

LOFTUS PEAK GLOBAL CHANGE MODEL PORTFOLIO

QUARTERLY REPORT



30 September 2018

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

MARKET AND PORTFOLIO REVIEW

The quarter was a solid one for Loftus Peak investors, delivering 7.8% against a benchmark (MSCI All Countries in AUD) of 6.57%, outperformance of 1.24%.

There was strong performance in some of our machine learning names, especially Nvidia (+1.42%), while Qualcomm rallied strongly as the market reassessed its position in 5G as well as the positive reaction to the US\$30b buyback following the aborted NXP merger. Amazon performed strongly as the company's new business in advertising became more visible. Apple too was strong as the market embraced the new iPhone X, which at US\$1000+ for the base unit was key to delivering 20% revenue growth in the Apple's quarterly report on flat volumes.

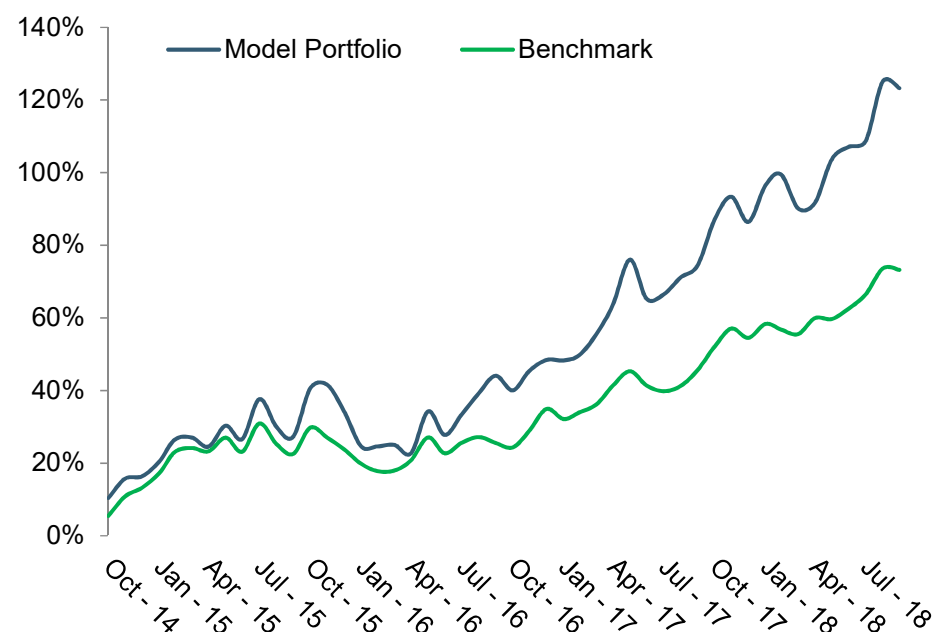
We booked poor performance from our China holdings, especially Alibaba and Tencent, as well as car maker Geely, which have been affected on a range of fronts – a falling Chinese stock market (it is off just under 15% in the year to date), tariffs threatened by the Trump administration, and greater regulations (for example around new game titles for Tencent). Importantly, the core stories for these companies are unchanged – the shift toward on-line commerce and communication, both of which are still only in the early stages in China.

In Geely's case we view the sell down as a buying opportunity – the company's cars are among the best in China and would even stand up globally, while they are also battery ready at a time when the Chinese government is aggressively moving to transition the economy away from fossil fuels. We ended the quarter with cash levels of around 8%.

PERFORMANCE SUMMARY[^]

Period	Model Portfolio	Benchmark*	+/- Return
1 month	-0.83%	-0.23%	-0.60%
3 months	7.80%	6.57%	1.24%
1 year	28.03%	18.97%	9.06%
Annualised return since inception (pa)	20.79%	13.79%	7.00%

Performance Since Inception[^]



Selected Top Five Holdings

Security	%
Tencent (0700)	8.00
Baidu (BIDU)	7.40
Apple Inc (AAPL)	7.40
Alibaba Group (BABA)	6.98
Qualcomm Inc (QCOM)	6.80

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 share markets 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 share market 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

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Speak to your Adviser

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