

EVANS & PARTNERS

**GLOBAL
DISRUPTION
FUND**

Evans & Partners Global Disruption Fund

September 2018

Important information

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Agenda

1 Overview

2 Portfolio & performance

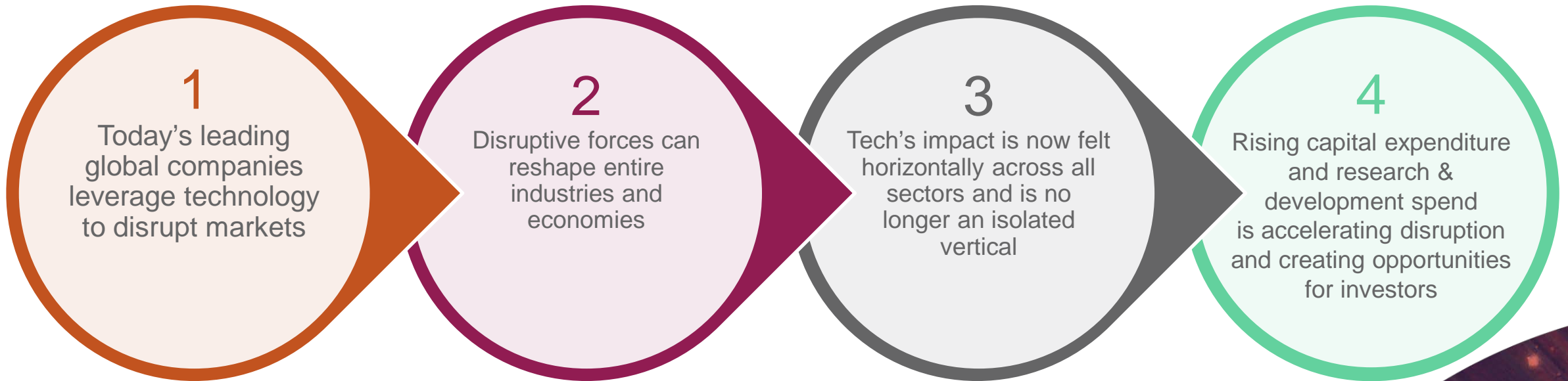
3 Key holdings

4 Key issues

5 Investment process

1 Overview

Why invest in Disruption

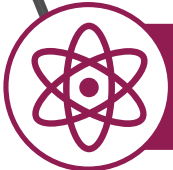


Evans & Partners Global Disruption Fund

Aims to invest in companies with the following characteristics



Proven abilities to disrupt, and potential to continue to disrupt



The ability to utilise new technology to disrupt existing industries



Demonstrated growth potential and scalability



An appropriate capital structure to fund research and development

Investment Committee

Highly experienced corporate executives



David Evans (Chair)



Richard Goyder



Paul Bassat



Raymond Tong –
Portfolio Consultant



David Thodey



Sally Herman



Jeffrey Cole

2 Portfolio & performance

Fund Performance

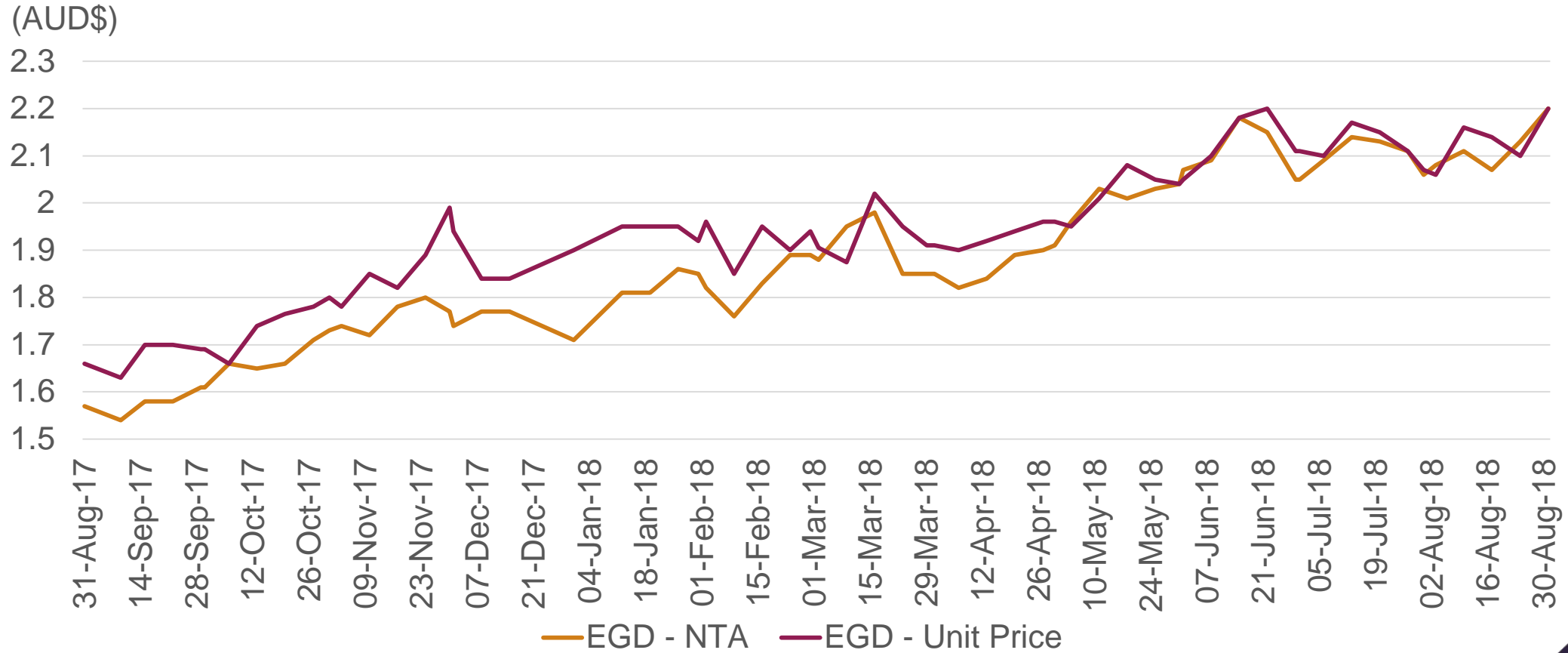
	1 MONTH	3 MONTH	6 MONTH	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
Unit price (%)	6.3%	9.9%	15.5%	35.0%	N/A	N/A	35.8%
NTA ¹ (%)	6.8%	9.9%	18.7%	42.9%	N/A	N/A	39.9%
NTA ¹ in USD ² (%)	3.4%	4.4%	9.9%	29.2%	N/A	N/A	27.9%

