

10 November 2017

Dear fellow investor,

**RE: Chairman's update**

Your investment in the Global Disruption Fund has been a rewarding one over the last few months.

As we presented at the time of the IPO, the environment for technology and innovation continues to evolve in encouraging and surprising ways and has contributed to the positive performance of your investment this quarter.

The Investment Committee and I remain extremely optimistic and positive about the continued outlook for disruptive technology.

The most recent reporting season has provided evidence of solid earnings and profitability growth amongst many of the companies in which the Fund invests.

We remain vigilant as an Investment Committee on the developing thematic that drives our investment and remain conscious of our responsibility to respond to the ever-changing global disruption environment.

The December quarter has started strongly, and we hope to report another solid period of performance in the coming months.

Please find attached the first quarterly update for the Fund.

Yours sincerely,

David Evans

EVANS & PARTNERS

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# GLOBAL DISRUPTION FUND

## SEPTEMBER 2017 QUARTERLY INVESTMENT UPDATE

All data is at 30 September 2017 and in Australian dollars (AUD), unless otherwise indicated.

### PORTFOLIO COMMENTARY

During the September quarter, funds received from unit holders as part of the July Initial Public Offering (IPO), and subsequent capital raising in early September, were invested into a diversified portfolio of companies. At 30 September, the fund was close to fully invested, with an equity exposure of 90.5%.

The fund performed in line with broader markets on a net tangible asset (NTA) basis, up 3.9% for the quarter, despite holding higher-than-normal cash levels during the initial investment period. Equity market returns were positive over the period with the S&P 500 Index appreciating 3.5%, the NASDAQ Index up 3% and the MSCI AC World Index rising 3.9%. Since inception, the fund's unit price has consistently traded at a premium to NTA.

Chinese digital giants Baidu (up 27.4%), Tencent (up 14.6%) and Alibaba (up 14.9%) contributed strongly to returns, driven by strong June quarter results. On the other hand digital advertiser, Zillow, declined by 11% following uncertainty over the Consumer Financial Protection Bureau's investigation into its co-marketing programs, while Amazon declined by 6.3% off the back of disappointing second quarter results.

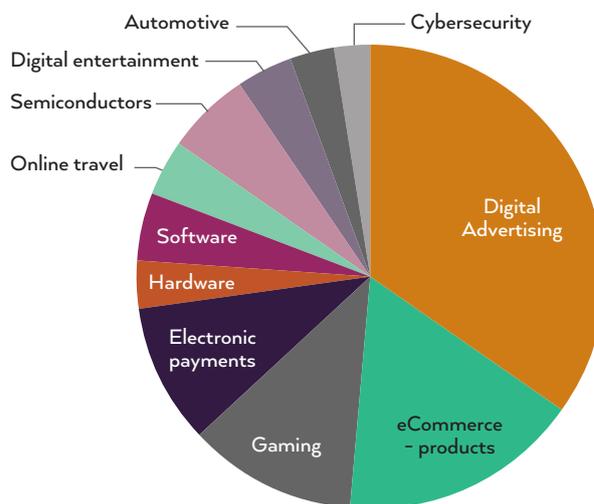
### FUND PERFORMANCE

	1 MONTH	3 MONTH	6 MONTH	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
Unit price (%)	2.5%	N/A	N/A	N/A	N/A	N/A	5.6%
NTA <sup>2</sup> (%)	1.8%	N/A	N/A	N/A	N/A	N/A	3.9%

Notes

1. All returns beyond one year are annualised.
2. NTA performance numbers are total returns, with distributions reinvested and net of fees and costs.

### SECTOR BREAKDOWN



### TOP 10 HOLDINGS

Indicative look-through stock exposure derived from portfolio of underlying funds:

IN ALPHABETICAL ORDER	SECTOR EXPOSURE
Activision Blizzard	Gaming
Alibaba	eCommerce
Alphabet	Digital Advertising
Amazon	eCommerce
Baidu	Digital Advertising
Facebook	Digital Advertising
Microsoft	Software
PayPal	Electronic Payments
Tencent	Digital Advertising, Gaming
Zillow	Digital Advertising

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## MARKET REVIEW

During September, Portfolio Consultant, Raymond Tong, travelled to the United States to meet with a series of companies across the technology sector. While this sector is growing strongly and gaining share of the overall economy, meetings with bellwethers of the US economy, such as Visa and Costco, impressed on him that the overall economy is performing well. Despite wage pressures and a volatile political environment, consumers are still spending, supported by declining unemployment, the wealth effects of a rising stock market, as well as continued recovery in real estate (in most US markets) and prevailing low interest rates.

In **digital advertising**, Raymond came away upbeat from a meeting with **Facebook** (up 4.8%) which is investing heavily across the business with a focus on video content (the meeting included a preview of the Facebook Watch tab which houses this video content) to capture an increasing share of \$200 billion in global TV ad revenues. In our view, Facebook has a long runway for growth given its dominant platforms (three apps with over a billion users), as well as its reach and effectiveness for advertisers and future monetisation opportunities on Instagram, Messenger and WhatsApp.

**Zillow** continues to invest heavily in its platform to increase both consumer and agent engagement as well as increase efficiencies in the buying/selling process across the real estate market. While continuing to dominate audience share, it has also rolled out new products over the past 12 months, including market-based pricing (where agents bid dynamically to advertise on Zillow's platform) to drive greater monetisation and revenue share of the US real estate advertising market.

