

LOFTUS PEAK GLOBAL CHANGE MODEL PORTFOLIO

QUARTERLY REPORT



31 DECEMBER 2018

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

MARKET AND PORTFOLIO REVIEW

For the quarter, Loftus Peak Global Change Portfolio was down -16.1% (net-of-fees) compared with benchmark return of -10.4%, underperforming the benchmark by -5.7%. Since inception the portfolio has returned 15.0% p.a. (net-of-fees) outperforming the benchmark by +4.7% (net-of-fees) p.a.

The December quarter was one of the toughest experienced by investors since inception (at one point in December, it had been the largest December drop since 1931). Unpredictable decisions made on both sides of the US-China trade war, a slowdown in China and the US Fed suggestion of continued aggressive interest rate increases led to macro uncertainty and high volatility. Negative investor sentiments were further amplified when some of the world's biggest companies provided lower than expected revenue growth forecasts.

A number of our core holdings were substantially down as the market extrapolated near term weakness into perpetuity; Nvidia was off -52.7% as it provided weak guidance due to excess channel inventory build-up, which management expects to clear in two quarters. Apple was down -30.1% as most of the data points indicated lower than expected take-up of the latest iPhone and the market continued to treat it as a product cycle company. Baidu was down -30.1% as the market expected an advertising slowdown in China with decreasing consumer discretionary spend.

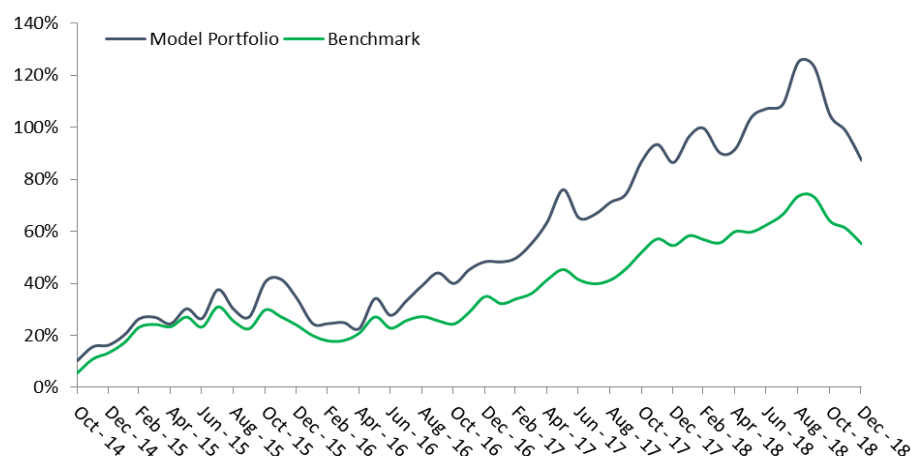
Tesla, a non-core position, was up +28.6% on the back of delivering US\$1.4b of operating cashflow in the quarter – the company also crossed a significant milestone with a (GAAP) gross profit margin which expanded to 25.8% from 20.6% in the previous corresponding quarter.

Most of our portfolio companies have strong balance sheets, strategic position in the industries they are operating in and decent cashflows to internally fund their business into the foreseeable future. We treated the correction of the quarter as an opportunity - entering with 10.7% cash and exiting with 6.4%. This cash was deployed in quality names that were trading at the lower end of our valuation range.

PERFORMANCE SUMMARY¹

Period	Model Portfolio	Benchmark	+/- Return
1 month	-5.66%	-3.69%	-1.97%
3 months	-16.08%	-10.37%	-5.71%
1 year	0.49%	0.47%	0.02%
Annualised return since inception (pa)	14.96%	10.26%	4.70%

Performance Since Inception



Selected Top Five Holdings

Security	%
Apple Inc (AAPL)	7.56
Tencent (0700)	7.48
Alibaba Group (BABA)	7.07
Nvidia (NVDA)	6.94
Qualcomm Inc (QCOM)	6.81

¹ The Portfolio's benchmark is the MSCI ACWI (net) (as expressed in AUD from Bloomberg). Past performance is not a reliable indicator of future performance and may not be achieved in the future. All information provided in this Report is correct at the date of this report. Returns are calculated net of management, administration, custody and transaction fees, and assume the reinvestment of all income (but not franking credits). Inception date of the Portfolio is 30 June 2014. Actual individual returns of each client's portfolio will differ depending on factors such as date of initial investment, timing of transactions, inflows and outflows, other fees and any customisations. Please refer to the relevant Investment Mandate for full information on product specifics, including all fees and costs.

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.

PORTFOLIO MANAGEMENT

Mason Stevens Limited as the Managed Discretionary Account Provider, 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

Please speak to your adviser

Advisers

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