

Orca Global Disruption Fund July 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	1.5%	18.2%	31.3%	19.0%	1.0%	8.2%	12.3%
MSCI AC World Index (Net, AUD)	2.8%	6.8%	15.5%	17.2%	12.7%	10.4%	11.7%
Excess Return	-1.3%	11.4%	15.8%	1.8%	-11.7%	-2.2%	0.6%

Notes: Data as at 31 July 2023 unless stated. Unit price (exit) at 31 July 2023: \$2.5820. Fund size: \$159.2 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**) rose +1.5%¹ in Australian dollar (**AUD**) terms (+2.3% in US dollar (USD)), compared to the broader MSCI AC World Index +2.8% (+3.7% in USD). Since inception, the Fund has returned +12.3%¹ p.a. compared to the market +11.7% p.a.

Markets continued to move higher in July with the US market (S&P 500 Index) rising +2.3% (+3.1% in USD) aided by cooling inflation data (June CPI of +3% was below market expectations) and increasing optimism that there will be a soft landing of the US economy and a lower trajectory for interest rates. While the US Federal Reserve (Fed) raised rates by 25 basis points (bps) (in line with market expectations), it now does not expect the US economy to enter a recession in 2H23. US reporting season got underway and while results have generally been strong, market expectations have risen given year-to-date (YTD) share price gains, creating some share price volatility following results.

The Fund's best contributors for the month were **Alphabet (+9.5%)**, **Block (+19.5%)** and **Nvidia (+9.1%)**. Positions that detracted included **Intuitive (-6.3%)**, **Spotify (-8.1%)** and **Microsoft (-2.6%)**.

Alphabet (+9.5%) reported a June quarter result ahead of market expectations with revenue growth of +7% (+9% in constant currency) and operating income growth of +12%. Advertising revenues are recovering, accelerating to +3% (flat in 1Q23) led by the core search business (+5%) and return to growth at YouTube (+4%). Cloud revenue growth stabilized at +28% (had been decelerating in recent quarters), with its infrastructure business Google Cloud Platform (GCP) growing faster than overall cloud, despite some customers continuing to show optimisation behaviour. Cloud operating margins improved +210bps sequentially to 5% as

the business adds scale. Management also called out good traction with new Generative AI models citing 70% of leading AI companies as customers of GCP and strong demand for access to >80 large language models (LLMs).

Nvidia (+9.1%) continued to benefit from strong demand for graphics processing unit (GPU) chips with demand continuing to outstrip supply and commentary from hyperscale cloud customers that they would significantly increase investment in AI infrastructure over the next year (see Microsoft commentary below). TSMC, manufacturer of Nvidia's chips, indicated that it is doubling supply of AI related chips (we believe the vast majority are Nvidia chips) in 2024 and expects supply to only meet demand by 2H24. Longer term, TSMC expects its AI revenues to grow at a 50% CAGR over the next 5 years.

Intuitive Surgical (-6.3%) reported strong June quarter results with revenue growth +15% and EPS growth +24%, both ahead of market expectations. Procedure growth of +22% benefitted from recovery in China and strength in Japan, Germany and the UK. Intuitive's installed base of robots grew strongly +13%, with system placements ahead of market expectations, while system utilisation increased +9%. FY23 procedure growth was raised to +20 to +22% (from +18% to +21%).

Spotify (-8.1%) reported a strong June quarter result with record subscriber growth while revenues, gross margins and operating losses were inline with guidance. 3Q23 revenue growth guidance of +9% (+15% cc) was modestly below market expectations but reflects continued acceleration (+14% 2Q, +13% 1Q). Spotify also recently announced it would raise prices in September in 50+

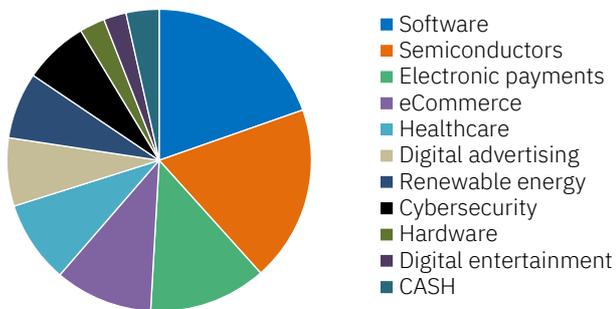
1. All returns are total returns, inclusive of reinvested distributions and net of fees and costs using net asset value per unit from inception to, and including, 31 January 2021 and exit unit price from this date. Past performance is not a reliable indicator of future performance. Inception 25 July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

