Orca Global Disruption Fund March 2023 Quarterly

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	24.9%	12.6%	-14.4%	2.7%	7.5%	9.9%
MSCI ACWI Index (Net, AUD)	9.2%	13.1%	3.6%	11.8%	9.9%	10.7%
Excess Return	15.7%	-0.5%	-18.0%	-9.2%	-2.5%	-0.8%

Notes: Data as at 31 March 2023 unless stated. Unit price (exit) at 31 March 2023: $2.1960. Fund size: $147.8 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.

MARKET COMMENTARY

Global equities returned +9.2% (MSCI AC World Index) for the March quarter (note, all figures are in AUD unless otherwise stated) with the market advancing +7.4% (in USD terms) as the Australian dollar (AUD) weakened -1.9% against the US dollar (USD).

Markets performed strongly during the quarter despite significant volatility driven by the collapse of Silicon Valley Bank (SVB) in the US. Customers withdrew deposits following news of a loss-making sale of fixed income holdings to shore up the SVB balance sheet which triggered the bank run before the US Federal Reserve (Fed), Treasury and Federal Deposit Insurance Corporation (FDIC) stepped in to guarantee deposits. This led to further concerns around stability of the banking sector in the US, particularly for regional banks, and preceded the collapse of Swiss based bank Credit Suisse culminating in a government brokered sale to UBS.

US markets started the quarter strongly, with the S&P500 Index rising 2.8% in January on signs of easing inflationary pressures, leading investors to anticipate a slower pace of rate rises by central banks. However, rate sentiment reversed in February with markets retreating after a strong start, as investors became more cautious following CPI and PCE data which came in ahead of estimates. In response, the market increased peak rate expectations to 5.25-5.50%, while expectations for potential 2023 rate cuts moderated. The Fed raised rates by 25 basis points (bp) in February and again in March. The collapse of SVB triggered significant March intramonth volatility, however contagion fears subsided and renewed signs inflation was cooling drove strong equity performance, particularly in the Information Technology (IT) sector.

Asian market performance was positive with Chinese markets rising +7.0% (CSI 300 Index) benefitting from continued reopening tailwinds as Beijing loosened COVID-19 restrictions, while inflation has remained low, supporting an easy monetary policy from the PBOC. Japanese equities gained +8.8% (Nikkei 225 Index) rebounding from initial SVB weakness while Hong Kong markets underperformed global markets rising +4.7% (Hang Seng Index).

European equity markets rose +12.4% (MSCI Europe Index) despite the banking sector volatility, led by IT, Consumer Discretionary and Communication Services sectors. The failure of Credit Suisse drove short term volatility in financials but concerns of broader risks to the banking system ultimately eased. The European Central Bank (ECB) raised rates in both February and March by 50 bp to address ongoing inflationary pressures. UK equities rose +7.6% (FTSE 100 Index) over the quarter led by the Industrials and Consumer Discretionary sectors.

With markets taking the general view that the end of monetary tightening was approaching, Growth outperformed (MSCI World Growth Index +15.8%) Value sectors (MSCI World Value Index +3.0%). On a sector basis IT (+23.3%), Communications Services (+20.2%) and Consumer Discretionary (+18.5%) were the standouts while Materials (+8.2%), Consumer Staples (+5.3%), Utilities (+2.3%), Healthcare (+0.2%), Financials (+0.2%) and Energy (-1.4%) underperformed the broader global index. Technology stocks performed strongly with the NASDAQ Composite Index rising +19.1%, underpinned by broad-based sub-sector strength from Semiconductors (+29.9%), Internet (+28.0%), Hardware (+25.4%) and Software (+22.6%).

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

For the March quarter, the Global Disruption Fund (Fund) returned +24.9%, compared with the MSCI All Countries World Index (Index) which returned +9.2%. Since inception, the Fund is up 9.9% p.a. vs the Index 10.7%p.a.

