

# LOFTUS PEAK GLOBAL CHANGE MODEL PORTFOLIO

## QUARTERLY REPORT

30 June 2016



### MARKET & PORTFOLIO COMMENTARY

The June quarter was quite strong all the way up to the Brexit vote, at which point markets took a turn for the worse. Even with that, we reported portfolio performance of +2.12% for the quarter. However the benchmark returned +4.03%, meaning that we underperformed by -1.91%. The good news is that July numbers are back in line with the trend pre-Brexit.

Amazon was the strongest performer, increasing in value by +24.2% (in percentage numbers are calculated in A\$) in the quarter on the back of its expansion in fresh foods, and its cloud services business. NVidia also performed well with its exposure to virtual reality, artificial Intelligence and self-driving cars. We have been patient with Comcast, the only fully integrated US TV business (it owns cable, television networks and content through Universal studio) which is now performing well (up +9.94%) as it starts using all those elements to craft the new communications and entertainment bundle (and likely disrupts the cellular providers among others). The stock price of Tencent was up +14.47% in the quarter.

However, we lost ground on Google (down -4.3%) which underperformed after a good run for most of the year. There is concern that the company is losing advertising share to Facebook and Amazon. It's probably true, given how much both have gained against Google in the past few years. Apple (-9.65%) was also soft after growth in the iPhone stalled.

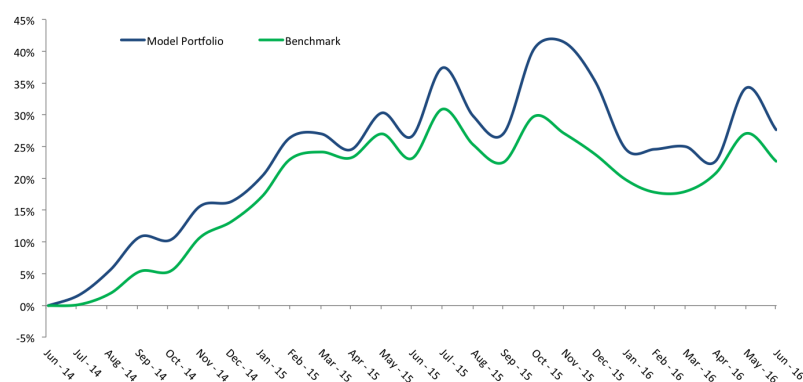
The thematic in which we are invested are well in play. The growth of the China middle class, with mobile connectivity and platform services and banking, continues to provide profit numbers that pleasantly surprise, notwithstanding problems in China with unproductive capacity and bad loans. Electric and autonomous vehicles are also part of a larger investment thesis includes connected devices, and our names here performed well in the quarter. There is nothing or very little in the share prices of some of the companies we are invested in for augmented and virtual reality, but these developments are coming and they will further change the way businesses operate.

### PERFORMANCE SUMMARY<sup>^</sup>

Period	Model Portfolio	Benchmark*	+/- Return
1 month	-4.91%	-3.45%	-1.46%
3 months	2.12%	4.03%	-1.91%
1 Year	0.83%	-0.35%	+1.18%
Since inception*	12.97%	10.76%	+2.21%

\*The Model Portfolio Benchmark is the MSCI ACWI (net) (as expressed in AUD from Bloomberg). ^Returns are calculated net of management, performance, administration/ custody and transaction fees, but excluding any adviser fees from the Model Portfolio's inception date of 30/6/14, and assumes reinvestment of all income (but not franking credits). +Not annualised. 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. Performance includes dividends attributed to the quarter but not yet paid; actual performance may differ due to the foreign exchange rate applied at payment and by any applicable withholding tax assessed. **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.

### PERFORMANCE SINCE INCEPTION<sup>^</sup>



### TOP FIVE HOLDINGS

Security	%
Apple Inc (AAPL)	10.80%
Google (GOOGL)	7.20%
Baidu Inc. (BIDU)	7.10%
Amazon.com Inc. (AMZN)	6.40%
Cash	6.20%

## INVESTMENT OBJECTIVE & STRATEGY

The Loftus Peak Global Change Model Portfolio (Model Portfolio) aims to deliver a return over the MSCI ACWI (net) (as expressed in AUD from Bloomberg), over the medium to long term by bringing a disciplined investment process to listed global companies impacted by change.

Technology is changing the world, with the leap now analogous to that which took place during the industrial revolution. Over the past 20 years, technology and innovation have changed the face of major sharemarkets globally. The Model Portfolio will attempt to harvest return from this thematic.

The Model Portfolio offers investors the opportunity to potentially profit from the rapid, exponential growth in innovation. The Model Portfolio follows a long-only strategy that will result typically in 10-30 investments. It will also be able to move to around 50% cash from time to time, when the sharemarket is judged to be overvalued.

## KEY FEATURES

Feature	Details
Investment universe	Listed global equities
Benchmark	MSCI ACWI (net) (as expressed in AUD from Bloomberg)
Number of investments	10-30
Min. cash weighting	1%
Max. equity weighting	99%
Rebalancing	Instructed by the Program Adviser
Min. investment	A\$250,000
Suggested timeframe	5 years

## FEES (Including GST)

Fee type	Details
Management fee	1.00% p.a. calculated daily and charged monthly in arrears.
Performance fee	15% of excess returns over the benchmark return. Please refer to the Investment Mandate for full details.
Transaction cost	0.55% of the value of the transaction.
Account service fee	\$165 p.a. charged monthly in arrears
Administration & Custody fee	0.275% p.a. on balances up to \$1,000,000. Calculated daily and charged monthly in arrears. 0.055% p.a. on the portion of the balance above \$1,000,000. Calculated daily and charged monthly in arrears.
Adviser fees	Fees may also be agreed between the investor and their adviser.

## PORTFOLIO MANAGEMENT

Mason Stevens Limited, as the Managed Discretionary Account (MDA) Operator, will administer and implement the Model Portfolio on the instructions of Loftus Peak as the Program Adviser.

## ABOUT LOFTUS PEAK

Loftus Peak is a bottom-up stock investor that seeks to deliver absolute returns over the medium to long term.

Loftus Peak is a corporate authorised representative of Eight Investment Partners Pty Limited.

## ABOUT MASON STEVENS

Mason Stevens is an investment house committed to providing clients with a transparent and complete multi-asset, multi-currency solution. This is delivered through managed accounts, portfolio accounts and packaged equity solutions.

All Mason Stevens products and services are administered via an online service available 24-hours a day to provide investors with up to date information on their investments and comprehensive reporting.

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All information provided in this Report is correct as at the date of this Report.