FUND UPDATE (continued)

countries which will further accelerate revenues in 4Q and we expect will materially increase its profitability. This follows similar moves from rival services earlier in the year (e.g. Apple, Amazon and YouTube). We believe share price pressure largely reflects YTD performance (shares up >75%) with the business fundamentals continuing to improve with strong subscriber momentum, accelerating revenues, pricing power and improving profitability.

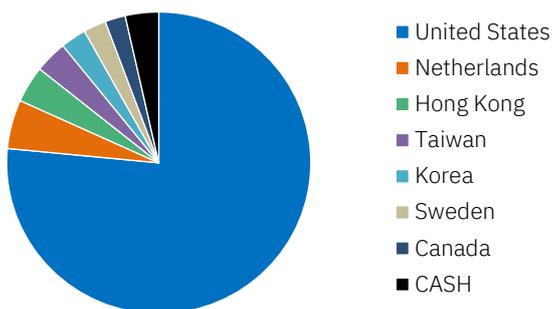
Microsoft (-2.6%) reported June quarter results above market expectations with revenues +10% (+12% cc) and EPS +20% (+23% cc). This was a strong operational result with resilient growth from Office Commercial +14%, Dynamics +21% and Azure +27%. Despite ongoing customer optimization, Azure growth is showing signs of stabilisation as comps ease, new customer migration trends remain positive, and AI becomes more of a tailwind (company indicated it contributed 1% to growth in the June quarter and expects it to increase to 2% in the September quarter). Microsoft expects September quarter revenues to grow between +7.3% to +9.3% (modestly below market expectations) and operating income growth of +10 to +13% (slightly ahead). Microsoft in increasing investment into AI infrastructure, guiding capex to increase every quarter in FY24 – we estimate this could mean capex will grow approximately 50% from \$31bn in FY23 to \$45-50bn in FY24. While AI related revenues are beginning to ramp, management expects it to be backend weighted in FY24 following the release of Generative AI driven Copilot products later in the year. While this is a significant step up in capex, Microsoft: (1) is seeing significant AI demand signals and opportunities to expand its total addressable market; (2) has a strong track record of driving revenue acceleration following prior investments; and (3) it committed to driving operating leverage despite these investments.

THEMATIC EXPOSURE



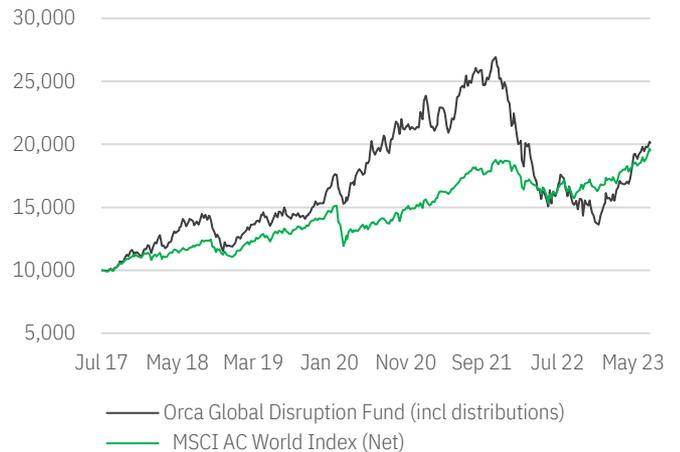
Source: Investment Manager, Bloomberg

GEOGRAPHIC EXPOSURE



Source: Bloomberg, Country of Domicile

FUND PERFORMANCE¹



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TOP 10 FUND HOLDINGS AS AT 31 JULY 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 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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TOP 10 HOLDINGS AS AT 31 JULY 2023



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.