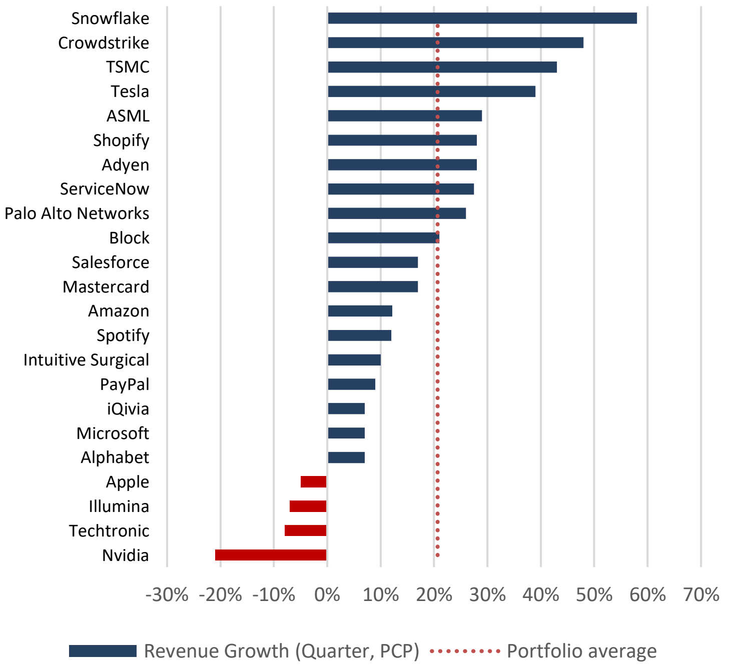
The Fund performed strongly during the quarter as markets were more favourable, and Portfolio companies delivered a strong December quarter reporting season.

While markets remain volatile, we remain steadfastly focused on fundamentals which we believe remain robust. Despite a weakening macro backdrop, we are encouraged by the continued operational resilience of the Portfolio's holdings which continue to deliver strong revenue growth, free cash flow generation and healthy balance sheets.

We note the following key take-aways from the reporting season:

1. 88% of Portfolio companies beat or met market revenue expectations (based on Bloomberg consensus) and 75% beat or met earnings expectations.
2. Despite the macro noise and market pessimism, the Portfolio's holdings delivered strong aggregate revenue growth of +21% in constant currency terms (+22% in prior quarter).
3. Cost control efforts intensified with strong execution on margin improvement (with some work still to do).
4. While there are some near term macro pressures in areas such as digital advertising and cloud computing, disruption thematics remain intact with cybersecurity a clear standout. Artificial Intelligence (AI) is emerging as a dominant thematic that could drive a step change in demand across a number of segments (e.g. semiconductors, cloud computing).

DECEMBER QUARTER REVENUE GROWTH (% ON PRIOR CORRESPONDING PERIOD) – CONSTANT CURRENCY



Source: Company data, Investment Manager. Note: PayPal excludes eBay, Block excludes Bitcoin and AfterPay acquisition

For the quarter the strongest contributors to performance were Nvidia (+92.5%), Tesla (+70.5%) and Microsoft (+21.7%). Holdings that detracted from Fund returns were Techtronic (-1.9%), Intuitive Surgical (-2.5%) and Iqvia (-1.7%).

Nvidia (+92.5%) rose strongly following a better-than-expected 4Q23 result as well as confirmation that the company will be a key beneficiary from the surge in compute requirements driven by the adoption of Generative AI applications (e.g. Chat GPT). Nvidia's revenues fell -21% year on- year (datacentre +11%, gaming -46%, automotive +135%) as it continues to navigate an inventory correction in its gaming business following COVID demand pull forward and collapse in crypto markets leading to lower short term GPU demand. Management released guidance for 1Q24 revenues of $6.5bn (+15% higher than 4Q23) and gross margins of 66.5%, both ahead of market expectations. Importantly, Nvidia expects: (1) that the inventory correction in the gaming business is now in the past, with a new product cycle (Lovelace launched in Sept 2022) to drive growth; and (2) datacentre growth to accelerate during the year on a new product cycle (H100 launched in Oct 2022).

