

Orca Global Disruption Fund January 2024 Monthly



FUND PERFORMANCE¹

Fund performance	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.)
Orca Global Disruption Fund	8.7%	24.0%	14.7%	50.7%	1.6%	13.0%	13.7%
MSCI AC World Index (Net, AUD)	4.2%	10.7%	6.1%	22.6%	11.5%	12.3%	11.8%
Excess Return	4.5%	13.3%	8.6%	28.1%	-9.9%	0.7%	1.9%

Notes: Data as at 31 January 2024 unless stated. Unit price (exit) at 31 January 2024: \$2.9628. Fund size: \$166.4 million. Numbers may not sum due to rounding. Past performance is not indicative of future performance. Benchmark is for comparison purposes only, see Disclaimer for further information.

FUND UPDATE

The Orca Global Disruption Fund (Fund) returned +8.7% in AUD terms, compared to the broader MSCI AC World Index (Index) +4.2% (+1.5% in USD). Since inception, the Fund has returned +13.7% p.a. compared to the market +11.8% p.a.

US equity market strength continued into the new year, with the S&P 500 Index posting new highs for the first time since early 2022. Market expectations of a soft-landing continued with December core CPI (+3.9%) reported in line with expectations, while 4Q GDP (+3.3%) data beat expectations supporting a continued view of economic resilience and a “solid” consumer. However, early 2024 rate cut expectations that had firmed strongly towards the end of 2023 were pared back as Chairman Powell talked down the prospect of a reduction as soon as March. Reporting season commenced, with overall positive results from holdings in the Fund reporting so far.

The Fund’s top contributors for the month were **Nvidia (+28.2%)**, **ASML (+18.6%)** and **Microsoft (+9.1%)**. Positions that detracted from returns included **IQVIA (-7.1%)**, **Tesla (-22.2%)** and **Block (-13.3%)**.

While **Nvidia (+28.2%)** is yet to report its results, the share price was supported by: (1) management commentary reiterating that it believes growth will continue beyond 2024 and into 2025; (2) increasing capex outlooks from key customers, including Microsoft and Google (and Meta and Amazon in February) as they invest into AI infrastructure; and (3) commentary from TSMC (who manufactures Nvidia’s chips) that AI demand continues to be strong.

ASML (+18.6%) delivered a strong December quarter result, with revenues growing +13% (5% ahead of market consensus expectations) and EPS also +13% (9% ahead). Consistent with prior guidance, ASML expects 2024 to be a transition year, with flat

revenue growth and lower gross margins, as they introduce their latest and most advanced EUV machines and ramp up capacity. What surprised the market was record level of bookings (€9.2bn, including €5.6bn for EUV lithography tools) which is supportive of ASML’s expectations of a strong growth year in 2025. These orders were underpinned by: (1) recovery in the semiconductor industry, which appears to be working through the bottom of a cycle; (2) several new fabs (fabrication facilities) opening in 2025/2026 (e.g. TSMC/Intel); and (3) upside on advanced memory orders to support AI related demand.

Microsoft (+9.1%) reported a strong December result with revenues growing +18% and EPS +33%, both ahead of market expectations. Microsoft’s cloud revenues from Azure remained strong, growing +28%, with a 6% contribution from AI workloads, stabilization in optimization headwinds and new workloads strengthening. While early, M365 Co-pilot adoption has proven faster than E3 or E5 tiers, with users seeing significant productivity gains. Management expects: (1) March quarter revenue growth of +14-15%; and (2) operating margin guidance for FY24 to increase +1-2% (previously flat) despite headwinds from the Activision acquisition and rising capex investments to support Generative AI.

Tesla (-22.2%) delivered a soft quarterly result, below expectations, with revenue growth of +3% and operating margins of 8.2%. Automotive deliveries grew +20% to 484.5k with revenues +1% as price cuts flowed through, while gross margins (ex-credits) improved sequentially to 17.2% (from 16.3% in the Sept quarter). Tesla expects growth for FY24 to moderate further from FY23 (deliveries +38%) before the release of its lower cost next generation platform slated for late 2025.

