

Orca Global Disruption Fund

September 2024 Quarterly



FUND PERFORMANCE¹

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	-1.4%	4.6%	47.7%	3.6%	14.0%	14.9%	15.1%
MSCI AC World Index (Net, AUD)	2.6%	3.2%	22.7%	9.6%	11.6%	12.2%	12.5%
Excess Return	-4.0%	1.4%	25.0%	-6.0%	2.4%	2.7%	2.6%

Notes: Data as at 30 September 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 September 2024: \$2.9906. Fund size: \$158.4 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 September quarter, the Orca Global Disruption Fund (Fund) returned -1.4%, compared with the MSCI All Countries World Index in AUD (Index) which returned +2.6%. Strong underperformance in July suppressed slight outperformance in August and September. Since inception, the Fund is up +15.1% p.a. vs the Index +12.5% p.a.

The ups and downs of the quarter were driven by mixture of positive and negative factors:

- (1) The timing of interest rate cuts, with the first cut occurring in September
- (2) Broadly positive reporting season
- (3) Concerns surrounding the adoption of Artificial Intelligence (AI) and the return on investment for hyperscalers buying semiconductors.

FUND UPDATE

Overall, the Fund's holdings reported relatively positive September quarter results. Mega cap tech and semiconductor stocks in which the Fund holds larger positions, were generally the weakest performers. These are also generally companies that had a strong run up in the last 12 months. The best performers were companies that have not performed as well over the last 12 months, with the market coming to better appreciate their specific disruptive secular stories during the quarter.

The strongest contributors to performance were Adyen (+26.3%), Roku (+19.9%) and MercadoLibre (+20.2%). The largest detractors from performance were Qualcomm (-17.4%), Alphabet (-12.2%) and Amazon (-7.2%).

Adyen's shares rose after delivering a slightly better than expected result. The FinTech company reiterated medium term guidance and pointed to re-acceleration in key markets due to market share wins and share of wallet expansion as well as strengthening its competitive positioning as a result of product differentiation.

MercadoLibre's earnings beat estimates across almost every metric - even as one of its main end markets, Argentina, dithers in macroeconomic turmoil. Merchandise volume in Mexico and Brazil grew +34% and +30% respectively. On the Fintech side, monthly-active-users increased +37% YoY, reaching 52 million.

Roku delivered a reasonably positive earnings result despite low expectations. The recent acquisition of Roku competitor Vizio as well as **Amazon's** entry into the video ads business have heightened fears of larger companies trampling Roku's business model. Nevertheless, Roku increased its streaming households sequentially to 83.6 million and remains the #1 selling TV operating system in the U.S. with unit sales greater than the next two competitors combined.

AI exposed companies - both the semiconductor companies that make the chip as well as their cloud customers sold off in the September quarter. **Microsoft**, **Amazon**, **Google** and **Meta** indicated they would accelerate capex spending on AI infrastructure. This commentary combined with market debate on the ROI on this investment spooked the market and AI exposed companies sold off. It is worth noting that these companies are coming off several quarters of strong performance.

In the Fund, the large weight holdings with perceived AI exposure were the worst performers. **Qualcomm** and **Alphabet**, the largest and third largest contributors in the previous quarter were the largest detractors in this quarter. Amazon traded down on similar sentiment.

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

While Qualcomm reported a solid result, it provided conservative guidance and was also caught up in the sell-off in semiconductor stocks with AI exposure. We believe the AI risk is largely misplaced. The company's AI exposure is tied up in consumer products - namely Microsoft's AI PC, which employs on device AI inference. They are not directly exposed to any potential slow down to cloud customers purchasing datacentre chips. At the same time, Qualcomm is the beneficiary for cyclical recovery in smartphones as well as secular growth in automotive and AI smartphones. Meanwhile the company trades at a discount to the broader semiconductor market.

Alphabet reported a solid result highlighted by strength in its search business. However, it was sold off. Investors fear the company is overinvesting in AI infrastructure. Simultaneously, the company has also come under legal scrutiny for paying Apple to be the default search engine on Apple products. We believe that the revenue lost by some Apple device users opting for alternative search engines, will be materially offset by the cost savings to Alphabet for not paying Apple to be default. Meanwhile, Alphabet's core business remains robust and the company continues to have one of the most compelling AI stories.