* As at 31 August 2018

Notes

1. NTA performance numbers are total returns, with distributions reinvested and net of fees and costs
2. NTA in USD is converted by the month-end closing AUD/USD foreign exchange rate. Exchange rate source: Bloomberg
3. Date of inception is 25 July 2017
4. Past performance is not a reliable indicator of future performance

EGD Performance: Unit price vs NTA



Source: Bloomberg and Investment Manager

Past performance is not a reliable indicator of future performance

Date of inception is 25 July 2017

Existing and emerging disruptive themes

INDUSTRY	MEDIUM/DRIVER	DISRUPTOR
Media	Digital advertising, entertainment	Google, Facebook, Alibaba, Tencent, Baidu, Netflix
Gaming	Digital gaming	Activision, Tencent, Nvidia
IT	Cloud, Cybersecurity	Amazon, Google, Microsoft, Alibaba, Salesforce.com, Palo Alto Networks
Retail	Ecommerce	Amazon, Alibaba
Payments	Digital payments	PayPal, Wirecard, Tencent, Alibaba
Multiple	Artificial intelligence	Amazon, Apple, Google, Baidu, Nvidia
Automobiles	Electric & autonomous	Google, Baidu, Nvidia, Aptiv
Healthcare	Genetic sequencing, immunotherapy, robotics	Illumina, Merck

Medtech – Offers significant disruptive potential

MARKET	OVERVIEW
Genetic sequencing	<ul style="list-style-type: none">▪ Emerging area of genetic science▪ Current applications in non invasive prenatal testing (NIPT) e.g. Down syndrome▪ Potential for use of liquid biopsies in cancer detection
Cancer immunotherapy	<ul style="list-style-type: none">▪ Revolutionary treatment involving use of body's immune system to kill cancer cells▪ 1st wave of immunotherapy drugs are mainstream for melanoma and lung cancer▪ 500 new trials are being run for new drugs and next wave of disruption
Robotic surgery	<ul style="list-style-type: none">▪ Adoption of robots across surgical and orthopedic use cases▪ Expect significant penetration of surgical robots in the future with robotic surgery becoming standard of care for many diseases
Healthcare IT	<ul style="list-style-type: none">▪ Electronic health records, data analytics and telemedicine driving innovative solutions▪ IT services penetration remains low in health care relative to other industries

Evans & Partners Global Disruption Fund Portfolio

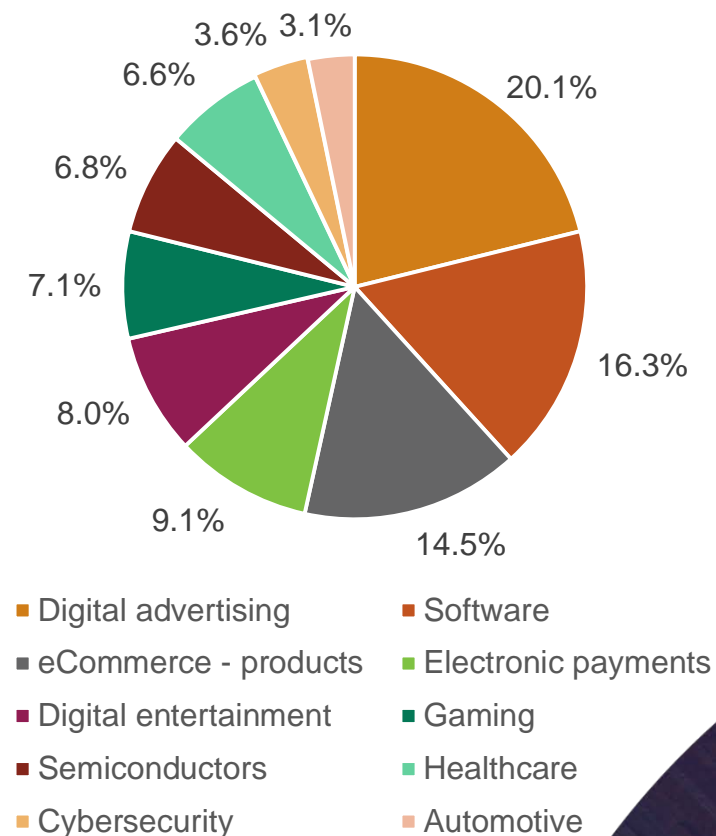
As at 31 August 2018

EGD portfolio - Top 10

COMPANY	SECTOR EXPOSURE
Activision Blizzard	Gaming
Alibaba	eCommerce - products
Alphabet	Digital advertising
Amazon	eCommerce - products
Baidu	Digital advertising
Microsoft	Software
Netflix	Digital entertainment
Salesforce.com	Software
Tencent	Digital advertising, Gaming
Wirecard	Electronic payments

