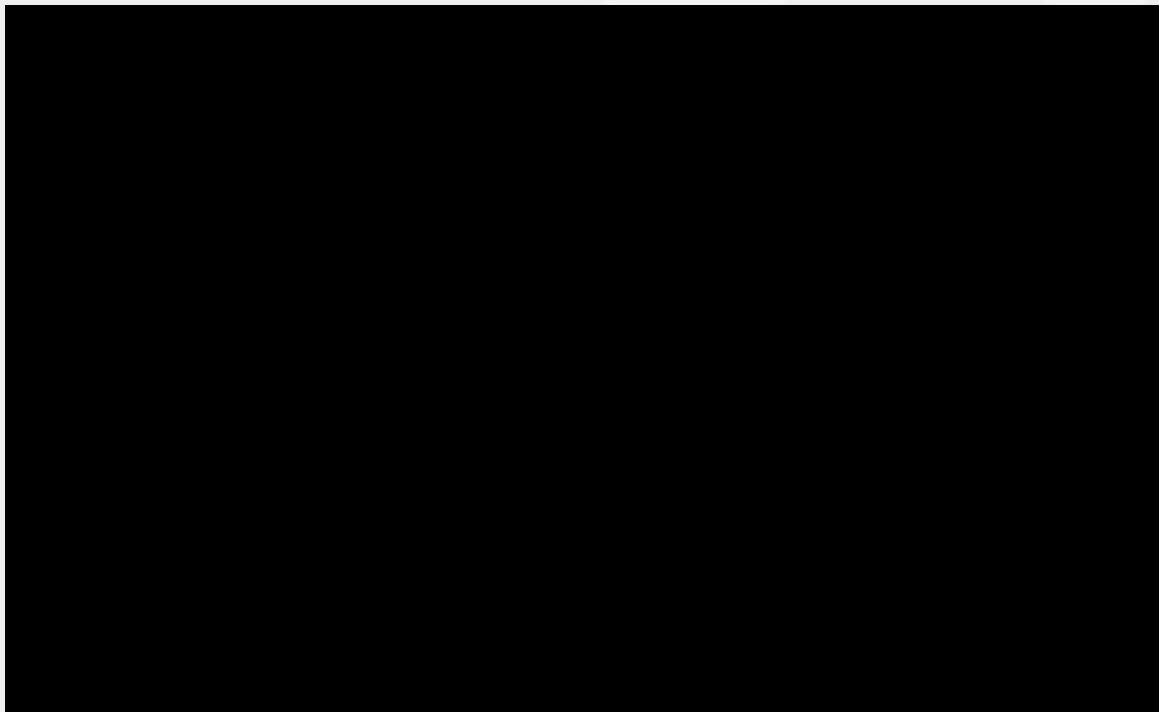
Over time, this electronic transfer extended to physical goods such as groceries



Again, re-imagining the transaction revealed new economics – the removal of the physical mall outlet to the distribution centre, and the redistribution of the savings

2. Machine learning progress – profound implications





2. Data companies - visibility into the underlying economy

Data companies see the entire economy:
Google sees what people search for,
Facebook what they share, Amazon what they buy

When there is enough data, the value of machine learning increases significantly, creating actionable knowledge from random data

Their data, or knowledge, allow them to create gates, in the form of businesses, allowing companies that pass through the gates to be tolled – eg Amazon Web Services

