

Orca Global Disruption Fund January 2023 Monthly



FUND PERFORMANCE¹

Fund performance	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception(p.a.)
Orca Global Disruption Fund	11.8%	-1.2%	-9.4%	-31.9%	-16.6%	-2.9%	5.1%	8.0%
MSCI ACWI Index (Net, AUD)	3.7%	0.7%	1.4%	-7.8%	6.3%	5.0%	8.4%	10.0%
Excess Return	8.2%	-1.9%	-10.8%	-24.0%	-22.9%	-7.9%	-3.3%	-1.9%

Notes: Data as at 31 January 2023 unless stated. Unit price (exit) at 31 January 2023: \$1.9661. Fund size: \$141.5 million. Numbers may not sum due to rounding. Past performance is not indicative of future performance.

PORTFOLIO UPDATE

The Orca Global Disruption Fund (Fund) returned +11.8%¹ in AUD terms (+15.8% in USD), compared to the broader MSCI AC World Index +3.7% (Index, +7.2% in USD). Since inception the Fund has returned +8.0%¹ p.a. compared to the market +10.0%.

Global equity markets rebounded strongly in January, led by technology, with the Nasdaq Composite Index increasing +7.1%, marking one of the best starts to the year since 1975. Equities were supported by signs that inflation was slowing as headline CPI growth softened to +6.5% (+7.1% in Nov) on moderating food and energy costs, with investors anticipating central banks would move to slow the pace of rate rises. Improving sentiment led to outperformance from growth related sectors with the MSCI World Growth Index +6.1% vs MSCI World Value Index +1.3%. Reporting season commenced with initial results generally coming in in-line or ahead of market expectations, which we note had been lowered through the December quarter.

The Fund's best contributors for the month were **Amazon (+18.2%)**, **TSMC (+19.8%)** and **Tesla (+35.3%)**. Weaker contributors were **CrowdStrike (-3.2%)**, **Microsoft (-0.6%)** and **Intuitive Surgical (-10.9%)**.

TSMC (+19.8%) reported a solid quarterly result to cap a strong year with revenue growth of +43%, operating margins of 52% and EPS +78% all ahead of market expectations. TSMC management believes 2023 will be more challenging given the inventory correction underway in semiconductors, however it is seeing the initial stages of demand stabilisation, market share wins and the ramp-up of new AI chips launched by its customers (Nvidia, AMD). TSMC still expects to grow revenues slightly (first half to decline mid-high single digits, before a strong recovery in 2H) compared to the broader industry which it expects will contract 3-4%. TSMC

management also reiterated expectations that medium term revenues would grow +15 to +20% p.a., longer-term gross margin and ROE would exceed 53% and 25%, respectively.

Tesla (+35.3%) reported a mixed December quarter result with revenue growth of +37% and EPS +57% which was slightly ahead of market expectations. By segment, automotive revenues grew +51% and energy storage grew +90%. Auto gross margins contracted due to lower ASPs and higher input costs, coming in below market expectations. Tesla guided to production of 1.8 million cars for FY23, with Elon Musk suggesting internal targets were closer to 2 million. Recent price cuts have also driven an increase in demand for vehicles, currently tracking at 2x production. While price cuts will impact margins, management emphasised this could be offset to some extent by increasing efficiency at the Austin and Berlin factories, moderating input costs, benefits from Inflation Reduction Act production credits and improved operating leverage in the energy business.

Microsoft's (-0.6%) result was in line with market expectations with revenues +2% (+7% in constant currency) and EPS -6% (+2% in constant currency) with strength in the commercial business offset by weakness in consumer (Windows and hardware). Microsoft indicated customers who had accelerated digital spend during COVID were moving to optimise spend with organisations exercising caution given macro uncertainty. However, solid underlying demand and usage in the commercial business (Azure, Office, Dynamics, LinkedIn) positions the business well for a reacceleration once customers move past this period of spend optimisation. Microsoft also announced it would be investing \$10bn in OpenAI and integrate its artificial intelligence tools such as ChatGPT across Microsoft's product suite.

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.

PORTFOLIO UPDATE (continued)

Intuitive Surgical (-10.9%) reported results in line with preannounced preliminary results released in early January with revenues +7% (constant currency) in line with expectations, while EPS was modestly below due to Covid related disruptions in China impacting margins. Procedure growth of +18% was largely in line for the quarter with expectations with management guiding to +12 to +16% growth in 2023, noting that initial guidance has historically been conservative. Commentary that the company wasn't planning to release a new robot in 2023 was a short-term headwind during the month.