As at 31 August 2018, the Fund held 6.0% of the portfolio in cash

Sector breakdown



Source: Investment Manager
Sector breakdown is exclusive of cash

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Recent portfolio changes

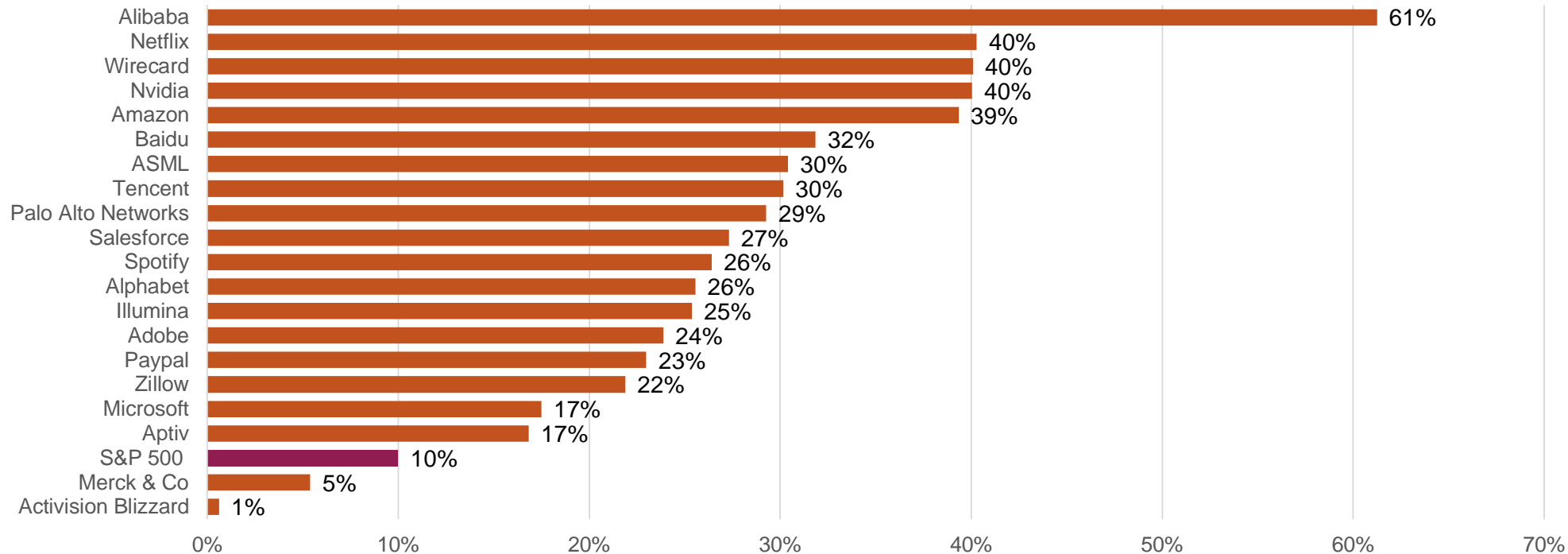
ADDITIONS	OUR THINKING
Adobe	▪ Leading digital provider of creative, marketing and document management software
Salesforce.com	▪ Market leader in cloud based Customer Relationship Management (CRM) and marketing software
Nvidia	▪ Largest supplier of GPU processors and software for gaming, data centres and autonomous vehicles
Spotify	▪ Largest global music streaming platform by paid users ▪ Industry in early stages of disruption
Illumina	▪ Leveraged to emerging medical area of genetic sequencing ▪ Strong business model, highly profitable with high proportion of recurring revenues
Merck	▪ Market leader in Cancer Immunotherapy. Product portfolio spanning cardiovascular, respiratory and infection diseases, oncology, immunology and women's health

Recent portfolio changes

DISPOSALS	OUR THINKING
NetEase	<ul style="list-style-type: none">▪ Business mix has shifted towards lower margin e-commerce from higher margin mobile gaming▪ Higher levels of investment also impacting margins
Broadcom	<ul style="list-style-type: none">▪ Uncertainty over M&A strategy▪ More attractive semiconductor companies in investment universe
Apple	<ul style="list-style-type: none">▪ Remains a high quality company, but we believe there are more attractive growth options in investment universe
Facebook	<ul style="list-style-type: none">▪ Ongoing uncertainty surrounding data and potential for increased regulation present investment risks
Nintendo	<ul style="list-style-type: none">▪ Exposure to digital gaming reduced in preference for other growth themes including Healthcare

EGD portfolio – revenue growth continues to be strong

Last Fiscal Quarter Revenue Growth (%)

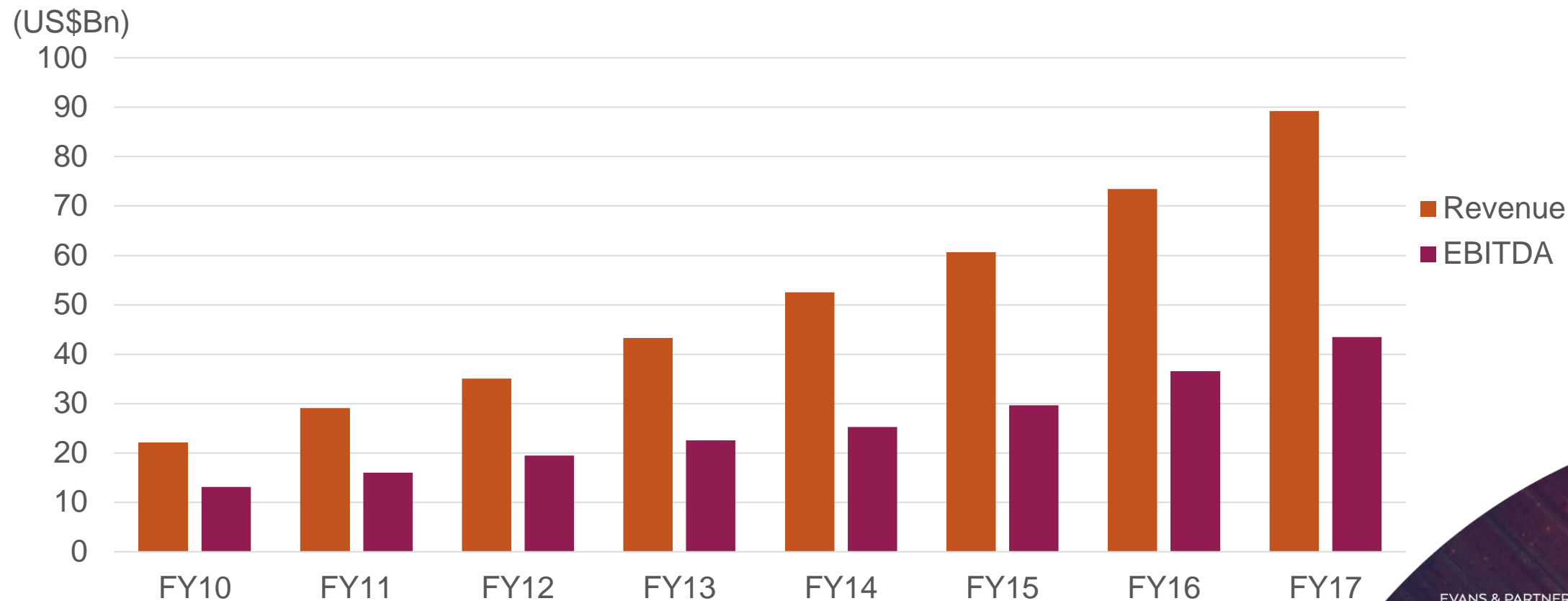


Source: FactSet and Investment Manager

Past performance is not a reliable indicator of future performance

3 Key holdings

Alphabet - Consistently delivered strong revenue and earnings growth driven by core search business



Source: FactSet and Investment Manager

Past performance is not a reliable indicator of future performance

Revenues presented are net of traffic acquisition costs (TAC)