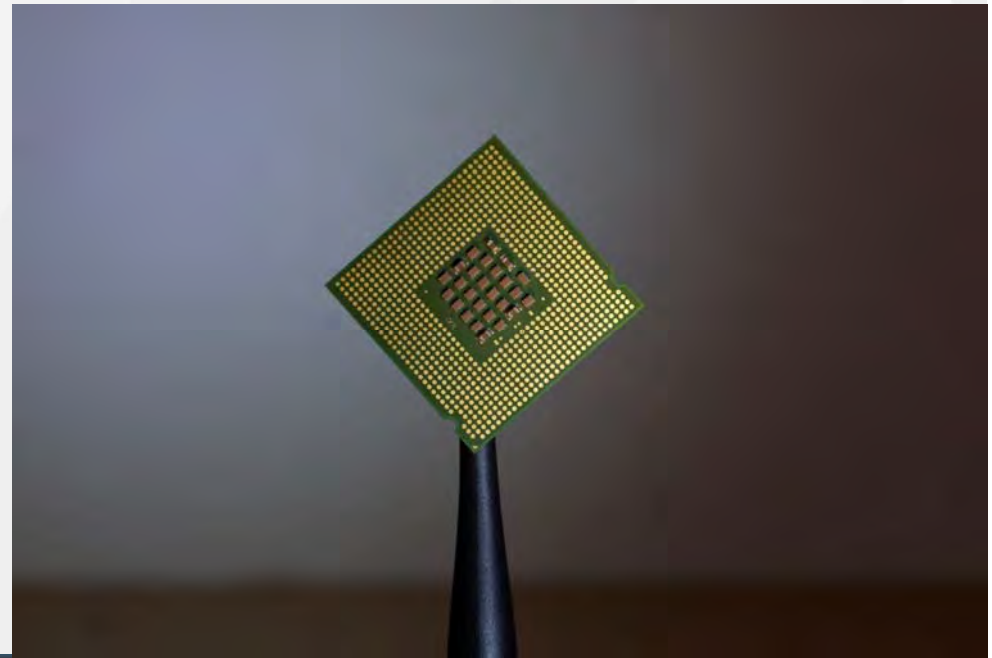


3. Energy is made available through technology, not by burning fuel

Profound implications for the business value chain


The value of the oil companies globally is in the trillions

10% of the US economy is transport related





4. Connected devices

A black and white photograph showing the silhouette of a person in profile, looking down at a smartphone. The person is standing in a brightly lit area, possibly a hallway or a modern building, with strong geometric lines and shadows. The background is a mix of light and dark areas, creating a high-contrast effect.

“The last 10 years have been about building a world that is mobile-first. In the next 10 years, we will shift to a world that is AI-first.”

- Sundar Pichai, CEO Google

4. Connected devices

Today's web enabled commerce exists because of significant global capability in broadband speeds, computing power and miniaturisation

But why is there still considerable value growth taking place among majors like Google, Alibaba, Tencent and Amazon?

Apple's phone business, though strong because of the new phone, has been de-rating as smart phone sales grow more slowly. The same is true for Samsung, HTC etc

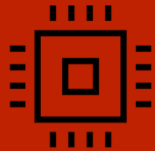


CHINA

by virtue of size, disruptive
map, shift in wealth. Economic power.



