

Orca Global Disruption Fund June 2024 Quarterly



FUND PERFORMANCE¹

Fund performance	3 Months	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.)
Orca Global Disruption Fund	6.1%	31.5%	40.8%	4.7%	14.4%	15.9%
MSCI AC World Index (Net, AUD)	0.5%	14.2%	19.5%	9.7%	11.9%	12.5%
Excess Return	5.5%	17.3%	21.3%	-5.0%	2.5%	3.4%

Notes: Data as at 30 June 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 30 June 2024: \$3.5823. Fund size: \$189.8 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. 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 June quarter, the Orca Global Disruption Fund (Fund) returned +6.1% net-of-fees, compared with the MSCI All Countries World Index (Index) which returned +0.5%. Most of the gains for the Fund and Index were made in the final month of the quarter. Since inception, the Fund is up +15.9% p.a. net-of-fees vs the Index +12.5% p.a.

The Fund's returns were driven by mixture of positive and negative factors:

- (1) Solid economic data, suggesting a sturdy US economy
- (2) The timing of interest rate cuts were pushed out, albeit with a continued belief that cuts will begin this year
- (3) Better than expected reporting season
- (4) Continued positive sentiment on the adoption of Artificial Intelligence (AI).

FUND UPDATE

Overall, the Fund's holdings reported strong June quarter results. Mega cap technology and semiconductor stocks were the best performers - both benefiting from secular AI tailwinds.

For the quarter, the strongest contributors to performance were Qualcomm (+2.7%), Taiwan Semiconductor Manufacturing (+2.6%), and Alphabet (+1.3%). The bottom contributors to performance were Double Verify (-0.9%), Adyen (-0.7%) and GitLab (-0.4%).

Qualcomm (+2.7%), the largest contributor, was and remains subject to multiple concurrent tailwinds. Qualcomm's primary existing business revolves around semiconductors designed for smartphones. The smartphone end market is entering a cyclical recovery.

Meanwhile, demand for on-device AI functionality also presents an opportunity for expanded average selling price of silicon per device sold.

Microsoft's Copilot+ PC, touted as the first AI personal device, has launched using the Qualcomm Snapdragon X Elite to underpin its AI functionality. This chip's ARM architecture enables battery life comparable to Apple devices. Simultaneously, Qualcomm's reported automotive design win pipeline expanded again. The confluence of these factors and a continuing multiple discount against the S&P500 helped Qualcomm deliver this quarter's strong returns.

Taiwan Semiconductor Manufacturing (TSMC) delivered returns of +2.6%. Similarly to Qualcomm, TSMC was driven by the start of cyclical recovery in smartphone and PC demand. Added to this is the secular demand for AI datacentre chips and impending AI smartphone chips. TSMC is the fabricator for leading edge logic chip designers like **Advanced Micro Devices, Broadcom** and **Nvidia**. Nvidia is now the second largest customer, with Bloomberg estimates pointing to the company being ~11% of TSMC revenue. Despite the monstrous appetite for Nvidia chips, Apple (even towards the bottom of cyclical demand) is still estimated to spend more than double what Nvidia spends with TSMC. TSMC also stands to gain from the impending launch of Apple Intelligence. Apple's Generative AI capabilities will be limited to the latest models with the highest cost silicon content. Further upgrades to Apple's on-device AI capability will plausibly require even more silicon content, likely to be fabricated by TSMC.

Alphabet (+1.3%) was the third largest contributor to the Fund. Despite being one of the few companies with the capacity to both distribute and operate a large number of AI products (Microsoft is the only other company clearly able to do this), Google's share price has at times lagged its AI peers.

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

Much of the doubt around Google stemmed from the unknown viability of the search business in the face of AI. The quarterly earnings showed no weakness. Search grew unaffected by AI as Youtube re-accelerated. Google Cloud also re-accelerated. This combined with a relatively cheap multiple (for a mega cap technology company) resulted in a strong quarter.

DoubleVerify (-0.9%) fell following earnings. Although the company beat current quarter earnings expectations, guidance fell well short, the midpoint of full year revenue was 5% below street estimates. DoubleVerify revenue is dependent on large retail and consumer packaged goods advertisers. These groups are showing uneven spending patterns, impacting the topline of DoubleVerify in the near term.