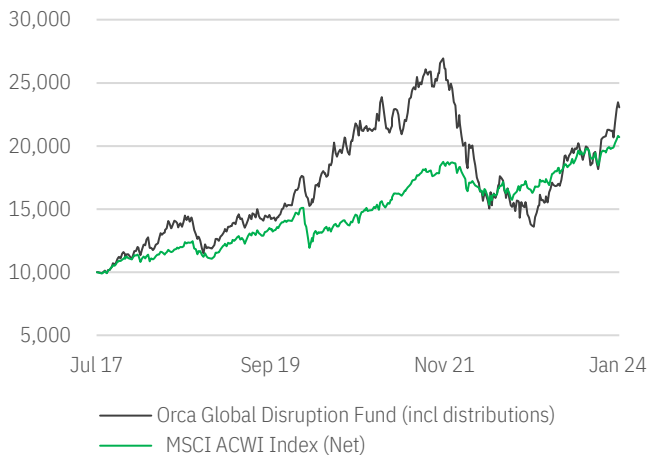
Other strong December quarter results from Fund holdings included **ServiceNow (+11.8%)** which delivered revenue growth of +26%

1. All returns are total returns, inclusive of reinvested distributions and net of fees and costs using net asset value per unit from inception to, and including, 31 January 2021 and exit unit price from this date. Past performance is not a reliable indicator of future performance. Inception 25 July 2017.

while operating margins of 29.4% expanded +140 basis points (bp), reflecting cost discipline and sales efficiency. Management highlighted strong Generative AI momentum with take-up of its new Pro Plus product tier stronger than any previous product launch. ServiceNow also saw strong large deal momentum (customers paying >\$1m ACV grew +15% and large logo growth accelerated) including an eight-figure net new ACV deal with a large financial services company. Management raised FY24 revenue guidance to \$10.57bn (22% growth, previously \$10.4bn) while also raising operating margin targets +100 bp to 29%.

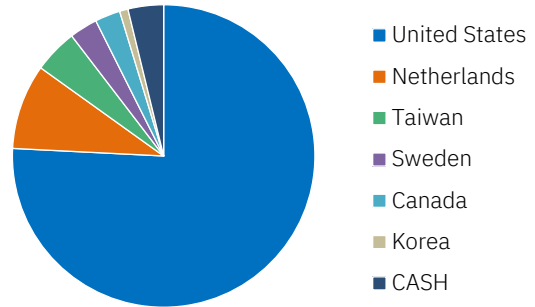
TSMC (+12.1%) also reported a December quarter result with flat revenue growth and EPS -19%, both ahead of market expectations for the quarter. Guidance for FY24 revenues to grow in the low-to-mid 20 percentage points range was well ahead of expectations, reflecting the beginning of cyclical growth upturn for the semiconductor industry, with a recovery in the smartphone and PC markets, while AI adoption continues to accelerate. TSMC reiterated its expectations for revenues to grow +15-20% CAGR in the following years.

FUND PERFORMANCE¹



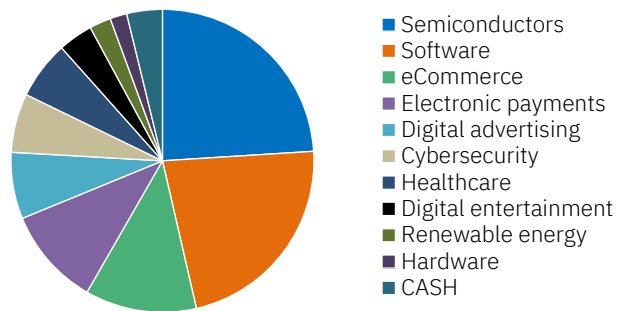
Past performance is not a reliable indicator of future performance. Inception 25 July 2017. Benchmark is for comparison purposes only, see Disclaimer for further information.

GEOGRAPHIC EXPOSURE



Source: Bloomberg, Country of Domicile

THEMATIC EXPOSURE



Source: Investment Manager, Bloomberg

TOP 10 FUND HOLDINGS AS AT 31 JANUARY 2024

NAME	SECTOR
Alphabet Inc	Digital advertising
Amazon.com Inc	eCommerce
ASML Holding	Semiconductors
Intuitive Surgical	Healthcare
Mastercard Inc	Electronic payments
Microsoft Corp	Software
NVIDIA Corp	Semiconductors
ServiceNow	Software
Spotify	Digital entertainment
TSMC	Semiconductors

This fund is appropriate for investors with a “High” risk and return profile. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a long investment timeframe. Investors should refer to the [TMD](#) for further information.

