

LOFTUS PEAK GLOBAL CHANGE MODEL PORTFOLIO

QUARTERLY REPORT



30 June 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 returned +8.92% for the quarter net-of-fees, outperforming the benchmark (MSCI All Countries Index (Net in AUD)) by +4.41%. The benchmark returned +4.50% for the quarter. The June quarter was strong despite the trade war being waged by the US and China, among others, which unsettled markets, though mostly in traditional industries such as agriculture and industry.

Amazon was the best performer in the quarter, as markets continued to digest the company's growing share of voice, which will be a key driver of sales for Amazon and Prime. In addition, Amazon Web Services business continues to grow, offering a suite of tools for machine learning, storage, and databasing to name a few. The company's traditional business units have also performed well, and the acquisition of online pharmaceutical provider PillPack was a strong end to the quarter.

Apple also performed strongly – its sales for the iPhone X were stronger than some analysts had flagged, which pushed the price over US\$190. Services business (Music, iCloud, etc) in the June quarter topped 300M users (+60% Y/Y). while Apple Pay continues to expand with well over 1 billion transactions last quarter.

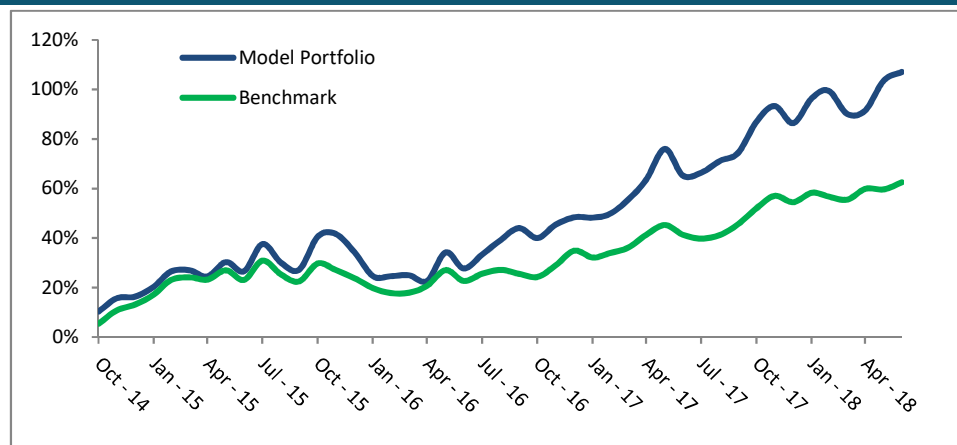
Mercado Libre (MELI) was a detractor as interest rates hit 40% in Argentina, which accounts for a quarter of the company's sales. There are questions around the future of Argentina given that MELI recently deconsolidated Venezuela. Notwithstanding regional economic crises, the company's payments business is promising, with penetration over 54%. The overall valuation of the company is not challenging in the context of the payments business, as an example.

Taiwan Semiconductor declined on weaker guidance, as demand from high end smartphones declined faster than expected and the company's view for the half year was more conservative. Despite holding 77% market share in the wafer foundry industry, over 20% of the company's revenue is exposed to Apple, but the lull is seasonal.

PERFORMANCE SUMMARY[^]

Period	Model Portfolio	Benchmark*	+/- Return
1 month	1.67%	1.77%	-0.10%
3 months	8.92%	4.50%	4.41%
1 year	25.32%	14.98%	10.34%
Annualised return since inception (pa)	19.96%	12.91%	7.05%

Performance Since Inception[^]



Selected Top Five Holdings

Security	%
Apple Inc (AAPL)	7.6
Amazon (AMZN)	7.1
Tencent (0700)	7.0
Baidu (BIDU)	6.7
Microsoft (MSFT)	6.6

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.

CONTACT INFORMATION

Investors

Speak to your Adviser

Advisers

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