Alphabet - Next revenue opportunities. YouTube, cloud, hardware, autonomous cars

Alphabet is growing beyond core advertising

Core advertising

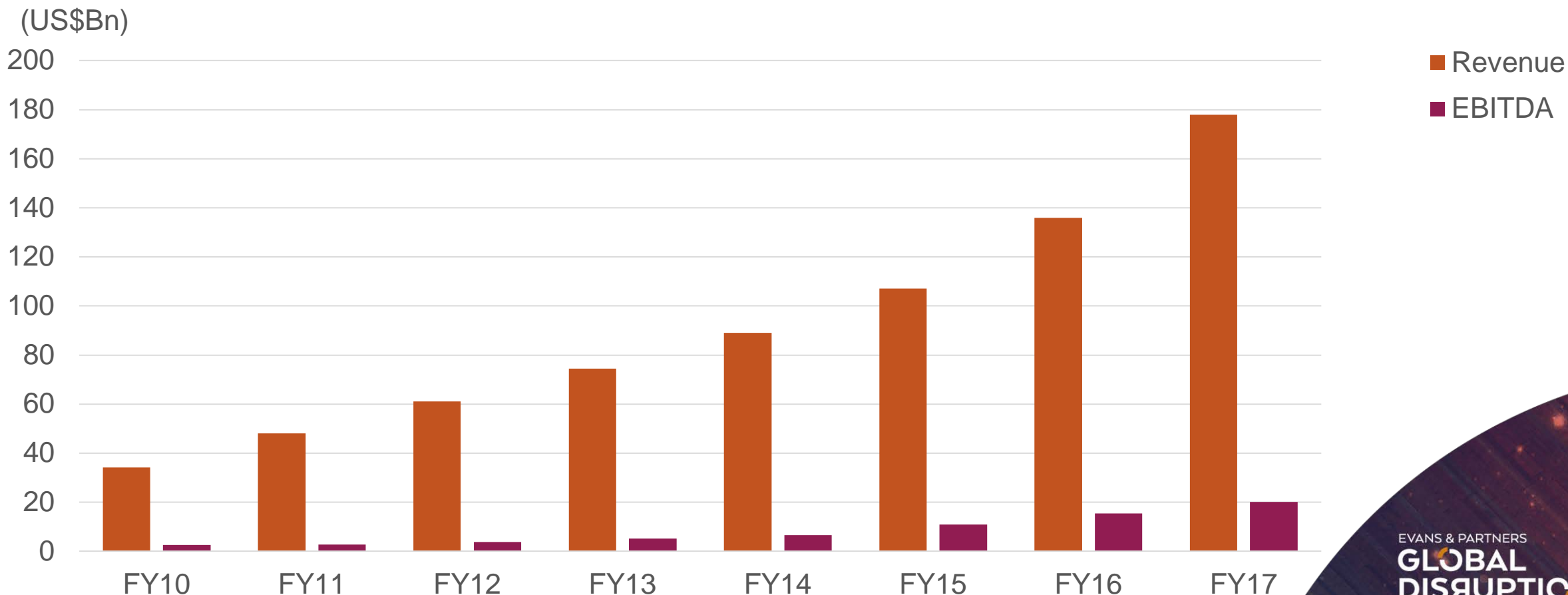
YouTube

Google Cloud

Hardware (including Home and Nest)

Waymo

Amazon – Revenues grown 5x in 7 years. Delivering improving earnings growth from Amazon Web Services (AWS) and advertising

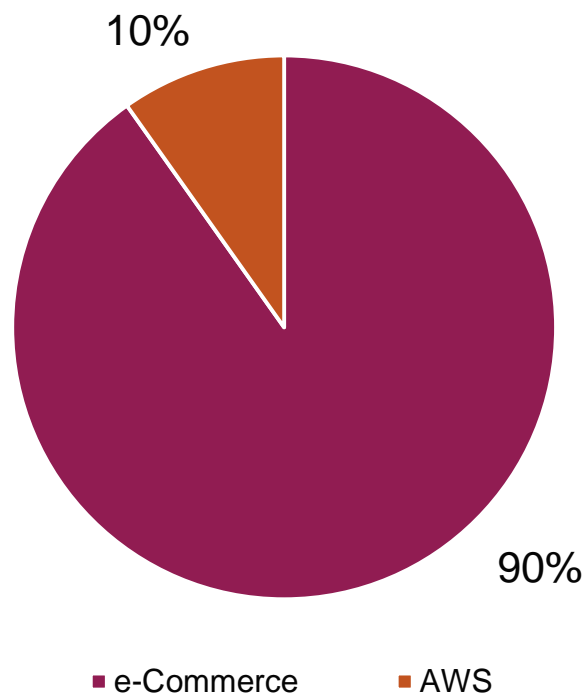


Source: FactSet and Investment Manager

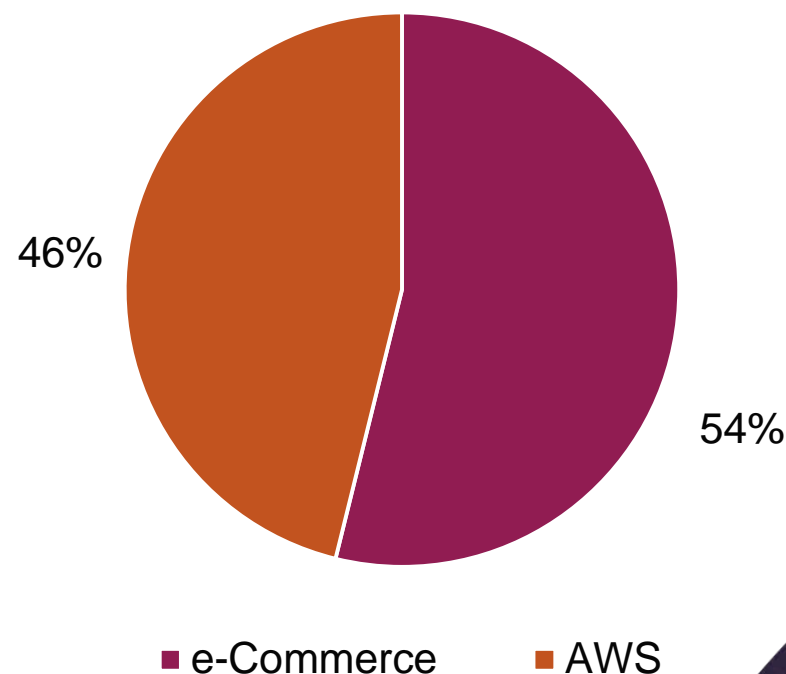
Past performance is not a reliable indicator of future performance