China
consumption story
is now the China
disruption story



China's unique
set of problems
demand a
technological
solution



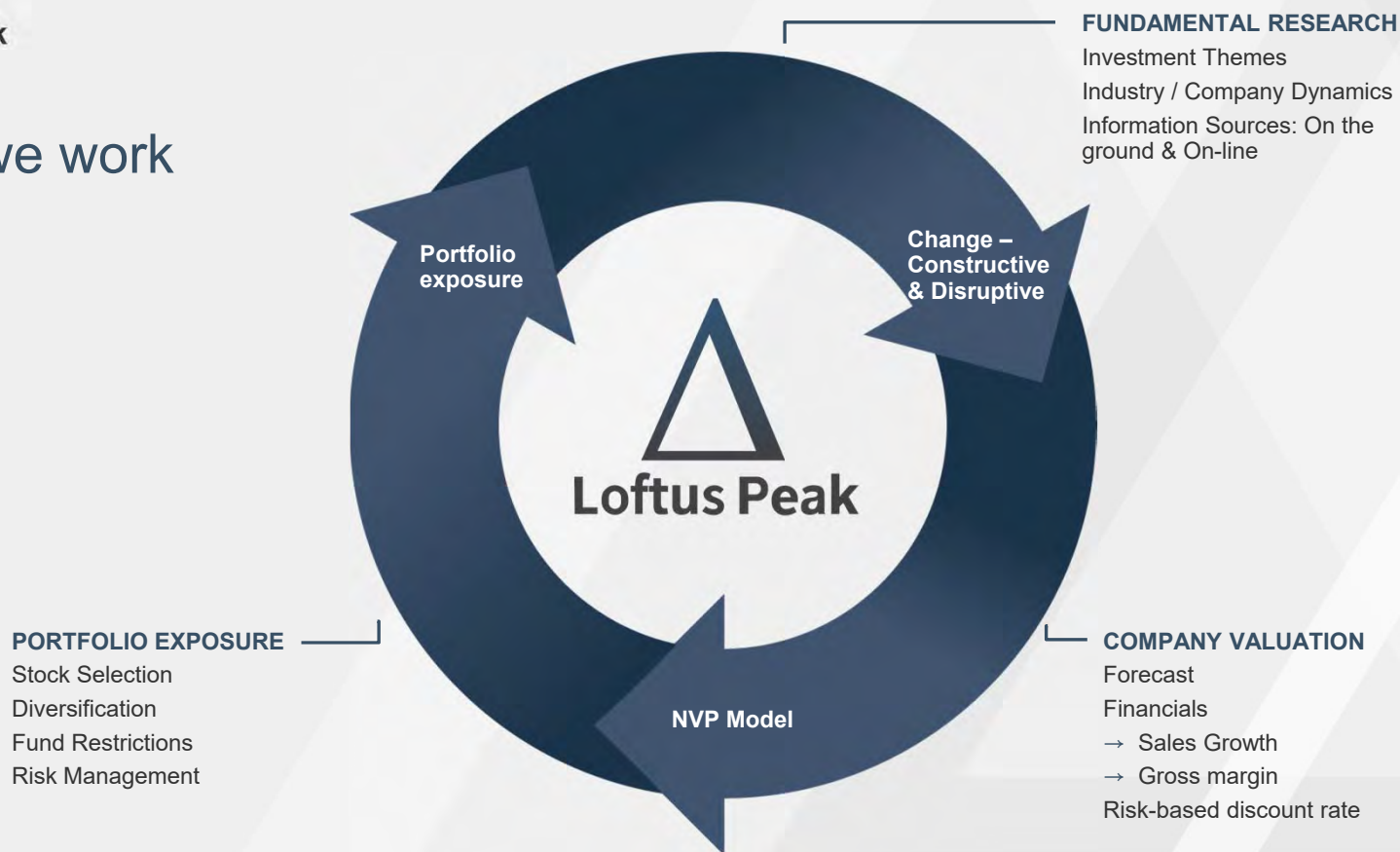
Eg. Pollution is
forcing the country to
invest in new energy
businesses, opening
up the possibility of
China dominance in
sunrise industries
including energy,
transport ...



Three companies
dominate the
landscape



How we work



Thematic and Company Discovery



Trade shows
Blogs
Vlogs
Main media
Video tutorials
Earnings calls
20F's
Quarterlies
Conferences
Company calls
Brokers

Eg. Company SEC Filings, Techmeme, Stratechery, Recode, Industry Reports, Techcrunch, The 411, Control Walt Delete, Motley Fool, Exponent, Financial Times, Wall St Journal, New York Times, New Yorker, AFR, Washington Post ...

This helps identify companies which could give us exposure to thematic.

