

Orca Global Disruption Fund March 2023 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	9.8%	24.9%	12.6%	-14.4%	2.7%	7.5%	9.9%
MSCI ACWI Index (Net, AUD)	3.9%	9.2%	13.1%	3.6%	11.8%	9.9%	10.7%
Excess Return	5.9%	15.7%	-0.5%	-18.0%	-9.2%	-2.5%	-0.8%

Notes: Data as at 31 March 2023 unless stated. Unit price (exit) at 31 March 2023: \$2.1960. Fund size: \$147.8 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 +9.8%¹ in AUD terms (+8.9% in USD), compared to the broader MSCI AC World Index +3.9% (+3.2% in USD). Since inception the Fund has returned +9.9% p.a.¹ compared to the broader market return of +10.7% p.a.

Equity markets rose in March despite mid-month volatility and a rapidly evolving banking crisis. News that Silicon Valley Bank (SVB) had sold fixed income assets at a loss to shore up its balance sheet triggered a run on bank deposits and was the first of several banks to be shut down by regulators. To mitigate contagion fears, the US Federal Reserve (Fed), Federal Deposit Insurance Corporation (FDIC) and Treasury announced the backstopping of all depositors, although concerns over banking sector stability remained elevated. Post SVB, the market recalibrated expectations for terminal rates, anticipating tighter lending conditions would reduce the need for further hikes. While the Fed hiked rates a further 25bps as expected, the market lowered peak rate expectations to 5.00 – 5.25% (was 5.25 – 5.50%), pricing in rate cuts in 2H23 despite Powell reiterating the Fed does not share this view.

Overall, we were pleased with the December 2022 quarter reporting season for the Fund. We note:

1. 88% of Fund companies beat or met market revenue expectations (based on Bloomberg consensus) and 75% beat or met earnings expectations.
2. Despite the macro noise and market pessimism, the underlying holdings of the Fund delivered strong revenue growth of +21% in constant currency terms (+22% in prior quarter).
3. Cost control efforts intensified with strong execution on margin improvement (with still some work to do).

4. While there are some near term macro pressures in areas such as digital advertising and cloud computing, disruption thematics remain intact with cybersecurity a clear standout. Artificial Intelligence (AI) is emerging as a dominant thematic that could drive a step change in demand across a number of segments (e.g. semiconductors, cloud computing).

The Fund's best contributors for the month were **Microsoft (+16.4%)**, **Alphabet (+16.0%)** and **Nvidia (+20.5%)**. Weaker contributors were **Snowflake (+0.6%)**, **Iqvia (-3.9%)** and **Block (-9.9%)**.

Both Microsoft (+16.4%) and Alphabet (+16.0%) benefited from a rotation to safety during the market volatility given the resilience of their businesses, strong balance sheets and exposure to AI.

Nvidia (+20.5%) held its GTC (GPU Technology conference) which reinforced its unique longer-term opportunity in generative AI, while also indicating in the near term that hyperscale customer demand for the latest H100 GPU chips had strengthened since the company's earnings in February. Newer products are set to ramp in 2H23 including Grace (CPU), Grace Hopper (CPU/GPU) and Bluefield 3 (DPU) chips, while multiple new inference platforms were also announced. Nvidia's CUDA software ecosystem remains a competitive moat with updates to >100 accelerated libraries this year for developers. Nvidia's Omniverse platform is also gaining traction with applications including factory automation, warehousing and logistics, and digital twins.

Block (-9.9%) came under pressure following release of a report from a short seller alleging inflated user metrics for peer-to-peer Cash App, lax procedures regarding user verification and facilitation of fraudulent activity on the platform. Block's subsequent response highlighted: (1) that of 51m reported active users on its platform, the

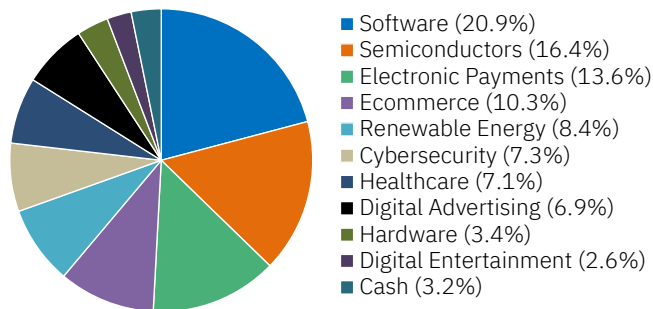
1. All returns are total returns, inclusive of reinvested distributions and net of fees and costs using net asset value per unit from inception to, and including, 31 January 2021 and exit unit price from this date. Past performance is not a reliable indicator of future performance. Inception 25 July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