Amazon – More than just retail: Amazon Web Services is a key driver of earnings growth and value

AMZN Revenue by segment FY17



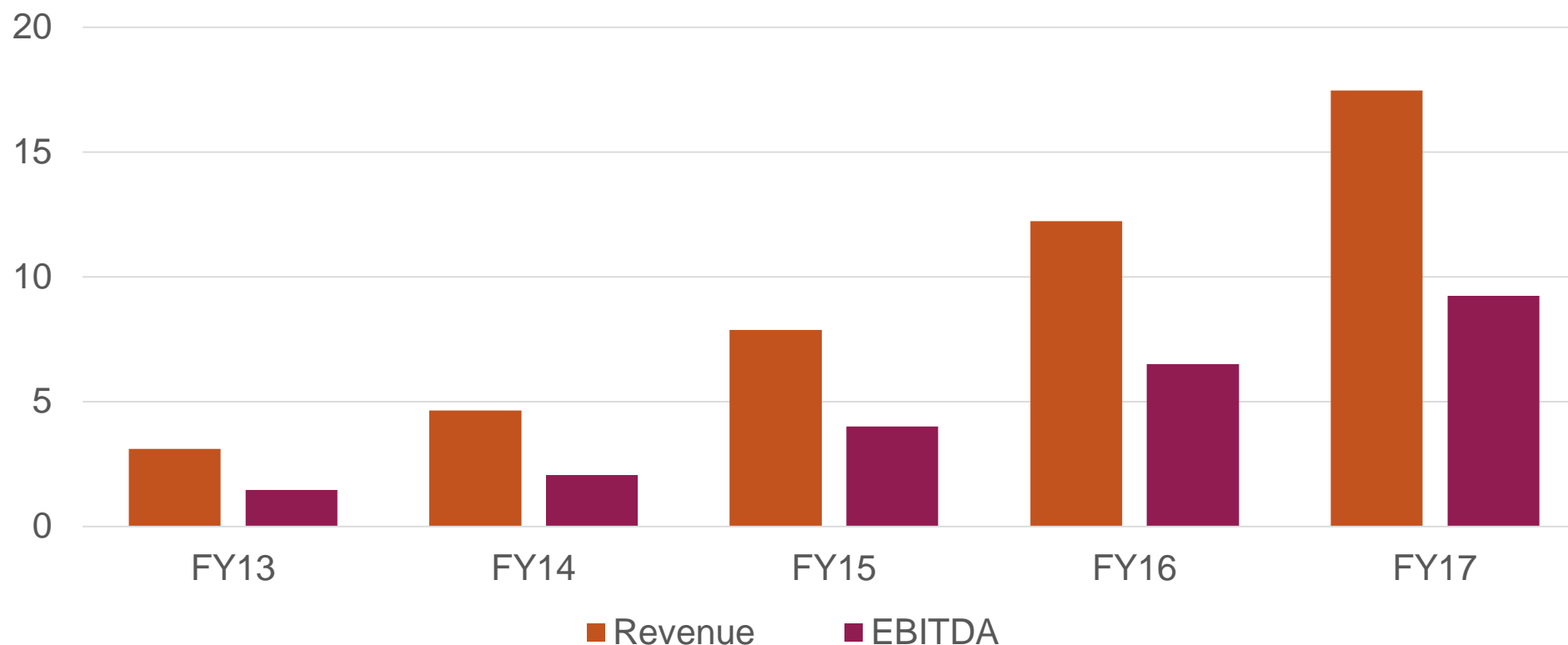
AMZN EBITDA by Segment FY17



Source: FactSet and Investment Manager

Amazon – Amazon Web Services is market leader in cloud driving both strong revenue and earnings growth

(US\$Bn)

