Orca Global Disruption Fund September 2023 Quarterly

ORCA GLOBAL DISRUPTION FUND

FUND PERFORMANCE[1]

Fund performance	3 Months	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception(p.a.)
Orca Global Disruption Fund	-6.0%	8.9%	22.6%	-3.1%	5.4%	10.6%
MSCI ACWI Index (Net, AUD)	0.0%	6.7%	20.6%	10.8%	9.0%	10.9%
Excess Return	-6.0%	2.2%	2.0%	-13.9%	-3.6%	-0.3%

Notes: Data as at 30 September 2023 unless stated. Unit price (exit) at 30 September 2023: $2.3916. Fund size: $142.6 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

MARKET COMMENTARY

Global equities finished flat for the September quarter with the market declining -3.4% (in USD terms) offset by a weakening Australian dollar (AUD) which fell -3.4% against the US$.

Following a strong June half, US markets weakened in the September quarter with the S&P500 falling -3.4% (in USD) and the Nasdaq -3.9% (in USD). Market optimism faded during the quarter, with expectations shifting from of a soft-landing and near peak rates, combined with potential for an easing cycle commencing early 2024 towards a view that interest rates would remain higher for longer. September's US Federal Reserve (Fed) meeting minutes revealed voting members now expect a further 25 basis points (bp) hike in 2023, while also paring expectations for rate cuts in 2024 to 50 bp, down from 100 bp. Inflation trends rose in August (+3.7%) but remain on a downward trend. US 10-year Treasury yields rose from 3.8% to 4.6% which provided a challenging backdrop for growth and technology stocks.

Asia (ex-Japan) markets were under pressure in local currency terms on investor concerns about the Chinese economy slowing and weaker outlook for global growth. The Hang Seng Index (-0.7%), South Korea (-2.1%) and Taiwan (-1.4%) markets all declined. Weakness in Chinese property developers was a key overhang in the region with debt issues driving concern around the potential for a broader financial crisis to develop, while markets also worried about the potential for China to deliver sufficient stimulus to accelerate growth.

European equity markets declined by -1.7% with concerns over economic growth following the tightening cycle. Signs emerged of moderating inflation in September with consumer prices rising +4.3% down from +5.2% in August, marking the lowest level since Oct-21. Consumer Discretionary and IT sectors were particularly weak given interest rate headwinds, while the Energy sector was the main outperformer given higher oil prices. UK equities rose modestly (+0.7%), led by Energy and Materials sectors.

Growth (MSCI World Growth Index -1.5%) underperformed against Value (MSCI World Value Index +1.8%) as bond yields rose, driven by the higher-for-longer backdrop impacting longer duration assets. From a sector perspective Energy (+15.2%) was the standout on higher oil prices, while Communication Services (+4.1%), Financials (+2.8%) and Healthcare (+0.7%) also outperformed. Materials (-0.2%), Consumer Discretionary (-1.4%), IT (-2.8%), Consumer Staples (-2.8%) and Utilities (-5.0%) all underperformed the broader global index.

FUND UPDATE

For the September quarter, the Orca Global Disruption Fund (Fund) returned -6.0%, compared with the MSCI All Countries World Index (Index) which was flat for the quarter. For the calendar year to date, the Fund is up +36.0% vs the Index +22.7%. Since inception, the Fund is up 10.6% p.a. vs the Index +10.9% p.a.

Overall, we were pleased with the operating performance of portfolio companies with the majority of September quarterly results meeting or ahead of market expectations. For the quarter, the portfolio companies delivered an average of +23% revenue growth (largely in line with prior quarters) with continued progress on cost control and rising investment to support future growth in areas such as AI.

For example, all hyperscale cloud providers Amazon, Microsoft and Google indicated that they are increasing investment into AI infrastructure (we estimate Microsoft capex will increase by c.50%

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

next year) given the significant demand signals driven by an increasing number of Generative AI workloads and applications. Examples include Microsoft Copilot, Adobe Firefly, Charlotte – CrowdStrike's security assistant, ChatGPT's new voice and image capabilities, Spotify's AI voice translation for podcasts and Meta and Google's new generative AI tools for advertisers.

While very early days, we are beginning to see monetisation plans become more evident. This includes the pricing of Microsoft's 365 Copilot and Google's Duet AI (productivity AI assistant) at $30/month, Adobe raising prices and implementing a Generative AI credit system for creative cloud users, ServiceNow introducing new premium tiers including Generative AI capabilities, and CrowdStrike announcing that pricing of Charlotte, its Generative AI security assistant, would be $20 annually per endpoint. Over the coming quarters, we will be focused on commentary on customer take-up as these services and applications are made more widely available.

We remain positive on the fundamentals of the aggregate portfolio. In our view, valuations on an absolute basis and relative to the broader market are supportive following the recent sell-off given the: (1) the superior growth and profitability outlook for portfolios companies (based on consensus estimates); and (2) strong balance sheets with the vast majority of portfolio companies in a net cash position.

