

# LOFTUS PEAK GLOBAL CHANGE MODEL PORTFOLIO

## QUARTERLY REPORT

31 December 2014



### MARKET & PORTFOLIO COMMENTARY

The model portfolio delivered a return of +5.23% after fees for the three months to 31 December 2014, underperforming by -2.23% the +7.46% return of the Benchmark. Top portfolio contributors for the quarter were Yahoo, which delivered a 1.00% portfolio gain following the listing of its major asset, Alibaba, which is China's largest on-line commerce portal. Amgen also performed well, adding 0.98% to the portfolio on capital management and news that a leukemia drug, Blincyto, would sell for as much as US\$178k per course. Apple did well, adding +0.85% on the back of excitement about the new iPhone and watch.

We were hit with a -0.63% negative contribution from investment in an exchange traded fund, essentially a risk management instrument which provides performance when the market is falling. The security, NYSE Code QID, is like an undated put option, so that investors can never lose more than the face value of the security. Gilead delivered -0.31% bps to the portfolio as insurers flagged a preference for a cheaper substitute to its Hepatitis drug Sovaldi.

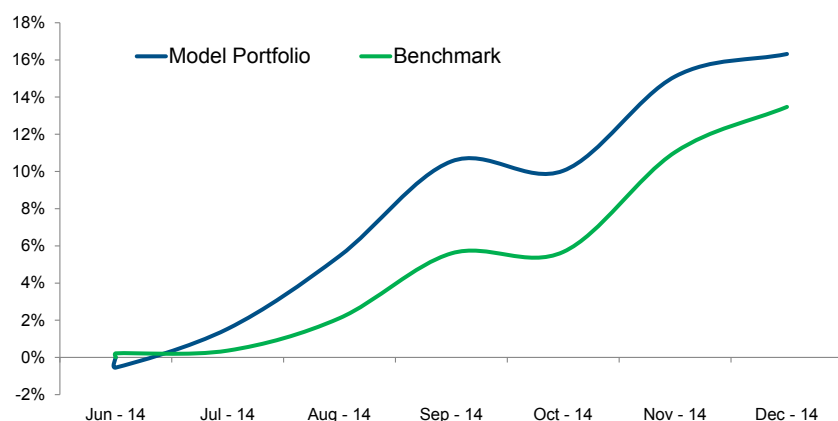
More generally, markets started to peter out in December with the oil price shock turning into a broader market rout as investors punished all stocks even if they were not oil front line casualties. This also played out in the flight to safe haven currencies assets like the USD, which was up 6.56% in the quarter, relative to the AUD. We believe it will get interesting from here as investors hunt for replacements for the sure fire trades of the past ten years (hard commodities including oil and iron ore) and opt for companies which take advantage of the compression of the value chain.

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

Period	Model Portfolio	Benchmark <sup>*</sup>	+/- Return
1 month	1.05%	2.19%	-1.14%
3 months	5.23%	7.46%	-2.23%
1 Year	N/A	N/A	N/A
Since inception <sup>+</sup>	16.32%	13.47%	+2.85%

<sup>\*</sup>The Model Portfolio Benchmark is the MSCI ACWI (net) (as expressed in AUD from Bloomberg). <sup>^</sup>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 5/6/14, and assumes reinvestment of all income (but not franking credits). <sup>+</sup>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	%
Cash	11.9%
Amazon.com (AMZN)	7.7%
Apple Inc AAPL	7.3%
Google (GOOGL)	5.9%
Gilead Sciences (GILD)	5.7%

## 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

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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.