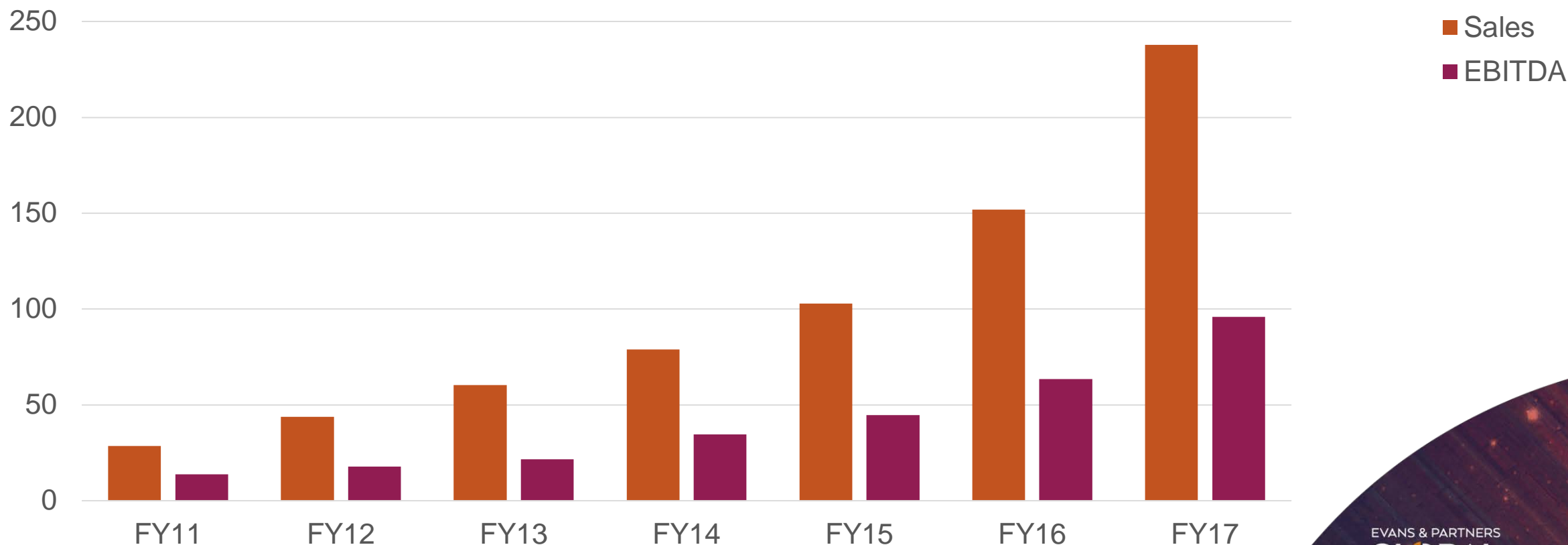


Source: FactSet and Investment Manager

Past performance is not a reliable indicator of future performance

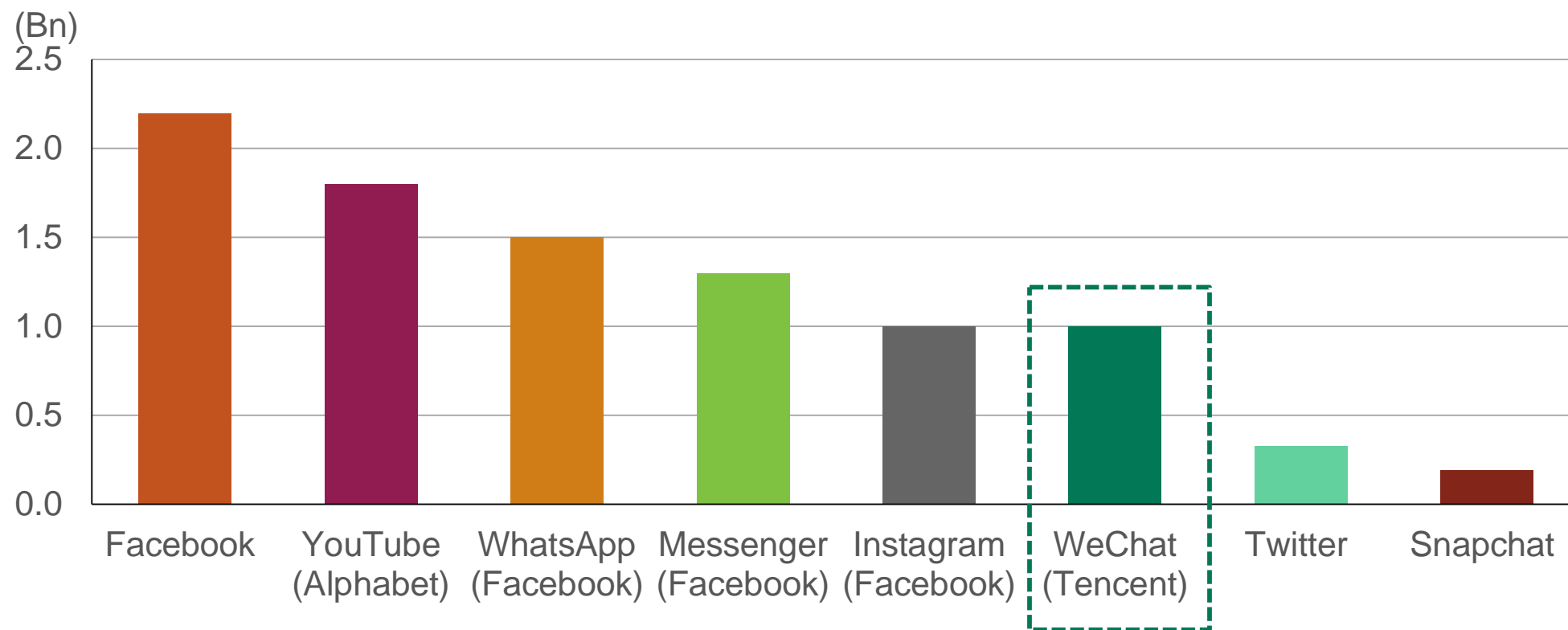
Tencent – Strong track record of revenue and earnings growth

(Renminbi Bn)



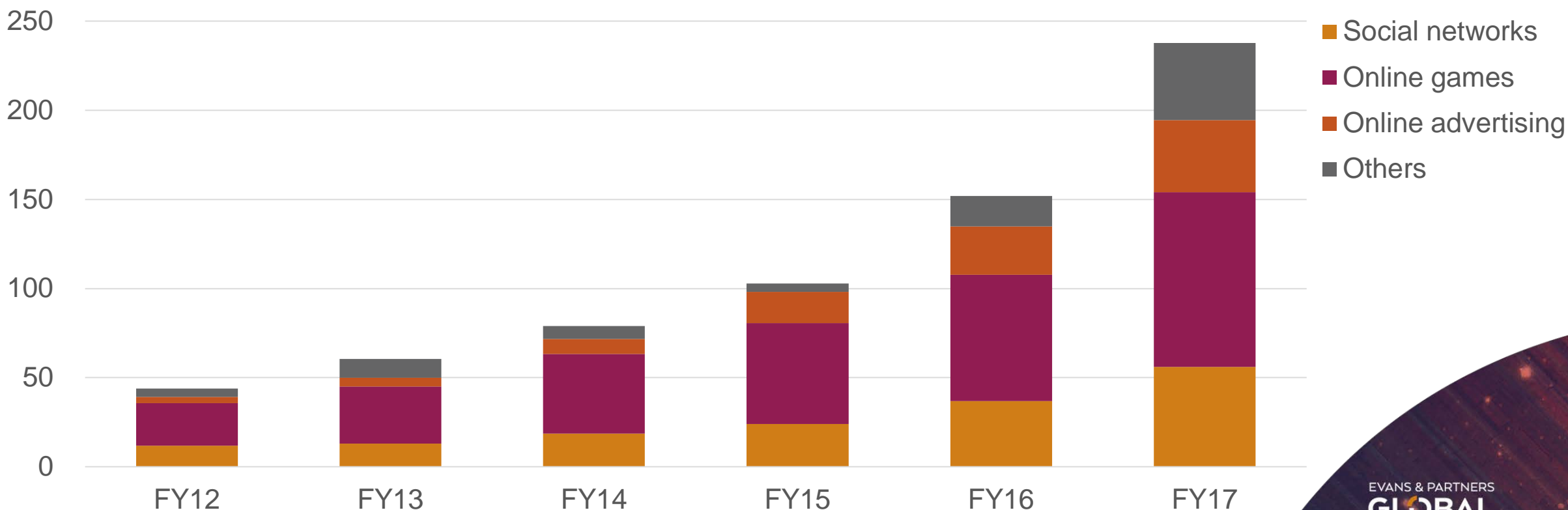
Tencent – Owns the leading Social Network in China. Drives both advertising and subscription services

Number of Monthly Active Users (MAUs) across social media platforms



Tencent – Largest digital gaming company globally, largest social network in China, disrupting in FinTech