Major **digital entertainment/gaming companies**, including **Activision** (up 7.3%), continue to benefit from the shift to digital through downloads and sales, resulting in more recurring revenues and higher margins. Findings have revealed that **Activision** mobile users spend 35 minutes a day using the platform, which is higher than popular applications such as Instagram and Snapchat. Future margin expansion is expected to come from increasing user engagement through in-game spending and digital advertising opportunities. In our view, the competitive moats around these businesses are increasing as investment in research and development (R&D) per game also increases and they build out new growth opportunities, such as eSports.

In **cloud**, both **Amazon** (down 6.3%) and **Microsoft** (up 2.3%) stated that many companies and industries are still in the early stages in the

transition to the cloud. Indeed, many of the companies the research team met (with the technology sector at the forefront of the shift) discussed the benefits of moving to the cloud, including reduced capex, greater focus on their core business and greater pace of innovation. Along with **Alibaba** and **Google** (up 2.3%), **Amazon** and **Microsoft** continue to invest significant capital in building out infrastructure across more regions as well as introducing more capability on their cloud platforms (for example, Artificial Intelligence and machine learning), making it harder for smaller competitors to compete.

Finally, in **eCommerce**, **Amazon** continues to invest heavily into its operations, including fulfilment (with 30% growth in square footage in 2017), video content to drive growth in Amazon Prime members who spend more across the platform, international expansion with investment in India a clear focus for the Amazon team, and the building out of the Alexa ecosystem, with the ambition to make Alexa as ubiquitous as possible (that is, in third-party devices, not only in the home).

*Note: Company returns are quoted 25 July 2017 to 30 September 2017*

## FUND FACTS

### KEY FUND DETAILS

ASX ticker	EGD
Structure	Listed unit trust
Inception	25 July 2017
Currency	AUD (unhedged)
Unit price	\$1.69
NTA	\$1.61
Market capitalisation	\$185.2 million
Units outstanding	109.6 million

### ONGOING FEES (EXCL GST)

Responsible Entity fee	0.08% p.a.
Administration fee	0.25% p.a.
Investment Management fee	0.95% p.a.

### DISTRIBUTIONS ANNOUNCED (LAST 12 MONTHS)

N/A	N/A
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## INVESTMENT OBJECTIVE

The objective of the Fund is to provide investors with capital growth over the long-term through exposure to companies that will benefit from disruptive innovation.

## INVESTMENT STRATEGY

Evans and Partners Investment Management Pty Limited (the Investment Manager) will target a concentrated portfolio of global investments (primarily listed companies) which may exhibit some or all of the following characteristics:

- A proven ability to disrupt, and the potential to continue to disrupt, existing markets and businesses.
- The ability to utilise new technology to disrupt existing industries.
- Demonstrated growth potential and scalability.
- An appropriate capital structure to fund research and development, as well as growth.

Complementing a relatively large exposure to major listed global companies will be a selection of smaller positions identified by the Investment Manager that have the potential to successfully disrupt existing industries and companies.

The Investment Manager may seek to identify and source opportunities in unlisted Australian and international companies that are typically at an earlier stage in their business life-cycle than the Fund's listed investments, but which have a disruptive business model or technology that the Investment Manager believes has the potential to be successful. This may involve participation in pre-IPO fund raisings but will not encompass early stage or venture capital-type investments.

The investment process is conducted by the Investment Manager who coordinates with the Investment Committee and Portfolio Consultant to assist with investment decisions.

## ABOUT THE INVESTMENT MANAGER

Evans and Partners Investment Management Pty Limited is a subsidiary of the Walsh & Company Group. The Walsh & Company Group is a Sydney-based specialist global fund manager established in 2007. The Company has around \$5 billion of assets under management across global equities, residential and commercial property, private equity, fixed income and sustainable and social investments.

We provide investors access to unique investment strategies that are not otherwise readily accessible to investors and with a focus on building high-quality, diversified portfolios.

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## INVESTMENT COMMITTEE



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*Chair*



**RICHARD GOYDER**  
*Committee Member*



**PAUL BASSAT**  
*Committee Member*



**DAVID THODEY**  
*Committee Member*



**SALLY HERMAN**  
*Committee Member*



**JEFFREY COLE**  
*Committee Member*



**RAYMOND TONG**  
*Portfolio Consultant*

## IMPORTANT INFORMATION

This Quarterly Update (**Update**) has been prepared by Walsh & Company Investments Limited as Responsible Entity (ACN 152 367 649, AFSL 410 443) of Global Disruption Fund (**Fund**). An investment in the Fund is subject to various risks, many of which are beyond the control of the Investment Manager and the Fund. The past performance of the Fund is not a guarantee of the future performance of the Fund. This Update contains statements, opinions, projections, forecasts and other material (**forward looking statements**), based on various assumptions. Those assumptions may or may not prove to be correct. None of the Responsible Entity and the Fund, their officers, employees, agents, analysts nor any other person named in this Update makes any representation as to the accuracy or likelihood of fulfilment of the forward-looking statements or any of the assumptions upon which they are based. This Update may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs, and consider obtaining advice from a financial advisor. You should obtain a copy of the relevant PDS or offer document before making any decisions to purchase the product.

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