FUND UPDATE (continued)

majority (44m) had been verified via internal verification measures with 39m identified as unique users by social security number; and (2) 97% of Cash App inflows in Dec-22 came from verified accounts. In regard to fraud and illicit activity, 2.4% of Cash App actives were placed on a denylist (where users are prevented from utilizing many capabilities on the platform) in 2022 with additional controls in place to restrict known bad actors from returning to the platform – we note that this not dissimilar to other payment platforms. Furthermore, Block indicated that its investments into compliance had grown 2x the rate of gross profit growth, implying compliance spend has approximately doubled annually in the past 3 years. While we will continue to monitor Block’s progress, we believe that: (1) the company’s response addresses many of the issues highlighted in the short report; and (2) it does not change the long-term investment case.

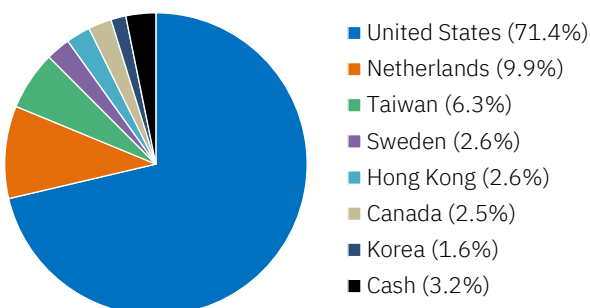
Reporting season concluded for the Fund, with a strong fourth quarter result from cloud-based cybersecurity company **CrowdStrike (+14.5%)**. CrowdStrike delivered revenue growth of +48%, operating income +19% and free cash flow margins of 33% all ahead of market expectations. Net new recurring revenue came in well above market expectations, marking a strong turnaround from the September quarter. Customer growth +41% was strong (now >23,000 customers) driven by enterprise, non-enterprise and public sector wins while net revenue retention rates remained solid (>125%) as customers increasingly adopt multiple security modules. CrowdStrike’s competitive positioning remains strong with continued share gains ahead of rivals in the core endpoint market, while the pricing environment has remained consistent despite current macro conditions.

THEMATIC EXPOSURE



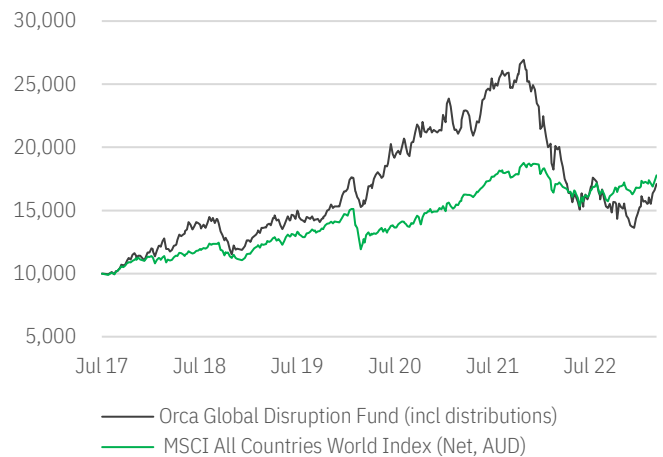
Source: Investment Manager, Bloomberg

GEOGRAPHIC EXPOSURE



Source: Bloomberg, Country of Domicile

FUND PERFORMANCE¹



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TOP 10 FUND HOLDINGS AS AT 31 MARCH 2023

NAME	SECTOR
Adyen	Electronic payments
Alphabet Inc	Digital advertising
Amazon.com Inc	eCommerce
ASML Holding	Semiconductors
Mastercard Inc	Electronic payments
Microsoft Corp	Software
NVIDIA Corp	Semiconductors
Palo Alto Networks	Cybersecurity
ServiceNow	Software
TSMC	Semiconductors

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

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Orca Global Disruption Fund



Adyen – is a payments platform business. Adyen’s products include online payments, point of sale, marketplaces, and unified commerce. The company was founded by Pieter van der Does and Arnout Schuijff in 2006 and is headquartered in Amsterdam, Netherlands.



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.



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.



Palo Alto Networks, Inc. – is a leading cybersecurity company providing both hardware and software solutions to customers. Palo Alto has transitioned from a cyclical product focused business to a recurring revenue model with next generation cybersecurity subscription offerings spanning network security, cloud security and security operations, complementing its core firewall business. The company was founded by Nir Zuk in March 2005 and is currently led by CEO Nikesh Arora with headquarters in Santa Clara, California.



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.



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

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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.