Other companies to report positive results included semiconductor equipment company **ASML** and enterprise software provider **ServiceNow**. ASML grew revenues +29% and EPS +5% both ahead of market expectations and guidance. Despite the challenging macro environment ASML has a record order book of €40bn with demand continuing to exceed supply for its tools. Management guided to FY23 revenue growth of +25% with gross margins expected to improve.

ServiceNow delivered December quarter subscription revenue growth of +27.5% (constant currency), operating margins of 28% and FCF margins of 53%, all ahead of market expectations. Guidance for FY23 subscription revenue growth, +22.5% to +23.5%, was also above consensus estimates with management noting that these figures incorporate sufficient conservatism given the current macro environment.

Other major movers during the month included **Shopify (+37.3%)** and **Nvidia (+29.3%)**. Shopify announced price increases across its plans while Nvidia benefited from the potential higher demand for its GPUs which are a key enabler of Artificial Intelligence tools like ChatGPT.

TOP 10 FUND HOLDINGS AS AT 31 JANUARY 2023

NAME	SECTOR
Alphabet Inc	Digital advertising
Amazon.com Inc	eCommerce
ASML Holding	Semiconductors
Mastercard Inc	Electronic payments
Microsoft Corp	Software
NVIDIA Corp	Semiconductors
Salesforce.com Inc	Software
ServiceNow	Software
Tesla	Renewable energy
TSMC	Semiconductors

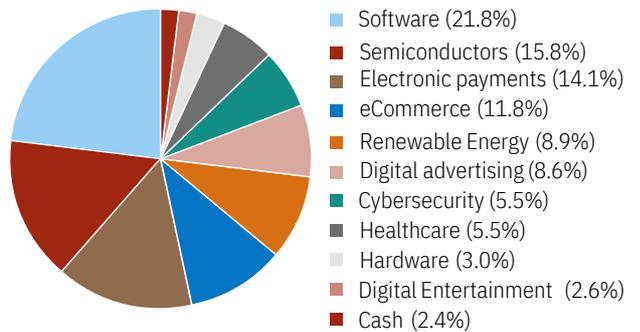
This fund is appropriate for investors with "High" and "Very High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a medium to long investment timeframe. Investors should refer to the [TMD](#) for further information.

FUND PERFORMANCE¹



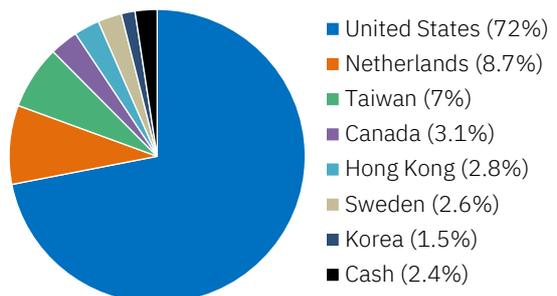
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THEMATIC EXPOSURE



Source: Investment Manager, Bloomberg

GEOGRAPHIC EXPOSURE



Source: Bloomberg, Country of Domicile

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Orca Global Disruption Fund

TOP 10 HOLDINGS AS AT 31 JANUARY 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.



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.



salesforce.com – is a leading global provider of cloud-based customer relationship management (CRM) software for enterprise. Salesforce's CRM applications include sales, service, marketing, commerce, platform, and data and analytics. The company was co-founded by current CEO and cloud computing pioneer Marc Benioff in 1999 and is based in San Francisco, 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.



Tesla – Tesla's mission is to accelerate the world's transition to sustainable energy. It designs, develops, manufactures and sells electric vehicles and scalable clean energy generation and storage products. Tesla launched its first-generation electric roadster in 2008, before producing the Model S sedan (2012), Model X SUV (2015) and mass market Model 3 (2017). Manufacturing operations are located in the US, Canada, Germany and China. In 2022 Tesla produced 1.37m cars with CEO Elon Musk stating ambitions to produce 20 million cars annually by 2030. Tesla was founded in 2003 in California. Co-founders include Martin Eberhard, Marc Terpenning, Ian Wright, Elon Musk and JB Straubel.

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