

LOFTUS PEAK GLOBAL CHANGE MODEL PORTFOLIO

QUARTERLY REPORT



31 March 2018

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

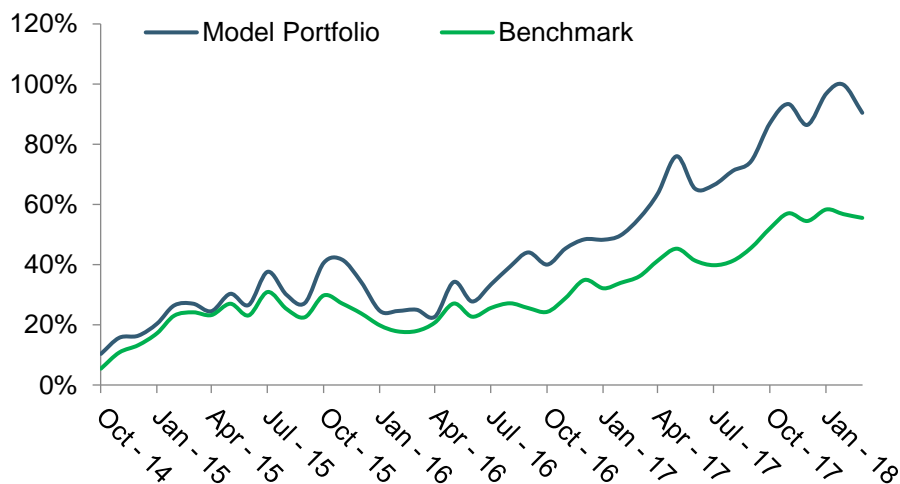
MARKET AND PORTFOLIO REVIEW

The portfolio had a solid quarter to 31 March, though it was marked by considerable volatility as markets fretted about overvaluation in the disruptive businesses in which Loftus Peak invests. In addition, toward the end of the quarter prices were hit by President Trump's decision to impose tariffs, with the wholly expected though proportionate response from China coming a few days later, which has hit markets broadly. In truth, Trump's aim is not off - US companies have found it very difficult to do business in China for a range of reasons, including IP security. Nevertheless, we believe markets have overreacted - these are the opening shots designed to bring all players to the table to negotiate. The Fund returned 2.16%, outperforming the benchmark MSCI All Countries in AUD by 1.5%. Amazon was the strongest performer, adding 1.7%, as investors saw strong revenue growth forecast, and were buoyed by the success of the Amazon voice business (the Echo range of smart speakers) which are selling well and are being used as the interface to order groceries, services and even run the homes power and cooling. Machine learning hardware provider Nvidia also performed strongly, delivering 1.4% to the portfolio, with its quarterly numbers showing a doubling of datacentre revenue to US\$606m and a 29% rise in gaming to US\$1.74b. Nvidia is writing the next chapter with respect to Moore's Law by providing the order or magnitude performance enhancements way ahead of those provided by the CPU. There is virtually no industry which won't be impacted by this, including logistics, retail, banking, energy and life sciences. Comcast performed poorly (-0.4%) - we have been gradually exiting the position as the company shows itself unable to meet the challenges of disruption in over-the-top video and wifi telephony, despite having the required resources to execute. In fact, it revealed itself as bidder for BSkyB late in the quarter, which is frankly a wholly inappropriate use of capital since satellite broadcasting does not provide back channel capability of itself.

PERFORMANCE SUMMARY[^]

Period	Model Portfolio	Benchmark*	+/- Return
1 month	-4.68%	-0.80%	-3.87%
3 months	2.16%	0.66%	1.50%
1 year	22.50%	14.25%	8.25%
Annualised return since inception (pa)	18.74%	12.50%	6.24%

Performance Since Inception[^]



Selected Top Five Holdings

Security	%
Apple Inc (AAPL)	9.2
Amazon (AMZN)	7.8
Tencent (0700)	7.6
Alibaba Group Holding Ltd (BABA)	7.4
Qualcomm (QCOM)	7.3

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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