Amazon traded down on weakness in its eCommerce business as well as being caught up in the general angst surrounding large AI customers. While revenue continued to accelerate in the AWS cloud division, retail margins were weak and the advertising segment (usually a bright spot in the eCommerce business) also grew <20% for the first time since being broken out. Nevertheless, the company still has a lot of potential to leverage the size of its eCommerce network and operates the largest cloud where AI workloads can be deployed (even if Amazon itself is behind its peers in terms of developing an AI model that can be turned into a consumer model).

FUND CHANGES

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

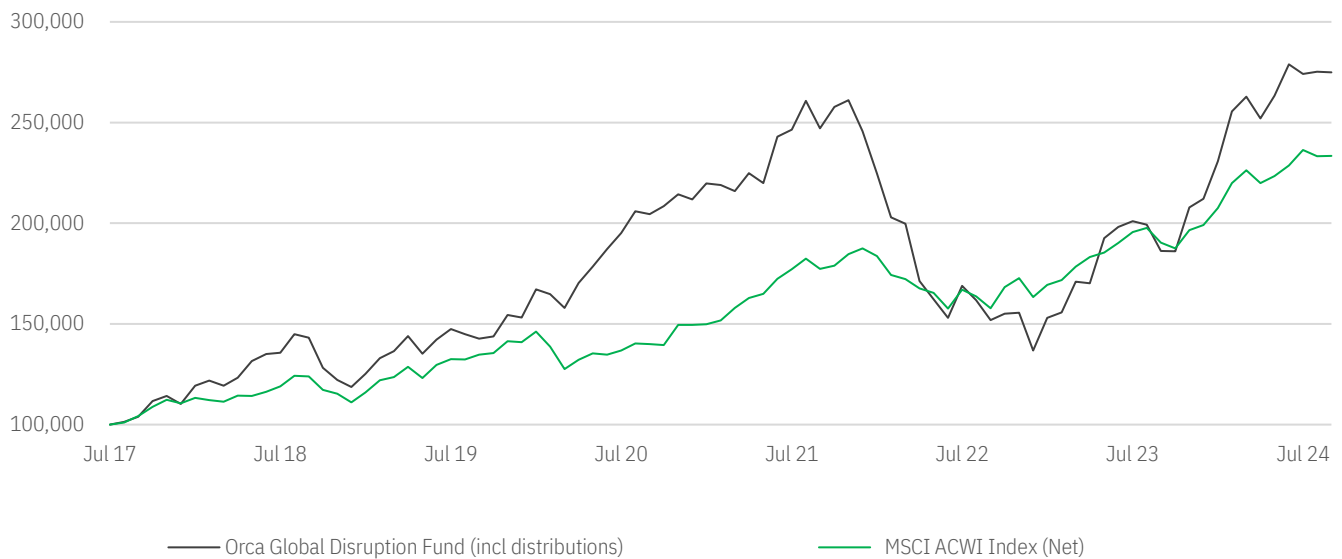
Key additions to the Fund:

- **SK Hynix:** We re-entered the stock after its valuations came back into an investable range. The company is exposed to disruptive end markets in personal devices and datacentres.
- **Tokyo Electron:** We believe semiconductor equipment remains a disruptive bottleneck along the supply chain for technology. We entered Tokyo Electron for exposure into semiconductor equipment and a reasonable valuation (peers like ASML remain expensive). The company fell back into an investable range following August's Yen carry trade.
- **Salesforce:** We believe that enterprise software is one of the first places where AI can be successfully productised. The company is planning to offer AI agents to work on behalf of customers. Meanwhile the company's share price has fallen due to cyclical slow down in its core business. We think this core business is positioned for recovery.
- **Mobileye:** Mobileye provides exposure to the disruptive trend of software defined vehicles requiring more silicon. The company has traded downwards since going public, reflecting weakness in the end market. We believe the automarket is primed for a cyclical recovery and companies like Mobileye will benefit, especially after their valuations have pulled back as much as they have.
- **Uber:** Uber offers exposure into the disruptive efficiencies of networks. The company's share price has been pushed downwards by fears of competition from Tesla's autonomous vehicles. We believe autonomy is not a near term proposition (even if it were, Uber would still participate) and that in the meantime, Uber's cheap valuation makes a compelling investment.
- **AstraZeneca:** We believe that the market underestimates the value of the AstraZeneca pipeline which comprises multiple innovative large molecule treatments. This provides upside on today's share price.