For the quarter the strongest contributors to performance were Alphabet (+12.8%), CrowdStrike (+17.5%) and Nvidia (+6.1%). Positions that detracted from performance included ASML (-16.2%), Block (-31.4%) and Adyen (-55.5%).

Alphabet (+12.8%) reported a better-than-expected September quarter result with revenue growth of +7% (+9% in constant currency (cc)) and operating margins for Google Services expanding +100bps to 35.4% on revenue leverage and cost discipline. Advertising revenues accelerated with Search +5% and YouTube +4% while cloud revenues were +28% with no signs of deceleration.

In our view, Alphabet is progressing well in its AI efforts: (1) Google's core search has not been losing market share with management believing there is strong potential for AI to drive the ad business and also indicating that early user feedback on its next gen Search Generative Experience has been positive; (2) Google Cloud is beginning to see benefits of increased demand for AI products; (3) at its Google Cloud Next conference, the company revealed pricing for Duet AI, Google's workspace productivity assistant which will be available for $30 per month; and (4) Google's partnership with Nvidia expanded, with Google Cloud enabling access to critical GPUs (e.g. H100) and other AI tools and services which developers can leverage in addition to Google's own hardware.

CrowdStrike (+17.5%) reported a strong third quarter result with revenue growth of +37%, operating income +78% and EPS +106%, all well ahead of market expectations. Despite some continued macro pressures, Crowdstrike's business has strong momentum driven by sustained demand for its cybersecurity products, strong competitive positioning, and continued vendor consolidation. As a result, management raised FY24 revenue guidance to +35-36% growth (was 34-35%) and operating margin expectations to 20% (was 17%).

During the quarter, the company also held its annual Fal.Con conference where management updated their longer-term revenue outlook and medium-term profitability framework. Management outlined a 5-7yr annual recurring revenue (ARR) target of $10bn (2Q24 $2.9bn) implying +20-28% CAGR. Management also upgraded its target operating model (3-5yr view) which assumes operating margins expand to 28-32% (+900 bp on prior guidance), with free-cash-flow margins 34-38% (+500 bp on prior guidance).

Nvidia (+6.1%) reported another blowout quarterly result with 2Q revenues growing +101% and EPS +429%, both well ahead of market expectations (revenues +22%, EPS +30% higher vs expectations). Datacentre revenues grew +171%, continuing to benefit from demand for Nvidia's accelerated computing platform and software (GPUs, networking infrastructure and software/managed services) which is being used to develop large language models and run generative AI applications. Nvidia's guidance for the September quarter was also well ahead of market expectations with revenues expected to grow +170% to $16bn compared with market expectations of $12.5bn. Nvidia has strong demand visibility that extends into next year and indicated its supply will continue to ramp higher over the next several quarters as supply partners (e.g. TSMC) add capacity. Nvidia is also set to benefit from a number of new products and a range of new partnerships (e.g. VMWare, Google, tec.) to drive deployment into enterprises.

Block (-31.4%) fell, despite delivering solid September quarter results (revenues +26%, gross profit +27%, EBITDA +105%) which were ahead of market expectations as result of Cash App's outperformance and cost discipline. Management expects 2H gross profit to grow at +21% and raised FY23 EBITDA guidance for the second consecutive quarter to $1.5bn (vs $1.36 previously). During September, Block faced additional volatility following: (1) an outage in the Square Seller business, causing short term customer disruption; and (2) news, Alyssa Henry, the CEO of the Square seller business had stepped down, with founder and Group CEO Jack Dorsey assuming the role.

Adyen (-55.5%) experienced a sharp drawdown after the company reported moderating revenue growth (1H23 +21% vs 2H22 +31%) and continued investment (in-line with previously articulated strategy to increase hiring) which is compressing margins in the near term. The main driver of Adyen's slowing revenue growth was a deceleration in the US market which grew at +23% down from +45% (in 2H22). While Adyen continues to win market share in the US (growing faster than the broader ecommerce market) and customer churn remains low, payment volume growth slowed from more aggressive competitor pricing and some digital customers focusing on increased near-term profitability. While the US market has become more competitive, we believe Adyen has a vast global opportunity, a strong competitive position with a differentiated platform (e.g. greater functionality, higher authorization rates, etc.) and further opportunities in areas such as unified commerce and platforms (e.g. small business). Management maintained its medium to longer-term revenue growth target of mid 20s to low 30s (%) growth and longer-term EBITDA margin guidance of mid 60's (%).

ASML (-16.2%) declined despite reporting a better-than-expected June quarter result (revenue growth of +27% and EPS +39%) while also raising full year guidance. Although ASML reiterated its long term FY25 to FY30 guidance, the company indicated that visibility on FY24 is a little uncertain. While it expects another growth year underpinned by a €38 billion order backlog, EUV (extreme ultraviolet) demand could be shifted into FY25 given macro uncertainty and delays in readiness of new US facilities due to construction skill shortages. The market also appears concerned on the potential for further restrictions on exports to China.