1. All returns are total returns, inclusive of reinvested distributions and net of fees and costs using net asset value per unit from inception to, and including, 31 January 2021 and exit unit price from this date. Past performance is not a reliable indicator of future performance. Inception 25 July 2017.

Orca Global Disruption Fund

TOP 10 HOLDINGS AS AT 31 JANUARY 2024



Alphabet – key products include Google, Android, Maps, Chrome, YouTube and Google Play which all have over 1 billion active users. The core product is Search where the company is the clear market leader with an estimated desktop search market share of 80% – more than 10x its closest peer. The company is owner-managed and controlled through its founders Larry Page and Sergey Brin and currently operates in more than 40 countries worldwide.



Amazon – is the global leader in internet retail and cloud based computing. From its listing in 1997 as primarily an online book retailer, Amazon has now expanded its offering to most areas of consumer merchandise, whilst also developing market leading cloud computing services. It has a relentless focus on low cost operations, constant reinvestment and customer service. The company is owner-managed and controlled by its founder Jeff Bezos.



ASML – is a leading global specialist semiconductor company focused on the development and production of advanced semiconductor manufacturing equipment and lithography related systems. The equipment produced by ASML is used by global foundries and semiconductor companies that produce memory and logic chips. Major customers include: Taiwan Semiconductor (TSMC), Samsung and Intel. ASML is dominant in market share and is the sole provider of next generation semiconductor manufacturing equipment known as EUV. The company was founded in 1984 and is based in the Netherlands.



Intuitive Surgical – is a pioneer in robotically assisted surgery, creating and commercialising the surgical robot market. Intuitive designs, manufactures, and markets da Vinci Surgical Systems and related instruments and accessories. Intuitive operates in 67 countries, with 7000+ systems currently in place and more than 11 million procedures performed worldwide since inception. Intuitive faces little or no competition in its markets with competitors lagging in development of their products. The da Vinci system is installed in almost every major surgical teaching hospital across the US with junior surgical doctors trained on the da Vinci. This increases the stickiness of Intuitive’s product offering which would be difficult to match.



Mastercard, Inc – Mastercard is a global technology company in the payments industry. The company’s mission is to connect and power an inclusive, digital economy that benefits everyone, everywhere by making transactions safe, simple, smart, and accessible. The firm connects consumers, financial institutions, merchants, governments and business across more than 210 countries and territories. The company was founded in November 1966 and is headquartered in Purchase, NY.



Microsoft Corporation – is a multinational technology company that manufactures, licenses, supports and sells computer software, personal computers, consumer electronics and services. The Company’s main segments include Intelligent Cloud, More Personal Computing, Productivity and Business Process. Its products include cross device productivity applications, server applications, business solution applications, desktop and server management tools, software development-tools, video games, and training and certification of computer system integrators and developers. The Company also designs, manufactures and sells devices including personal computers, tablets, gaming and entertainment consoles, and other intelligent devices that integrate with its cloud-based offerings.



NVIDIA – is the pioneer of GPU (Graphics Processing Unit) accelerated computing. The company specialises in products and platforms for the large, growing markets of gaming, professional visualization, data centres, and automotive. The company’s pioneering work in accelerated computing and AI is reshaping trillion-dollar industries, such as transportation, healthcare and manufacturing, and fuelling the growth of many others. Nvidia was founded in 1993 by Jensen Huang (the current CEO), Chris Malachosky and Curtis Priem.



ServiceNow – provides cloud-based software solutions enabling enterprises to define, structure, manage and automate services. ServiceNow’s core products provide workflow tools for IT departments enabling the delivery of service management applications. The company also offers software solutions catering to other enterprise functions including customer service, human resources and security operations. All products are built on a single platform providing flexibility for user customisation, and are delivered over the internet, enabling simple configuration and rapid deployment. The company was founded in 2004 and has headquarters in Santa Clara, California.



