Orca Global Disruption Fund December 2024 Quarterly

FUND PERFORMANCE[1]

Fund Performance	3 Months	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	7 Years (p.a.)	Since Inception (p.a.)
Orca Global Disruption Fund	15.5%	13.9%	49.8%	9.0%	15.7%	16.3%	16.8%
MSCI AC World Index (Net) in AUD	10.9%	13.9%	30.0%	11.4%	12.9%	12.9%	13.6%
Excess Return	4.6%	0.0%	19.7%	-2.4%	2.8%	3.4%	3.2%

Notes: Data as at 31 December 2024 unless stated. Loftus Peak Pty Limited replaced Orca Funds Management as the Investment Manager of the Orca Global Disruption Fund on 1 March 2024. Unit price (exit) at 31 December 2024: $3.4553. Fund size: $181.3 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. The data source for the Fund's benchmark was changed from Bloomberg to MSCI effective 29 February 2024. All data prior to this date remains unchanged.

MARKET COMMENTARY

For the December quarter, the Orca Global Disruption Fund (Fund) returned +15.5%, compared with the MSCI All Countries World Index (Net) in AUD (Index) which returned +10.9%. Since inception, the Fund is up +16.8% p.a. vs the Index +13.6% p.a.

The share market was pushed higher by:

(1) Positive market reaction to the election of Donald Trump

(2) Broadly positive reporting season

(3) Continued positive trends in Artificial Intelligence (AI), particularly increased credibility of the use of custom silicon chips.

FUND UPDATE

For the quarter, the strongest contributors to performance were **Taiwan Semiconductor Manufacturing Company (TSMC)** (+27.8%), **Netflix** (+40.8%) and **Amazon** (+31.9%). Holdings that underperformed were **Advanced Micro Devices (AMD)** (-17.5%), **Uber** (-10.0%) and **NXP Semiconductor** (-4.4%).

During the quarter, there was heightened interest in application specific integrated circuits (ASICs) designed to power AI workloads. ASICs are chips designed for a single specific function-set or workload. ASICs cannot be repurposed beyond their intended use but are more cost-effective at scale than the more flexible GPUs designed by the likes of Nvidia.

Broadcom (+51.0%) was the fourth largest contributor for the quarter and is the principal beneficiary of this shift to ASIC's. During its fourth quarter earnings call, the company highlighted its significant AI revenue potential with expectations to produce three 1 million accelerator clusters by 2027 for a serviceable addressable market of US$ 60 - US$ 90 billion. This does not include the clusters of other customers and revenue of its increasingly important networking hardware.

TSMC is also a key beneficiary of these trends given its technology lead that means it is the only company capable of fabricating these advanced AI chips at scale. Both Nvidia and Broadcom are key customers of TSMC.

Netflix and Amazon were our second and third largest contributors for the quarter respectively, both performing well following strong earnings results that were ahead of market expectations.

AMD was the largest detractor from the Fund as a result of: (1) an increasing competitive threat to its GPU business from the ASICs (as described above); (2) while AMD reported a solid September quarter result, its investments to compete with Nvidia in its GPU business is resulting in lower-than-expected margins.

Uber fell amidst fears of how the company will be impacted by autonomous driving. Specifically, investors fear that fleets of autonomous vehicles will operate on their own platforms independently of Uber. The bearish thesis was supported by Waymo choosing to expand into Miami without using the Uber app (previous expansions in Atlanta and Austin used Uber) and Elon Musk's continued promise of his own self-driving robotaxi fleet and service. We think these fears are overblown. In the end, we think Waymo will need a demand aggregator like Uber to smooth users into their city-by-city deployment.

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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 CHANGES

During the quarter, the following changes were made to the Fund:

Key additions to the Fund:

- **Global Foundries**: We entered the stock due to the compelling valuations and our belief in a near term cyclical recovery across mature node semiconductors and due to reshoring efforts to move fabrication away from Asia.
- **Block**: We entered the stock for increased exposure to payments and fintech, improving product development, leverage to an improving US economy and potentially easing regulation under the Trump administration, and an attractive valuation.
- **Teradyne**: We re-entered the stock after exiting last quarter. Peak to trough the company software; -37% from July to November as investor expectations for Apple related revenue were pushed out. This brought the company back into an investable range while the expansion of ASIC products presents a new opportunity for increased semiconductor testing.
- **Trip.com**: We entered the stock due to the company's exposure to the digitization of online travel booking in China and Asia, its strong competitive position, strong earnings growth and a reasonable valuation.
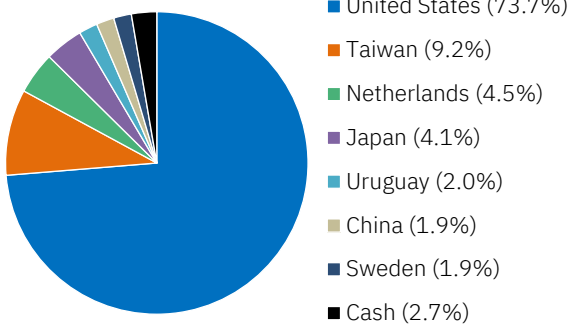
The following stocks were sold from the Fund:

- Astrazeneca: Sold because of near term uncertainty of Trump's policy stance towards pharma and due to a lack of near-term catalysts. The investment thesis remains intact.
- Micron: Sold due to continued uncertainty of the memory market beyond AI.
- Mobileye: Sold due to continued uncertainty of the near-term automotive market and how the company may be influenced by a potential divestment from Intel (which has a ~85% stake in the stock). All automotive facing semiconductor names have traded down in recent months, and we want to limit our exposure to the less risky end of this end market.
- ServiceNow: Sold due to stock reaching our price target. The company remains amongst the highest quality and nearest term AI beneficiaries in software; however, we believe this opportunity is reflected in the current price.
- Walmart: Sold due to stock reaching our price target. Although the company continues to leverage its vast scale to deploy disruptive eCommerce and advertising businesses, the share price rose +70% in 2024.

FUND PERFORMANCE[1]
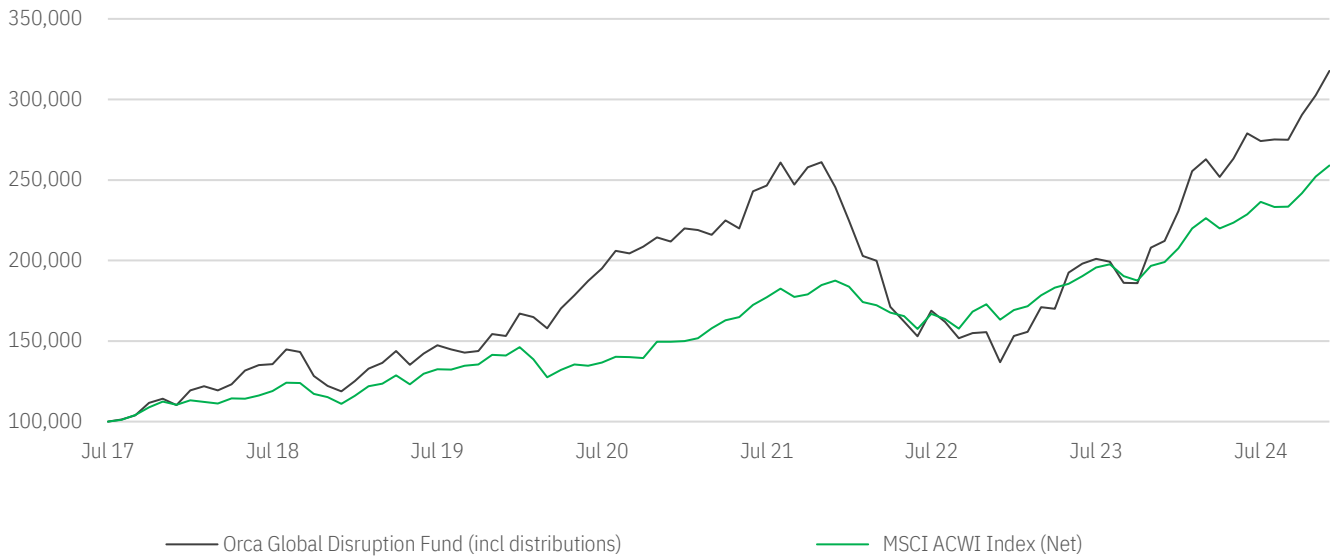
Orca Global Disruption Fund (incl distributions) — MSCI ACWI Index (Net)
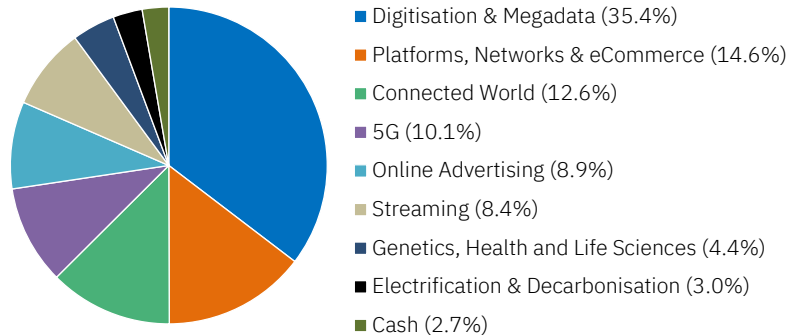
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GEOGRAPHIC EXPOSURE