In March, Nvidia held its GTC (GPU Technology Conference) which reinforced its unique longer-term opportunity in generative AI, while also indicating in the near term that hyperscale customer demand for the latest H100 GPU chips had strengthened since the company's earnings in February. Newer products are set to ramp in 2H23 including Grace (CPU), Grace Hopper (CPU/GPU) and Bluefield 3 (DPU) chips, while multiple new inference platforms were also announced.

Tesla (+70.5%) rebounded strongly during the quarter despite reporting mixed December quarter results. Revenue growth was +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 average selling prices 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.

At its Investor Day in March, Tesla provided more detail on its upcoming low-cost vehicle/platform and announced that its next generation vehicles will be built at its 5th factory, Giga Mexico, in Monterrey, Mexico. Importantly we felt the event gave investors some comfort on the depth of Tesla's management bench behind Elon Musk.

Microsoft (+21.7%) reported a solid December quarter result (revenue growth +7%, EPS +2% both 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, the result was overshadowed by Microsoft's product innovation in Generative AI where it appears to have taken an early lead over its competitors. This included: (1) reinventing Search by deploying chat functionality into Bing; (2) launching Microsoft Copilot across its Microsoft 365 applications that can help users automate tasks such as writing emails, meeting notes, organizing events, analysing data sets and drafting presentations; (3) investing a further $10bn to take a 49% ownership stake in OpenAI (ChatGPT).

Techtronic (-1.9%) underperformed mainly due to the release of an anonymous short seller report in February which questioned some of the accounting choices the company has made. In early March, Techtronic reported a solid FY22 result, including a robust 2023 outlook, as well as issuing multiple reports refuting each claim in the short seller report in detail.

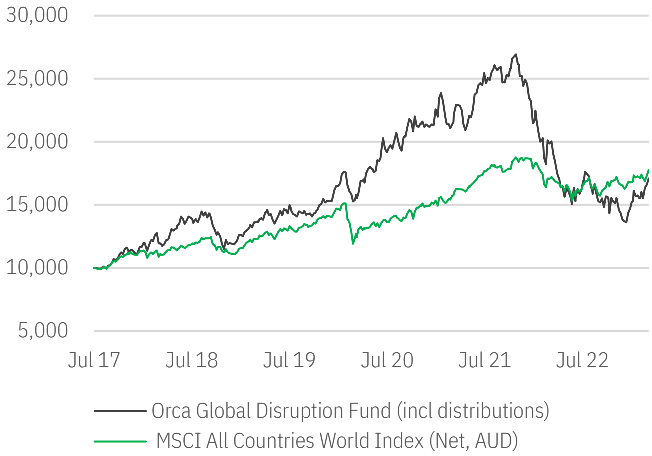
A key focus of the report included questioning Techtronic's ability to raise gross margins for the last 10 consecutive years – with the main reasons cited being excessive capitalisation of research & development costs and higher inventory stocking compared with peers. Techtronic indicated the gross margin expansion has been driven by fundamental drivers including strong growth and product innovation in its premium brand Milwaukee, as well as aftermarket battery sales, both of which carry a higher gross margin and are accretive to overall group margins. Furthermore, as a Hong Kong listed company, Techtronic is aligned with the HKFRS accounting guidelines which enables it to capitalize deferred development costs and amortize these costs – this compares to some US peers (which was used as a comparison in the report) that are required to expense Research & Development Costs under US GAAP accounting standards. Finally, part of the reason for the recent increase in inventory included taking the following steps to meet strong demand during the COVID period: (1) adding to critical component inventory such as semiconductors and battery cells; and (2) running higher inventory to cover extended lead times and port delays.