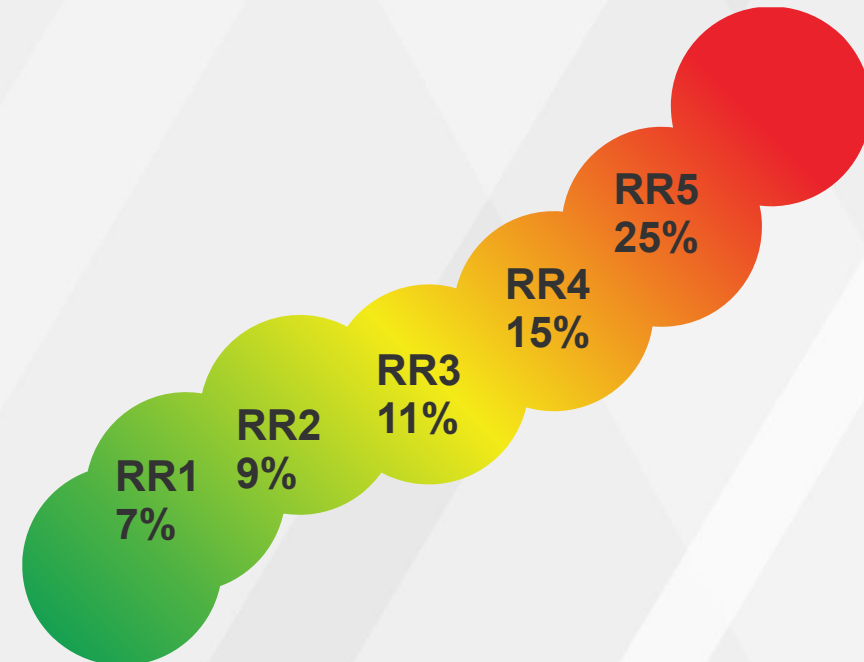
Once identified we start building our understanding about the company, industry, peers, competitive advantage

Company Valuation

13 year discounted cash flow;
five discount rate based risk ranks (RR);
key model assumptions year 5 growth (Y5),
RR and Gross Margin decay

Determinants of the RR:

Growth profile
Historical financials
Execution risk
Company/industry/country specific risk



Company Valuation

**RR1 = 7%,
RR2 = 9%**

Lower growth profile
(Y5 = 5%-10%)
financial discipline,
strong balance sheets,
established players with
optionality:
AAPL, GOOG, AMZN

RR3 = 11%

Higher growth profile
(Y5 growth around
10%-20%), financial
discipline, strong
balance sheets,
established players
or players with strategic
position in emerging
thematics:
NVIDIA, QCOM,
TENCENT

RR4 = 15%

Higher growth profile
(Y5 growth 20%+),
Financially sound,
not strong balance
sheets, early players in
a thematic or building a
strategic asset, higher
execution risk:
SIMO, TCM, TEAM

RR5 = 25%

Binary events;
Very high
execution risk:
TSLA (recently
moved to RR4)



Loftus Peak Portfolio Construction

15 stocks with core position target weight of 5% each, 9-10 stocks with target weight of 2% each

Core stocks

Will be RR1, RR2 or RR3; Around 80% of the portfolio

Positions with 2% target weight

Will be RR3, RR4 and RR5 or tactical positions

RR5 Position

Seldom more than 2 positions, not greater than 2% target weight each, however tactical positioning allowed

Low portfolio turnover

30-50%

Risk management

Portfolio diversification around
country and thematic

Close analytical attention

Ability to go into 50% cash

Weekly Risk Report





**Highly qualified
in disruption,
leading research
teams, big cap
investment skills**

THE TEAM

Alex Pollak, CEO

25 years experience at Macquarie Bank through coverage of media companies including News Corporation, Fairfax

Led research teams in floats of Seek.com and Carsales.com

Multi-year winner of published specialist analyst awards from Reuters International, Starmine, Greenwich Associates

Brings big cap investment skills to disruption portfolio



**10 years experience
in technology,
innovation and
disruption**

THE TEAM

Anshu Sharma, PM

PM/Lead Analyst Asian Technology sector at Eight Investment Partners

Outperformed MSCI Asia Technology by 10%, in this period (+6.5% vs -4.2%)*

On ground research; met greater than 400 companies and attended industry events in US, Asia & Europe

Investment analyst global technology at TechInvest, trained by Ashley Young and Paul Davis

Chartered Financial Analyst®, CIPM®, M.Com (UNSW) and B.Com (Honors) Delhi University

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wdqvdv#q#f#rvw/#exv#(foxhv#qyhvp hq#p dgdjhp hq#qg#vhu#rwd#dgp lq#vwdwq#hiv#