- United States (73.7%)
- Taiwan (9.2%)
- Netherlands (4.5%)
- Japan (4.1%)
- Uruguay (2.0%)
- China (1.9%)
- Sweden (1.9%)
- Cash (2.7%)

Source: Bloomberg, Country of Domicile

THEMATIC EXPOSURE

- Digitisation & Megadata (35.4%)
- Platforms, Networks & eCommerce (14.6%)
- Connected World (12.6%)
- 5G (10.1%)
- Online Advertising (8.9%)
- Streaming (8.4%)
- Genetics, Health and Life Sciences (4.4%)
- Electrification & Decarbonisation (3.0%)
- Cash (2.7%)

Source: Investment Manager, Bloomberg

TOP 10 FUND HOLDINGS AS AT 31 DECEMBER 2024

NAME	GICS SECTOR
Advanced Micro Devices	Information Technology
Alphabet	Communication Services
Amazon.com	Consumer Discretionary
Broadcom	Information Technology
John Deere	Industrials
Meta Platforms	Communication Services
Microsoft	Information Technology
Netflix	Communication Services
Qualcomm	Information Technology
TSMC	Information Technology

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.

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Orca Global Disruption Fund

Advanced Micro Devices – is a high performance and adaptive computing leader, powering the products and services that help solve the world's most important challenges. Its technologies advance the future of the data center, embedded, gaming and PC markets. AMD was founded in 1969 by Jerry Sanders, a former executive at Fairchild Semiconductor Corporation, and seven other technology professionals.

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, while 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.

Broadcom – is a leader in wireless, datacentre networking, AI chips, storage, and infrastructure silicon/hardware/software with broad-based exposure to positive trends in these end markets. Broadcom is a technology infrastructure powerhouse with semiconductor leadership positions in AI (#2 global AI semiconductor supplier), custom chip ASIC supplier, cloud datacentre/telco networking, wireless and enterprise storage.

John Deere – founded in 1837 and headquartered in Moline, Illinois, is a global leader in manufacturing agricultural, construction, forestry, and turf care equipment. The company is renowned for integrating advanced technologies into its machinery, such as GPS-guided tractors, autonomous equipment, and precision farming tools. Through its John Deere Operations Center, a cloud-based platform, the company enables farmers to analyze data on soil, crop health, and equipment performance to optimize yields and reduce costs. Additionally, John Deere incorporates IoT, telematics, and AI-driven analytics in its products, allowing for real-time monitoring, predictive maintenance, and efficient resource management. Serving agriculture, construction, and forestry markets, the company empowers industries to enhance productivity and sustainability through cutting-edge innovation.

Meta Platforms – is one of the world's premier advertiser platforms with a user base of over 3bn Daily Active Users and over 10m advertisers. META has invested significantly into AI infrastructure, and this enables the company to drive user engagement and provides advertisers with a range of ad automation and targeting tools. META's two major goals are to: (1) to build the most popular and advanced AI Products and services; and (2) invest into building the next generation of augmented, virtual and mixed reality computing platforms.

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.

Netflix – is the leading video streaming provider in the world with over 260m subscribers as of the December 2023 quarter. As the global leader, Netflix will continue to benefit from the shift of linear TV to streaming with still a significant opportunity to grow subscribers (1bn broadband households globally), pricing power and further monetization opportunities through advertising.

Qualcomm – is a fabless semiconductor designer and the world's leading supplier of mobile device chipsets (mobile phones, smartphones and tablets). Qualcomm is expanding the number and diversity of revenue lines including supplying chips to the PC market, automobiles, IoT and augmented/virtual reality segments. Qualcomm is also set to benefit as a key enabler of the proliferation of AI capabilities onto devices (e.g. Samsung Galaxy S24).

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.

Disclaimer

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.