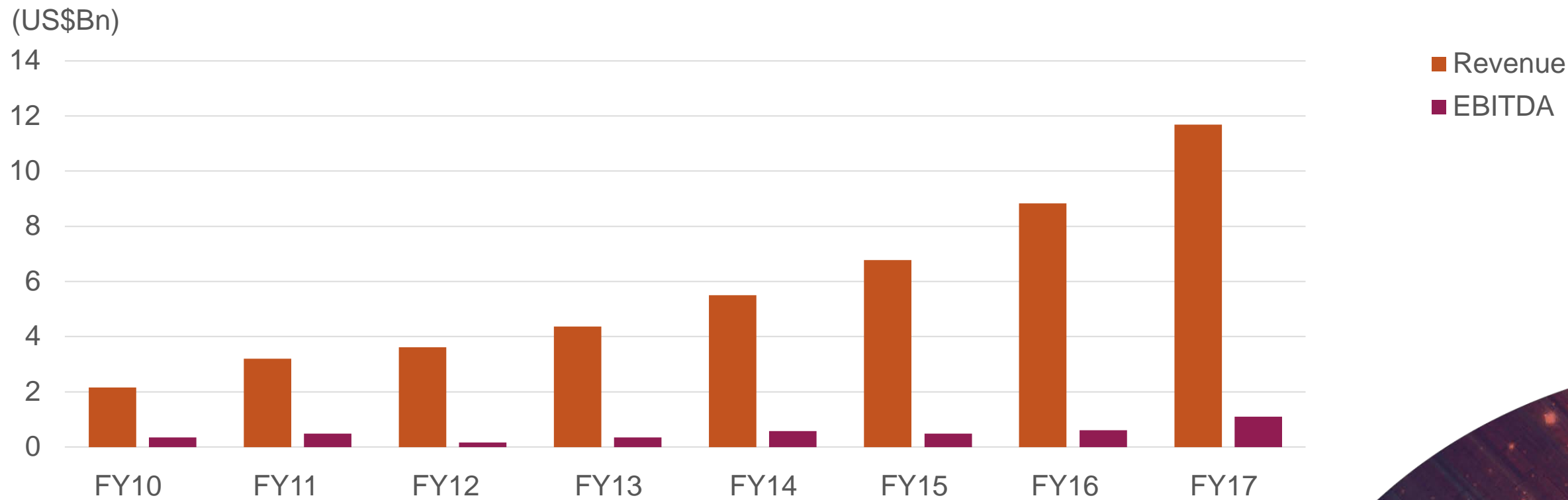
Revenue (Renimbi Bn)



Source: FactSet and Investment Manager

Past performance is not a reliable indicator of future performance

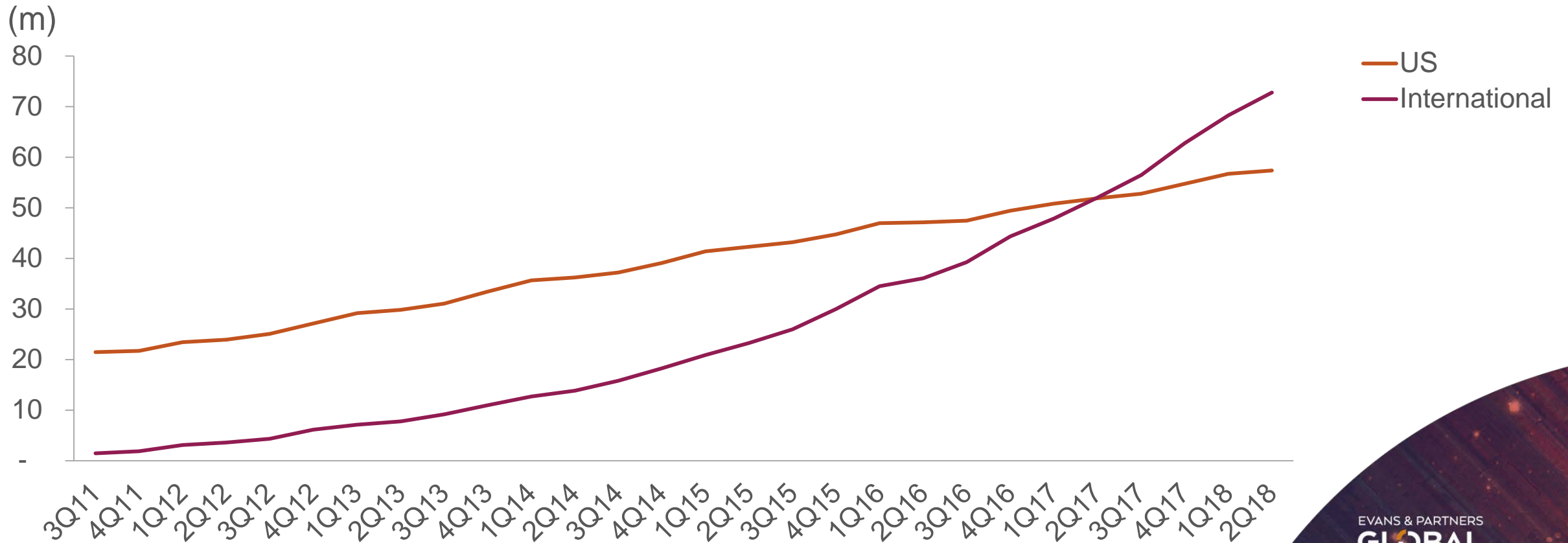
Netflix – Priority is growing subscribers and revenue, profit remains secondary



Source: FactSet and Investment Manager
Past performance is not a reliable indicator of future performance