**Deep knowledge
of investment
products and
markets**

THE TEAM

Rick Steele, Governance

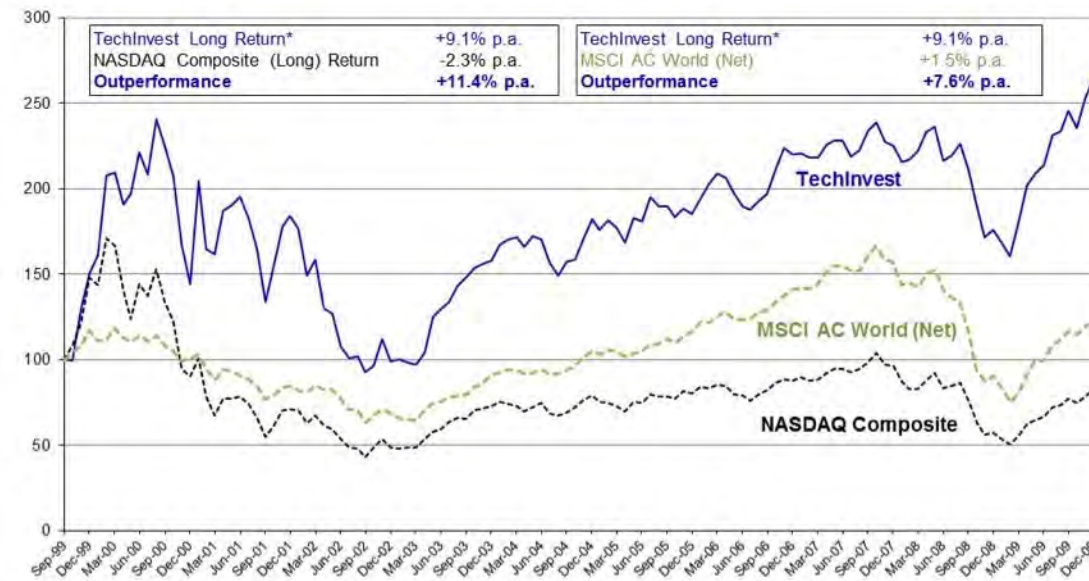
CEO of 8IP

Strong compliance and institutional background

Deep knowledge of investment products and markets

25 years experience in funds management

TechInvest returns



*Global equity return from the Technology Investment Fund, managed exclusively by TechInvest from October 1999 to January 2010. Over the period, the Technology Investment Fund carried an average exposure to global equities of 80%. The global equity return includes transaction costs, but excludes investment management and other portfolio administration fees.

Loftus Peak
principals have a
proven process for
investing in
disruption

Performance Summary as at 31 May 2018*

	1m	3m	6m	1y	3y p.a.	Inception p.a.
Portfolio (gross-of-fees)	+6.58%	+2.63%	+7.05%	+19.87%	+18.90%	+22.72%
Index	-0.13%	+1.86%	+1.68%	+9.92%	+7.94%	+12.70%
Outperformance (gross-of-fees)	+6.71%	+0.77%	+5.37%	+9.96%	+10.96%	+10.02%
Portfolio (net-of-fees)	+6.47%	+2.30%	+5.80%	+16.61%	+16.32%	+20.13%

*Manager estimated returns. The Portfolio Benchmark is the MSCI All Countries World Index (net) (as expressed in AUD from Bloomberg). Portfolio Inception date is 30/06/14. All returns are shown to two decimal places. Returns for the periods more than one year are annualised. Total returns include realised and unrealised gains. Valuations are computed and performance reported in Australian dollars. Gross-of-fees performance returns are presented before management and performance fees but after all trading expenses. Net-of-fees performance returns are presented after management and performance fees. Returns are based on the theoretical performance of a portfolio which implemented the Model Portfolio based on simplifying assumptions and stock weightings. Actual individual returns of each client's portfolio will differ depending on factors such as date of initial investment, timing of transactions, contributions and withdrawals, fees and any customisations. Past performance is not a reliable indicator of future performance and may not be achieved in the future. Each client should also take into account their own taxation situations. All information provided in this Report is correct as at the date of this Report.



Loftus Peak

Global Disruption | Listed Investments | Daily Liquidity

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November 17