

LOFTUS PEAK GLOBAL CHANGE MODEL PORTFOLIO

QUARTERLY REPORT

31 December 2015



MARKET & PORTFOLIO COMMENTARY

The December quarter started very well – October was up 10.5% as a result of very strong performances from Alphabet and Amazon, but from there as evident in the benchmark, markets became progressively more volatile and returns ebbed away with December very poor - the portfolio fell 4.32% in that month. We finished the quarter up 6.53% - still solid but shy of the peak.

The major problem seems to be that collapsing commodity prices mean a slowdown in the infrastructure, construction and employment that are part of a robust resources economy, and this creates a drag on world growth which makes the markets fall. Indeed whole countries including Australia are affected when commodity prices fall, and the dis-benefits of the overall slowdown outweigh the benefits of lower input prices. Also, concern over Chinese growth was a factor, although in our view not enough attention is being paid to the consumption economy (which remains solid) relative to the production economy (which isn't). This trend was reflected in the rerating of Alibaba (+32.6% in the quarter) after a few months of underperformance as growth in its Tmall business (its branded goods portal) and mobile surged. Similarly, Baidu had a strong +32.4% quarter.

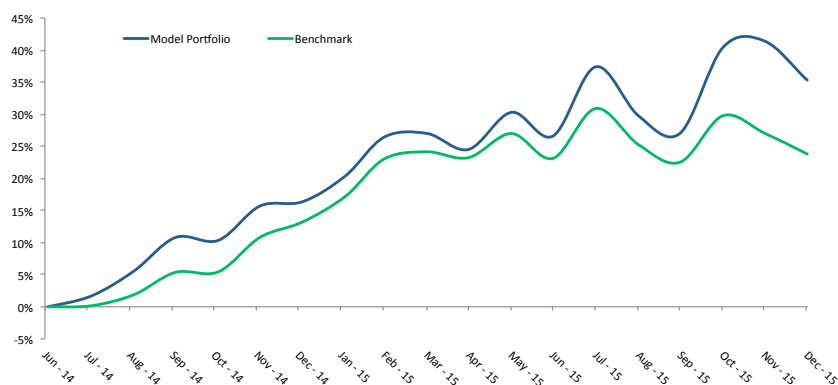
Thematically a number of our core positions worked – Amazon up +27.0% as the market started to get its head around the size of the company's cloud business, while design software go-to Autodesk was up +32.8% as a result of an activist shareholder. We added Atlassian and Twitter to the portfolio, and sold out of Sandisk.

PERFORMANCE SUMMARY[^]

Period	Model Portfolio	Benchmark*	+/- Return
1 month	-4.32%	-2.57%	-1.75%
3 months	6.53%	1.05%	+5.47%
1 Year	16.29%	9.35%	+6.93%
Since inception ⁺	35.33%	23.82%	+11.52%

^{*}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[^]



TOP FIVE HOLDINGS

Security	%
Apple Inc (AAPL)	9.00%
Cash	6.70%
Amazon.com (AMZN)	5.90%
Google (GOOGL)	5.50%
Tencent Holdings (700)	5.30%

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.