

LOFTUS PEAK GLOBAL CHANGE MODEL PORTFOLIO

QUARTERLY REPORT



31 March 2017

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

SQM Rating ★★★★★

MARKET AND PORTFOLIO REVIEW

The March quarter saw some measure of stability return to markets after the volatility of the first weeks of the change in political course in the US. The portfolio returned +4.77% for the quarter net of fees, against a benchmark (the MSCI All Countries World Index in AUD) of +0.91%, outperforming it by +3.86%.

Apple, a position we have held for some time, was the strongest performer as investors began to focus on the ten year anniversary iPhone, with expectations of a great new feature set. We are less bullish and see problems in the company as the disruption thematic starts to play out in new ways but have broadly maintained position weight.

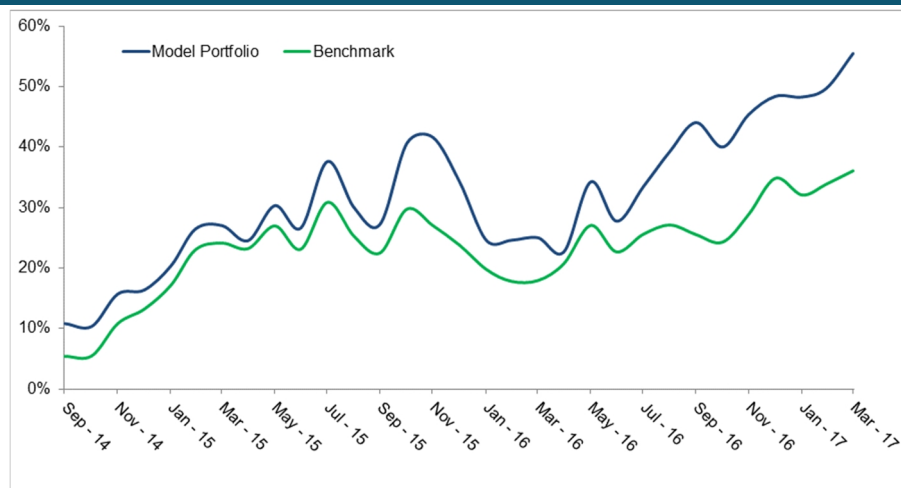
We are bullish about Tesla and were rewarded in the quarter. Where the market has been caught short is in failing to appreciate the simplicity of the technology – there are relatively few moving parts in the car relative to the internal combustion engine, which makes the build easier and means that company will find it easier hitting its production targets. We have been focused on Amazon, and will only say that the company is executing well and is not overvalued. Qualcomm was hurt by the legal action mounted by Apple, and regulators. The multi-billion dollar suit is very hard to unpick with no guarantee of a right answer in the courts. What Qualcomm can control is the way it positions itself for future revenue streams, about which we are comfortable.

The Australian dollar appreciated +5.84%, thus hurting our absolute performance in the quarter. The S&P500 index is up around 30% in the past three years, but back out the performance of Apple, Amazon, Alibaba and the like, and that growth is significantly lower. GM is flat relative to 10 years ago, Ford is not appreciably higher while the world's biggest oil company, Exxon, has gone nowhere. Normally, share prices reflect a couple of years of visibility in earnings, but when a longer-term change emerges the pricing model falls down. It is for this reason that we have performed better than the market.

PERFORMANCE SUMMARY[^]

Period	Model Portfolio	Benchmark*	+/- Return
1 month	3.85%	1.65%	2.20%
3 months	4.77%	0.91%	3.86%
1 year	24.38%	15.42%	8.96%
Annualised return since inception (pa)	17.40%	11.86%	5.53%

Performance Since Inception[^]



Top Five Holdings

Security	%
Apple Inc (AAPL)	12.1
Amazon.com Inc (AMZN)	7.6
Baidu Inc (BIDU)	7.2
Cash	6.9
Alphabet In (GOOGL)	6.9

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

This Report is provided by Mason Stevens Limited (ACN 141 447 207, AFSL 351578) (Mason Stevens) as the Managed Discretionary Account (MDA) Operator of the Model Portfolio. Portfolio commentary has been provided by the Program Adviser. Any content provided in this Report is for the purpose of providing general advice and information only. It does not take into account your or your client's personal objectives, financial situation and needs. Please seek specific advice before making a decision in relation to any investment. The information is provided in good faith and we do not make any representation or warranty as to its accuracy, reliability or completeness. To the extent permissible by law, we do not accept any responsibility for any error, omission, indirect or consequential loss or damages (whether arising in contract, tort, negligence or otherwise, in any case whether foreseeable or not). Please refer to the relevant Investment Mandate for further information. Any information contained in this Report is subject to change without prior notice by Mason Stevens and Mason Stevens is not obliged to update any information. References made to any third party or their data is based on information that Mason Stevens believes to be true and accurate as at the date of this Report but without independent verification. All information provided in this Report is correct as at the date of this Report.

*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.

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