Spotify - Spotify’s mission is to unlock the potential of human creativity by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it. Spotify’s platform revolutionised music listening forever when it launched in 2008. Spotify’s move into podcasting brought innovation and a new generation of listeners to the medium, and in 2022 it entered the next audio market with the addition of audiobooks. Today, Spotify has 100 million tracks, 5 million podcasts titles, and 350,000 audiobooks. It is the world’s most popular audio streaming subscription service with more than 574 million users, including 226 million subscribers in 184 markets. The company was founded by Daniel Ek and Martin Lorentzon in April 2006 and is headquartered in Luxembourg.



Taiwan Semiconductor Manufacturing Co (TSMC) – is the largest dedicated global foundry for the manufacture of semiconductor chips. TSMC produces chips for a wide range of uses including data centres, networking equipment, smartphones, tablets, PCs and gaming consoles. TSMC has a broad customer base of major hardware and fabless semiconductor companies including Apple, Qualcomm, Nvidia, AMD, MediaTek and HiSilicon (Huawei). The company is leveraged to chip demand from emerging themes such as 5G, IoT and artificial intelligence. TSMC was founded in 1987 and is based in Hsinchu, Taiwan.

Signatory of:



Disclaimer

This report has been prepared and issued by Orca Funds Management Pty Limited (Investment Manager) (ACN 619 080 045, CAR No. 1255264), as investment manager for Orca Global Disruption Fund (ARSN 619 350 042). The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235150) is the Responsible Entity of the Fund. It is general information only and is not intended to provide you with financial advice, and has been prepared without taking into account your objectives, financial situation or needs. You should consider the product disclosure statement (PDS), prior to making any investment decisions. The PDS and target market determination (TMD) can be obtained by calling 1300 732 541 or visiting our website orcalfunds.com.au. If you require financial advice that takes into account your personal objectives, financial situation or needs, you should consult your licensed or authorised financial adviser. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Total returns shown for the Orca Global Disruption Fund have been calculated using exit prices, and prior to 31 January 2021 Net Asset Value per Unit, after taking into account all ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is not indicative of future performance.

This report may contain statements, opinions, projections, forecasts and other material (forward-looking statements), based on various assumptions. Those assumptions may or may not prove to be correct. The Responsible Entity, Investment Manager and its advisers (including all of their respective directors, consultants and/or employees, related bodies corporate and the directors, shareholders, managers, employees or agents of them) (Parties) do not make 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. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and the Parties assume no obligation to update that information. The Parties give no warranty, representation or guarantee as to the accuracy, completeness or reliability of the information contained in this report. The Parties do not accept, except to the extent permitted by law, responsibility for any loss, claim, damages, costs or expenses arising out of, or in connection with, the information contained in this report. Any recipient of this report should independently satisfy themselves as to the accuracy of all information contained in this report.

This document is not a product of E&P Research (“E&P Research” is a registered business name of E&P Financial Group Limited) and is not intended to be a research report (as defined in ASIC Regulatory Guides 79 and 264). Unless otherwise indicated, all views expressed herein are the views of the author and may differ from or conflict with those of others within the group. The views expressed herein should be considered as part of a wider portfolio investment strategy applicable to the relevant fund and should not be considered in isolation or relied on to make an investment decision without seeking further information and/or advice from a financial adviser.

MSCI All Countries World Index (AUD) source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

Orca Funds Management Ptd Ltd is a wholly owned subsidiary of E&P Financial Group Limited (ABN 54 609 913 457), a signatory to the United Nations Principles for Responsible Investment (UNPRI) and a member of the Responsible Investment Association Australasia (RIAA).

Benchmark selection

The Orca Global Disruption Fund is designed in a benchmark unaware manner. The Investment Manager believes the MSCI ACWI index is appropriate for comparison purposes given the Fund invests in companies across a range of industries including technology, renewable energy, consumer, communication services and healthcare. The risk/return profiles of the Fund and benchmark differ due to differences in the constituents of each. The Fund's objective is to provide investors with capital growth over the long-term through exposure to companies that benefit from disruptive innovation – in or from any industry/sector, including emerging market listed investments.