Netflix – Significant global opportunity for internet TV

NFLX current subscriber base exceeds 130m



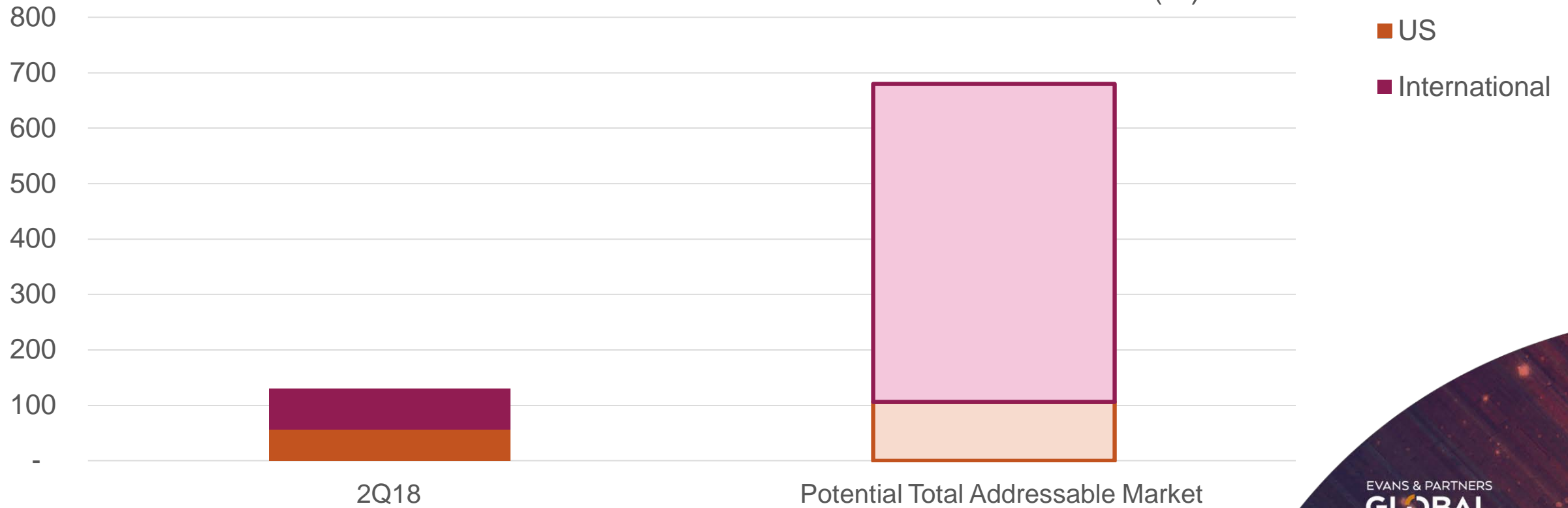
Source: FactSet and Investment Manager

Past performance is not a reliable indicator of future performance

Netflix – Significant global opportunity for internet TV

Netflix investing \$8bn into content to drive user engagement, create pricing power and grow the international subscriber base

NFLX Potential Subscriber Total Addressable Market (m)



Source: FactSet and Investment Manager

Past performance is not a reliable indicator of future performance

Potential Total Addressable Market calculated by estimating households with broadband in 2020 with sufficient download speeds

4 Key issues

Highlights from US trips - June & September 2018

Feedback from 50+ recent meetings in the US

Tech continues to take share in a strong economy

Rising investment is accelerating disruption across all industries. Companies increasingly disrupting adjacent industries

Shift to Cloud is accelerating with AWS the runaway leader

Artificial intelligence and data centric strategies reshaping industries

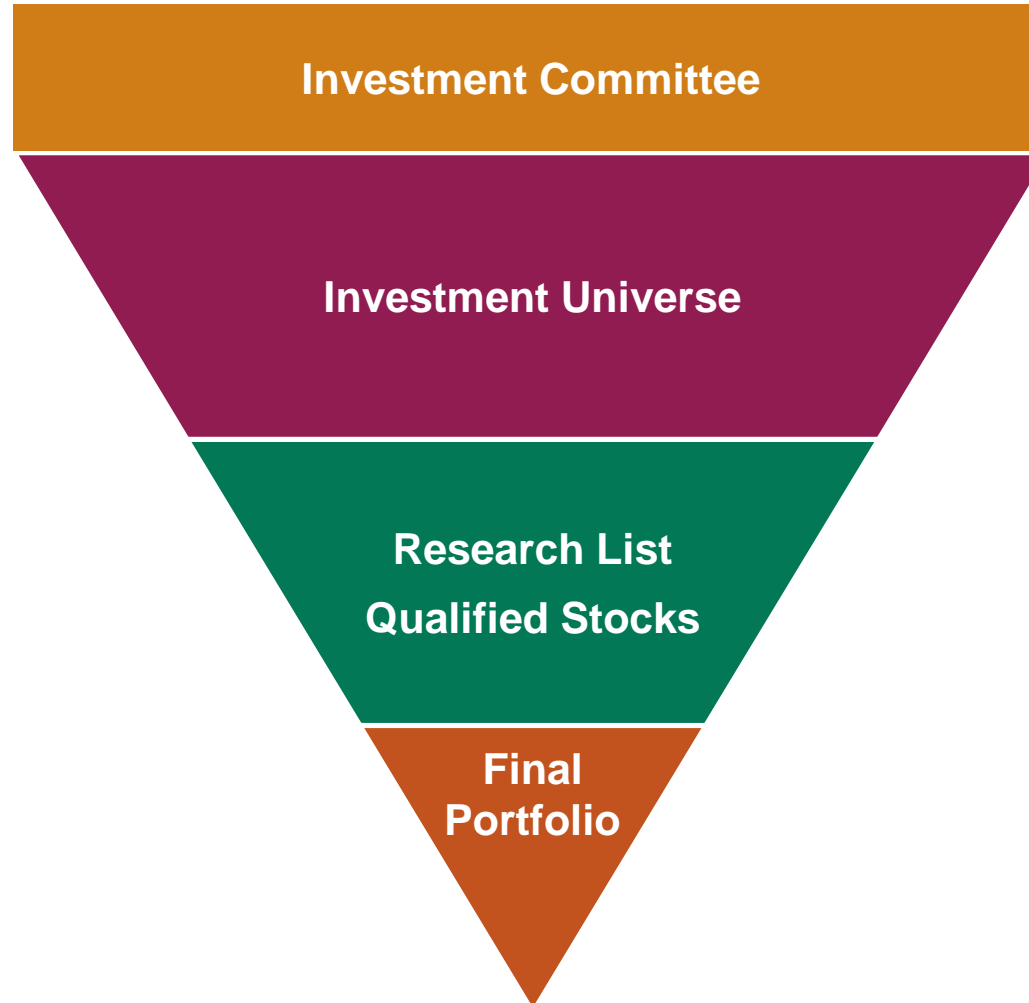
Regulation is front of mind. Social media under most scrutiny

5 Investment process

Portfolio investment process, quantitative

Quantitative metrics used:

EBITDA
P/E
EV/EBITDA
EV/FCF
EV/Sales
Sales (Growth)
EPS
FCF
ND/EBITDA



Number of stocks:

80

30-40

15-20

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Portfolio investment process, qualitative factors

Companies are assessed against key criteria which may include ...

1. Competitive advantage and meaningful barriers to entry
2. Growth potential
3. Management team capability and depth
4. Corporate strategy
5. Balance sheet strength and cash flow generation capacity
6. Attractive valuations relative to price



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