We will continue to monitor progress through the year, but do not believe the underlying long term investment case for Techtronic has changed. We note the company's strong track record and believe it is well placed to benefit and win market share from the transition to cordless and clean energy power tools given its technology leadership, product innovation and strong brands.

Intuitive Surgical (-2.5%) reported mixed December quarter results with revenues growing +7% (in-line with market expectations) and an EPS decline of 5% (below expectations) as COVID related lockdowns in China impacted margins. Procedure growth of 18% was robust but was impacted by the COVID resurgence in China. Intuitive provided initial 2023 growth guidance of +12-16% (we note management typically provides conservative guidance at the start of the year) which assumes: (1) ongoing choppiness with COVID hospitalisations, (2) staffing pressure at hospitals throughout the year, and (3) significant ongoing challenges in China. Intuitive's installed robot base grew +12% to 7,544 by the end of 2022 with 1.87m procedures carried out using its products. Over the long term, we continue to see a long runway for growth for Intuitive with robotic assisted surgery penetration still in its infancy and the company continuing to expand the market with new products.

IQVIA (-1.7%) reported a solid December quarter with revenues (+7% in constant currency), EBITDA and EPS ahead of market consensus expectations. Management provided positive commentary on business fundamentals, reiterating that demand for its products (data & analytics, clinical trial outsourcing provider) remained strong strong and funding for clinical trials robust with another record funding year for biotech. While 2023 revenue growth guidance of +9-11% growth was in-line with market expectations, EPS guidance was slightly below consensus due to higher corporate tax rates in the UK and higher interest expenses (EPS was guided to grow 11-14% excluding these factors). The company reaffirmed its 2025 targets of growing revenues in low double digits and EPS in teens.

FUND PERFORMANCE[1]



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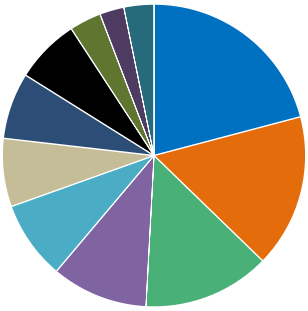
FUND CHANGES

While recent performance has been encouraging, we remain focused on identifying opportunities and positioning the portfolio for future growth.

Given the relative weakness compared to the broader market, we took the opportunity to increase positions in newer innovative healthcare companies IQVIA and Intuitive Surgical. We have continued to increase portfolio exposure to Healthcare given the benefits from sector diversification and the significant opportunity for disruption in areas such as health data and analytics and robotic surgery.

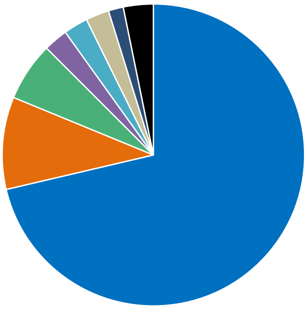
THEMATIC EXPOSURE



- Software (20.9%)
- Semiconductors (16.4%)
- Electronic Payments (13.6%)
- Ecommerce (10.3%)
- Renewable Energy (8.4%)
- Cybersecurity (7.3%)
- Healthcare (7.1%)
- Digital Advertising (6.9%)
- Hardware (3.4%)
- Digital Entertainment (2.6%)
- Cash (3.2%)

Source: Investment Manager, Bloomberg

GEOGRAPHIC EXPOSURE



- United States (71.4%)
- Netherlands (9.9%)
- Taiwan (6.3%)
- Sweden (2.6%)
- Hong Kong (2.6%)
- Canada (2.5%)
- Korea (1.6%)
- Cash (3.2%)

Source: Bloomberg, Country of Domicile

TOP 10 FUND HOLDINGS AS AT 31 MARCH 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 “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.

Orca Global Disruption Fund

TOP 10 HOLDINGS AS AT 31 MARCH 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 a 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.

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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.