Adyen (-0.7%) fell during the quarter after providing a quarterly business update. Although payment volumes accelerated due to market share gain, the take rate compressed. This led to less than expected net revenue growth of 21% year-over-year.

GitLab (-0.4%) was the largest software detractor to the Fund. As one of the higher growth and therefore higher risk software names, GitLab was hit by the overall selloff in software. Heightened interest rates remain a headwind for total software budgets. Meanwhile a portion of these budgets is now spent directly on AI endeavours (e.g. internal model development), which shrinks the budget available for existing software vendors.

FUND CHANGES

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

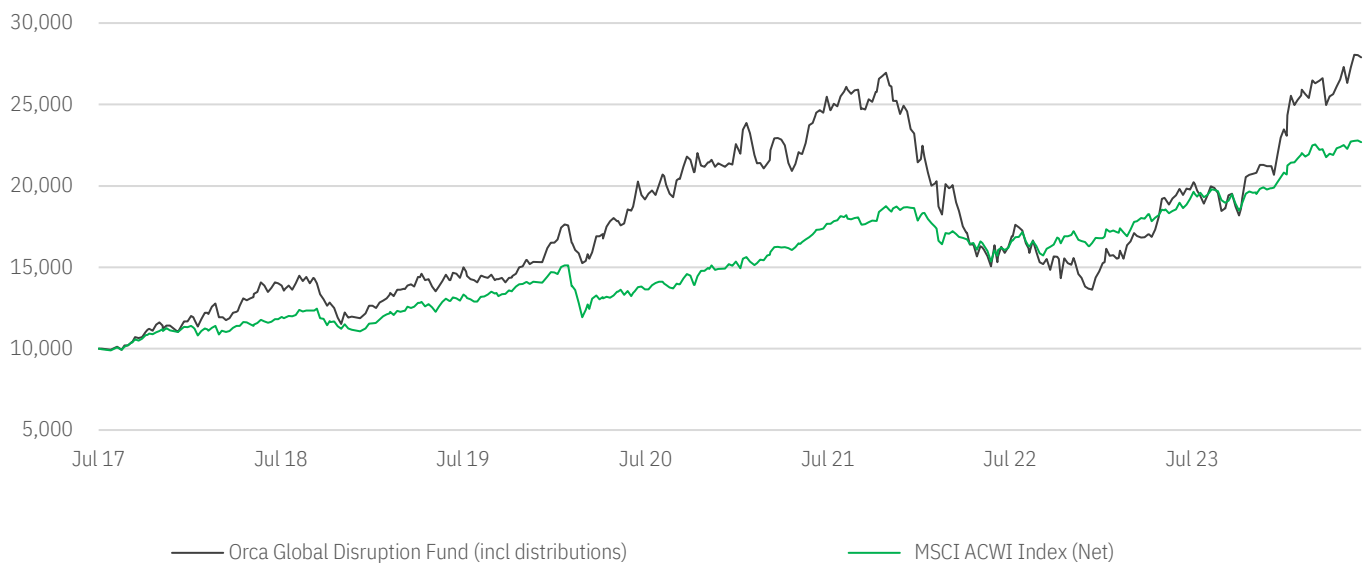
Key additions by thematic:

- **Samsung:** We believe Samsung will be a key beneficiary from increased memory chip demand driven by Generative AI as well as a broader cyclical rebound across the semiconductor industry.
- **Teradyne:** We believe the semiconductor capital equipment company will benefit from increased demand for its testing equipment as a result of recovery in cyclical end-markets (memory, smartphone, auto/industrial) and secular trends in AI.
- **Eli Lilly:** We believe that the market continues to underestimate the end demand in obesity drugs. By our reckoning, Eli Lilly will offer the most effective drugs on the market for the next several years and is best positioned to absorb the growing demand.

