

LOFTUS PEAK GLOBAL CHANGE MODEL PORTFOLIO

QUARTERLY REPORT



31 December 2017

The Loftus Peak Global Change Model Portfolio is a Managed Discretionary Account (known as a Separately Managed Account).

MARKET AND PORTFOLIO REVIEW

In the December quarter the portfolio made good headway, returning +6.91% net of fees. Outperformance was +0.79% against the benchmark (MSCI All Countries World Index in AUD). Since inception (30th June 2014), the Portfolio outperformed the benchmark by +6.24% p.a. net of fees.

Mobile chip maker Qualcomm performed well with quarterly revenue at the upper end of guidance, and a strong beat on EPS. Qualcomm has an edge in the US and European 5G market, a technology which is set to revolutionise mobile communications. Competitor Broadcom has taken note, announcing a US\$70/share takeover bid, which has been roundly rejected by the company. Qualcomm has gone on the front foot, touting significant growth and a much larger addressable market. It seems certain that Broadcom will need to up the offer.

Amazon had a stellar quarter as synergies from the August acquisition of Whole Foods Market began to materialise and holiday shopping saw more than one billion items ordered. The company's voice business is growing strongly. Car maker Geely has an opportunity to capture market share as the Chinese government announced late December it was halting the production of over 500 car models which don't meet fuel efficiency requirements. Geely's electric and hybrid offerings can easily capitalise on this, as can the hybrid models from subsidiary Volvo.

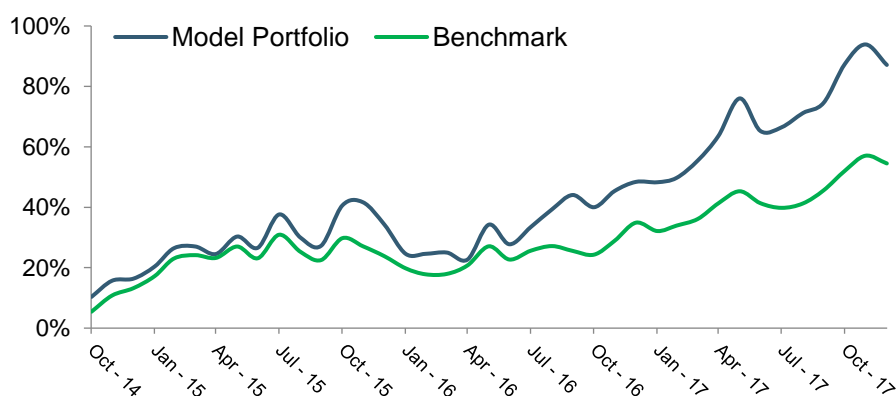
Tesla was a detractor for the December quarter, as production delays meant the company missed its target for Model 3 production. Upstream supplier delays as well as difficulty assembling a new battery module are to blame. At the Consumer Electronics Show in Las Vegas, we learned that competition in the battery-powered electric car market is set to intensify: a group of Chinese investors has founded a US\$1.1b start-up, Byton, to manufacture connected, autonomous vehicles for the global market starting in 2019.

Unfavourable currency movements detracted from absolute, though not relative performance against the benchmark, in the closing weeks of the quarter.

PERFORMANCE SUMMARY[^]

Period	Model Portfolio	Benchmark*	+/- Return
1 month	-3.59%	-1.63%	-1.96%
3 months	6.91%	6.12%	0.79%
1 year	25.63%	14.53%	11.10%
Annualised return since inception (pa)	19.45%	13.22%	6.24%

Performance Since Inception[^]



Selected Top Five Holdings

Security	%
Apple Inc (AAPL)	8.8
Amazon (AMZN)	6.9
Baidu Inc (BIDU)	6.5
Alphabet Inc (GOOGL)	6.2
Alibaba Group Holding Ltd (BABA)	6.1

INVESTMENT OBJECTIVE & STRATEGY

The Loftus Peak Global Change 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	10-35
Min. cash weighting	2%
Max. equity weighting	98%
Maximum individual security weighting	20% (at purchase)
Rebalancing	Program Adviser discretion
Minimum investment	A\$50,000
Suggested timeframe	5 years

Further information about the Portfolio, including fees and costs, is outlined in the Loftus Peak Global Change Model Portfolio Investment Mandate.

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.

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Speak to your Adviser

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