FUND CHANGES

Adobe, the leading creative, marketing and productivity platform was reintroduced to the Fund during September. In our view, Adobe will be a key beneficiary of generative AI and is executing well on product innovation, with the launch of its text-to-image generation and editing platform Firefly, with native GenAI integrations into Creative Cloud, Adobe Express and Adobe Experience Cloud. Adobe also owns the rights to images used to generate assets, with Adobe Stock's library containing >200m images. Management announced the beta trials for Firefly had resulted in the generation of >2bn images with price rises for Creative Cloud plans coming into effect from November to allow general access to Adobe's generative AI tools.

During the quarter we exited positions in **Salesforce**, **Illumina** and **Techtronic**.

While **Salesforce** remains a leader in CRM software, we believe: (1) its growth profile has become less favourable compared with alternative investments; and (2) while management is executing well on driving margin improvement, we believe this has been priced into the stock's valuation and could come at the expense of growth in the future.

We sold our position in **Illumina** due to: (1) slowdown in the core gene sequencing business; (2) ongoing legislative risks around the company's acquisition of liquid biopsy company GRAIL without regulatory approval; and (3) leadership vacuum after resignation of the CEO, Chief Medical Officer and Chief Technology Officer in the midst of ongoing activist push from Carl Icahn.

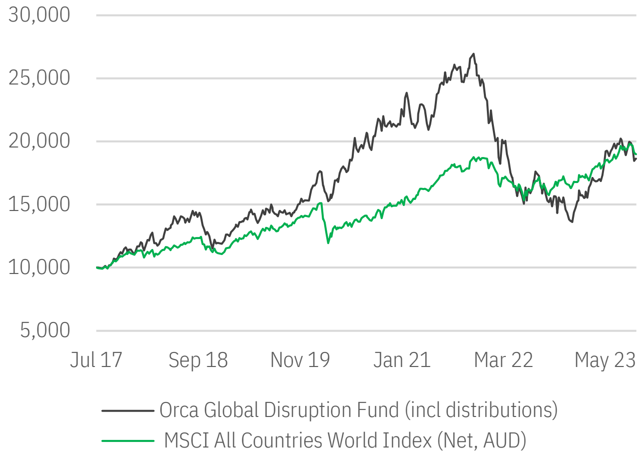
We exited our position in battery power tool maker **Techtronic** following a disappointing 1H23 result due to lower demand because of ongoing slowdown in home improvement and commercial infrastructure development. While we believe the company is well placed to benefit from the shift to battery powered and clean energy tools, Techtronic downgraded its medium-term revenue growth guidance for its flagship brand, Milwaukee, from +20% per year to 9-12%. Given this, we believe there are more attractive growth opportunities elsewhere.

TOP 10 FUND HOLDINGS - 30 SEPTEMBER 2023

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

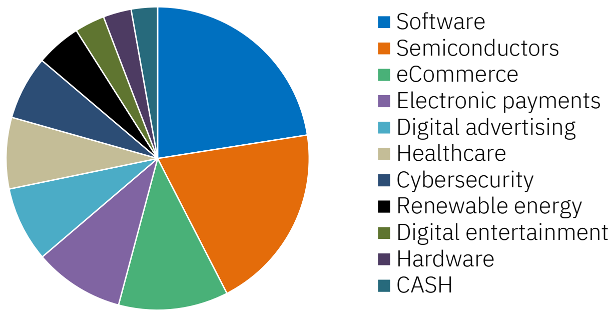
Source: Investment Manager

FUND PERFORMANCE[1]



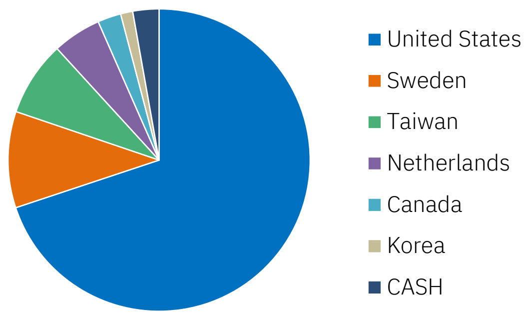
Source: Bloomberg, Investment Manager. Past performance is not a reliable indicator of future performance. Inception 25 July 2017. Benchmark is for comparison purposes only, see Disclaimer for further information.

THEMATIC EXPOSURE



Source: Investment Manager, Bloomberg

GEOGRAPHIC EXPOSURE



Source: Bloomberg, Country of Domicile

This fund is appropriate for investors with "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.

Orca Global Disruption Fund

TOP 10 HOLDINGS AS AT 30 SEPTEMBER 2023

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.

Crowdstrike – is a leading cloud based cybersecurity software company. Through collection and AI driven analysis of security data from millions of global endpoints, CrowdStrike aims to detect and prevent potential breaches with its proprietary threat graph technology. CrowdStrikeâ€™s Falcon platform offers customer 22 separate modules spanning corporate endpoint security, cloud security, managed security services, security and IT operations, threat intelligence, identity protection and log management. CrowdStrike was co-founded by CEO George Kurtz, Gregg Marston and Dmitri Alperovitch in 2011 and is based in Austin, Texas.

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.

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.

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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.