The following stocks were sold from the Fund:

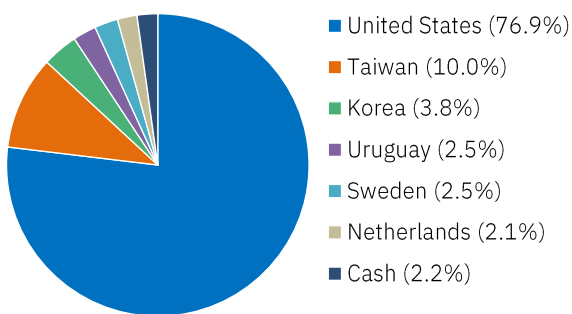
- **Indie Semiconductor:** Sold on the basis of weakness in end demand in the automotive segment and weakening cash flow performance.
- **Nvidia:** While Nvidia continues to execute well, we sold the stock on valuation grounds and uncertainty over sustainability of demand beyond 2025. We felt there was better risk/reward elsewhere in the semi sector and recycled the proceeds into TSMC (makes all the AI chips out there including Nvidia), Micron (their memory chips are attached to Nvidia GPUs), and Qualcomm.
- **SK Hynix:** Sold given high valuation and recycled proceeds into Samsung which we believe offers similar exposure to the memory market at a more favourable price.
- **Trimble:** We divested the stock due to increased uncertainty following an ongoing audit investigation where Trimble's auditor flagged concerns surrounding internal controls.

FUND PERFORMANCE¹



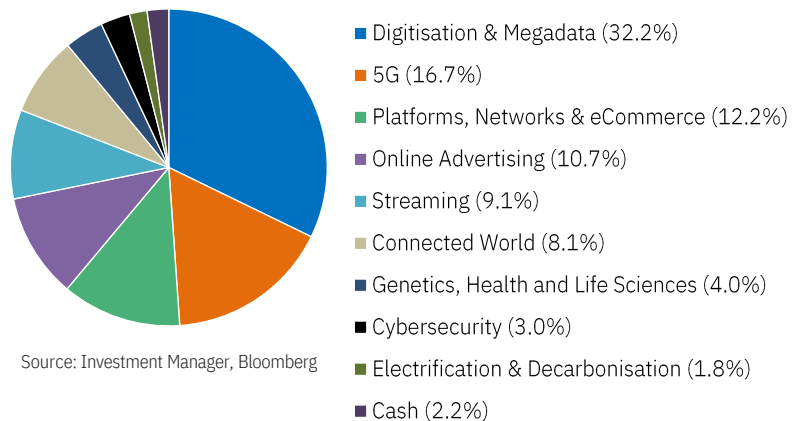
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GEOGRAPHIC EXPOSURE



Source: Bloomberg, Country of Domicile

THEMATIC EXPOSURE



Source: Investment Manager, Bloomberg

TOP 10 FUND HOLDINGS AS AT 30 JUNE 2024

NAME	GICS SECTOR
Adobe	Information Technology
Advanced Micro Devices	Information Technology
Alphabet	Communication Services
Amazon.com	Consumer Discretionary
Meta Platforms	Communication Services
Microsoft	Information Technology
Netflix	Communication Services
Qualcomm	Information Technology
Samsung	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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TOP 10 HOLDINGS AS AT 30 JUNE 2024



Adobe – is a multinational software company known for its creative and multimedia software products. Headquartered in San Jose, California, Adobe is famous for its flagship products like Photoshop, Illustrator, Acrobat Reader, and the Creative Cloud suite, which provide tools for graphic design, video editing, web development, and photography. Over the years, Adobe has expanded its offerings to include digital marketing and document management solutions, cementing its reputation as a leader in software innovation and creativity.



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.



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).



Samsung – is a global leader in technology and consumer electronics, was founded in 1969 and is headquartered in Suwon, South Korea. The company is renowned for its diverse range of products, including smartphones, tablets, televisions, home appliances and semiconductors. Samsung Electronics is one of the largest manufacturers of electronic devices in the world and plays a significant role in the development and production of innovative technology solutions, from cutting edge mobile devices to advanced semiconductor chips, making it a pivotal player in the global tech industry.



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

This report has been prepared and issued by Loftus Peak Pty Limited (Investment Manager) (ACN 167 859 332, AFSL 503 571) as investment manager for the Orca Global Disruption Fund (Fund) (ARSN 619 350 042). The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235150) is the Responsible Entity of the Fund. It is general information only and is not intended to provide you with financial advice, and has been prepared without taking into account your objectives, financial situation or needs. You should consider the product disclosure statement (PDS), prior to making any investment decisions

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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.