The following stocks were sold from the Fund:

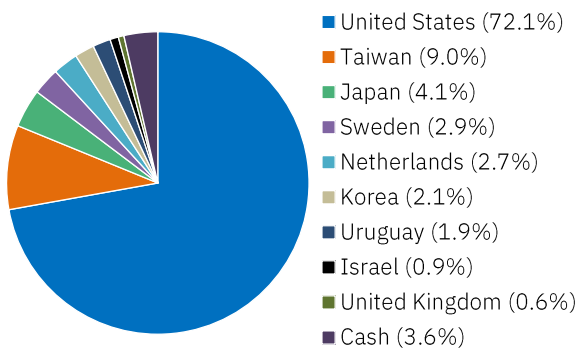
- **Teradyne:** Sold due to valuations and lack of expansion into new semiconductor customers. Teradyne sells chip testing to companies like Qualcomm and Texas instruments. The company is less exposed to AI datacentre designers, like Nvidia, where we expect heightened demand for testing.
- **CrowdStrike:** Sold due to valuations and the IT outage in July. CrowdStrike was priced for perfect execution and we have been reducing our exposure to the company due to lack of further upside to valuations. In our view, the outage won't cause too much churn in customers - cybersecurity products are generally too integrated into businesses to be easily cut. However the outage will give customers some leverage for cheaper prices in the near term.
- **Palo Alto:** Sold due to valuations. The company trades at a high multiple despite continuing to have a cyclical hardware business unlike CrowdStrike.
- **Samsung:** Sold given high valuation and recycled proceeds back into SK Hynix which we believe offers similar exposure to the memory market at a more favourable price.

FUND PERFORMANCE¹



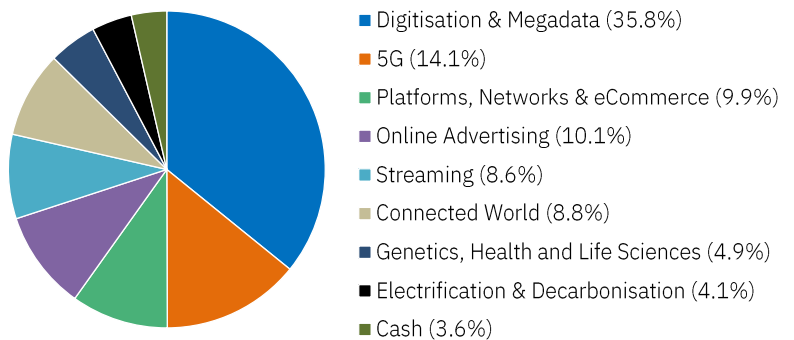
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GEOGRAPHIC EXPOSURE



Source: Bloomberg, Country of Domicile

THEMATIC EXPOSURE



Source: Investment Manager, Bloomberg

TOP 10 FUND HOLDINGS AS AT 30 SEPTEMBER 2024

NAME	GICS SECTOR
Advanced Micro Devices	Information Technology
Alphabet	Communication Services
Amazon.com	Consumer Discretionary
Meta Platforms	Communication Services
Microsoft	Information Technology
Netflix	Communication Services
On Semiconductor	Information Technology
Qualcomm	Information Technology
Roku	Communication Services
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 SEPTEMBER 2024



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.



ON Semiconductor – founded in 1999 and headquartered in Scottsdale, Arizona, is a leading provider of semiconductor solutions. The company specializes in intelligent power and sensing technologies, offering products such as power management chips, sensors, and automotive-grade semiconductors. ON Semiconductor's key markets include automotive, industrial, and IoT, with a strong focus on applications like electric vehicles, advanced driver-assistance systems (ADAS), and energy-efficient power solutions.



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).



Roku – founded in 2002, is an American company headquartered in San Jose, California, that manufactures a variety of digital media players for video streaming. Roku's devices allow users to access streaming services like Netflix, Hulu, and Disney+, among others, directly on their televisions. Roku has also expanded into the smart TV market and offers an advertising platform for content publishers. The company plays a significant role in the streaming media and connected TV 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

The PDS and target market determination (TMD) can be obtained by calling +62 9163 3333 or visiting our website loftuspeak.com.au. If you require financial advice that takes into account your personal objectives, financial situation or needs, you should consult your licensed or authorised financial adviser. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Total returns shown for the Orca Global Disruption Fund have been calculated using exit prices, and prior to 31 January 2021 Net Asset Value per Unit, after taking into account all ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is not indicative of future performance.

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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.