

LOFTUS PEAK GLOBAL CHANGE MODEL PORTFOLIO

QUARTERLY REPORT



30 June 2017

The Loftus Peak Global Change Model Portfolio is a Separately Managed Account available through the Mason Stevens Investment and Administration Service.

MARKET AND PORTFOLIO REVIEW

The Loftus Peak Global Change Portfolio (the Portfolio) returned +6.22% for the quarter net of fees, against a benchmark (the MSCI All Countries World Index in AUD) of +3.84%, outperforming it by +2.38%. Since inception (30/6/14), the Portfolio outperformed the benchmark by +5.97% pa (net of fees). The June quarter saw a slowdown in the post-election bull run in US equities, with the S&P 500 managing a still credible lift of 2.96%. The Australian dollar appreciated +0.79% over the period which cut the value of our foreign currency-denominated holdings.

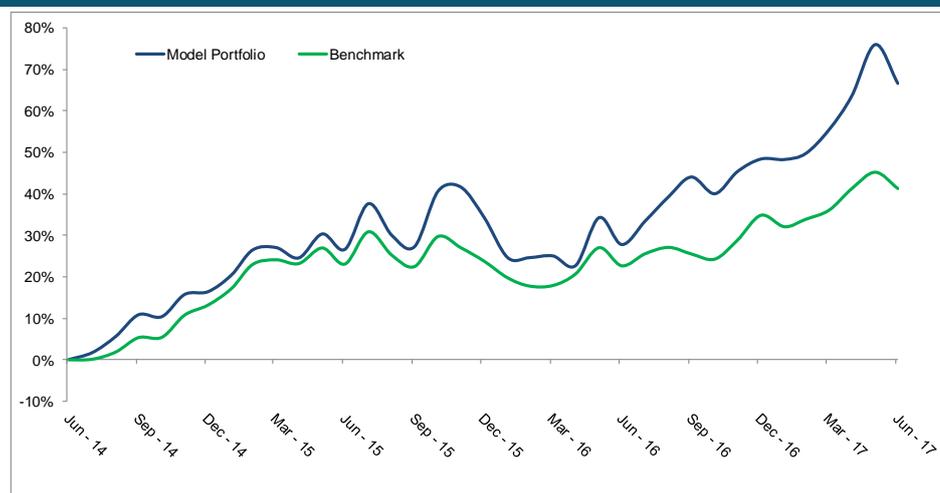
Nvidia was the best performer over the quarter – its earnings statement revealed revenue for its data centre business growing by 186% on pcp. Nvidia offers Artificial Intelligence services through its cloud service, which enables users to run complex deep learning processes. This capability has thousands of applications. Alibaba was also a strong performer on the back of its cloud platform, which is bigger than the next seven competitors combined, while the company was also assisted by solid Chinese GDP, up +6.9% over the same period last year. The company upgraded revenue guidance significantly in the quarter – it aims to grow its revenue by 45-49% in FY18, with mobile playing a major part in this. For perspective, Alibaba Group captures 11% of all Chinese retail sales.

We maintain our positive outlook on Tesla, but towards the end of the quarter the market was jittery in the wake of Elon Musk's optimistic production schedules and concerns about the company overextending itself by developing a semi-trailer. We believe the underlying thematic is intact, especially as Tesla issued guidance that it would deliver 20,000 Model 3s per month by December of this calendar year. MercadoLibre was a detractor, as the political uncertainty in Venezuela and a recession in Brazil placed pressure on ecommerce sales. MercadoLibre responded by introducing a 60% shipping subsidy program in Brazil, which feeds back into the bottom line in the long term, as 48% of the company's shipments are processed through MercadoEnvios, the company's parcel delivery service. MercadoPago is also coming into its own, holding 77% market penetration of MarketPlace transactions.

PERFORMANCE SUMMARY[^]

Period	Model Portfolio	Benchmark*	+/- Return
1 month	-5.17%	-2.71%	-2.46%
3 months	7.19%	3.84%	3.35%
1 year	30.46%	15.21%	15.25%
Annualised return since inception (pa)	18.56%	12.23%	6.33%

Performance Since Inception[^]



Top Five Holdings

Security	%
Apple Inc (AAPL)	10.1
(CASH)	10.0
(BABA)	7.5
(700)	7.5
Amazon.com Inc (AMZN)	7.3

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	DETAIL
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
Minimum investment	A\$50,000
Suggested timeframe	5 years

FEES (INCLUDING GST)

FEATURE	DETAIL
Management fee	1.00% p.a. calculated daily and charged monthly in arrears.
Performance fee	15% of excess returns over the benchmark return. Refer to the Investment Mandate for more information.
Transaction costs	0.55% of the value of each transaction.
Administration, custody and account service fees.	Please refer to the current Mason Stevens Fee Schedule available from your Financial Adviser or Mason Stevens.

Important Information

*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.

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PORTFOLIO MANAGEMENT

Mason Stevens Limited as the Managed Discretionary Account Operator, administers and implements 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 provides a multi-asset and multi-currency investment administration and managed account service to help produce tailored investment outcomes for Advisers and their clients.

Clients benefit from efficient portfolio administration, secure online access to their investments, as well as comprehensive reporting.

CONTACT INFORMATION

Investors
Speak to your Adviser

Advisers
Call 1300 988 878 or email
info@masonstevens.com.au
www.masonstevens.com.au