

# Orca Global Disruption Fund November 2023 Monthly



## FUND PERFORMANCE<sup>1</sup>

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	11.8%	4.3%	8.0%	33.7%	-1.0%	11.2%	12.2%
MSCI AC World Index (Net, AUD)	4.8%	-0.5%	6.0%	13.8%	9.6%	11.3%	11.2%
Excess Return	6.9%	4.8%	2.0%	19.8%	-10.6%	0.0%	1.0%

Notes: Data as at 30 November 2023 unless stated. Unit price (exit) at 30 November 2023: \$2.6704. Fund size: \$154.1 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**) returned +11.8% in Australian dollar (**AUD**) terms (+16.5% in USD), compared to the broader MSCI AC World Index +4.8% (+9.2% in USD). Since inception the Fund has returned +12.2% p.a. compared to the market +11.2% p.a.

US equity markets rallied strongly over the month (S&P 500 Index +4.7% and NASDAQ Composite Index +6.4% in AUD) as risk sentiment returned following further signs that inflation was cooling, while the economy has remained resilient supporting a soft-landing scenario. 10-Year US Treasury yields have moderated from above 5% down to 4.3%. Markets were supported by more dovish commentary from key Federal Open Market Committee (FOMC) participants who suggested rates may not need to stay restrictive if inflation continued to decline consistently. The shift in risk sentiment also saw the AUD rally 4.2% against the USD.

The Fund performed well in November supported by strong markets, but also most pleasingly from continued strong company results and fundamentals as reporting season concluded.

The Fund's best contributors for the month were **Block (+50.5%)**, **Adyen (+66.5%)** and **CrowdStrike (+28.0%)**. Weaker contributors included **Apple (+6.2%)**, **Alphabet (+2.0%)** and **Moderna (-1.8%)**, all detracting from the broader strong returns.

**Block (+50.5%)** delivered a strong September quarter result driven by Cash App growth and improving cost discipline. Revenues grew +24% with strong profitability reflected in adjusted EBITDA growth +46% and EPS +31% all ahead of market expectations. Block provided preliminary FY24 guidance with adjusted EBITDA expected (to grow 43-45% to \$2.4bn (+20% ahead of market expectations). Cash App revenues grew +34% with monthly transacting users

+11% to 55m and inflows per active user +8%. Square seller GPV grew +11%, revenues +12% and gross profit +15%. In his shareholder letter, CEO Jack Dorsey outlined a greater focus on driving efficiency by: (1) managing costs with plans to cap headcount at 12k (vs 13k currently) until growth dynamics improve; and (2) providing a clear target to achieve a rule of 40 (gross profit + adjust operating margin >40%) by 2026 with operating margins to rise to mid-20s (from 3% in 2023).

**Adyen (+66.5%)** held its investor day, addressing market concerns around growth, competition and longer-term profitability targets following the US payment volume slowdown observed in the 1H23 result in August. Management indicated September trends had improved with a reacceleration in GPV (+21% vs 1H +19%) and net revenues +22%. While macro conditions have driven US customers to increase scrutiny on costs paid to payment providers, management believe the market is not commoditised and is in fact getting more complex, and Adyen's differentiated payments solutions continue to be well positioned. Given this, Adyen will continue to price for value and not engage in aggressive price-based competition. Management also reset medium term profitability targets which now assume revenue growth on a percentage basis in the low to high 20's (previously mid 20's to low 30s) and EBITDA margins to exceed 50% by 2026 (down from 65% over the medium term).

**CrowdStrike (+28.0%)** reported a strong third quarter result with revenue growth of +35% and record operating margins of 22% (+690bps) both ahead of market expectations. The company also raised revenue and margin guidance for the full year. Net new annual recurring revenue growth accelerated to +13% on broad-based demand for CrowdStrike's cyber security products. While the macro environment remains challenging for enterprise software

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)

spend, management noted win rates against competitors have risen. Customer preference to consolidate with platform vendors also remains supportive for CrowdStrike with large deals (>8 security modules) rising +78%, while product penetration amongst the customer base continues to deepen.

**Apple (+6.2%)** reported a mixed September quarter result with revenues declining 1%, in-line with expectations, while EPS grew +13% driven by improving margins and share buybacks. iPhone sales rose +3% and services growth accelerated to +16%, offsetting weakness in Mac (-34%) and iPad (-10%) impacted by timing of product launches. While there were some concerns regarding competition in China from the recent launch of Huawei's Mate 60 handset, Apple believes it gained share with China revenues growing at +4% with the iPhone setting a revenue record.

**Moderna (-1.8%)** delivered a weak quarterly result and lowered revenue expectations for FY23 COVID vaccine sales to US\$6bn (previously US\$6-8bn). FY24 guidance for \$4bn of COVID vaccine sales was also below market estimates. COVID vaccination rates in the US have fallen, with similar trends reported by competitor Pfizer, as post-pandemic vaccination fatigue has set in. The company continues to develop a promising pipeline with expectations of 15 mRNA vaccines launched in the next 5 years including vaccines for RSV, flu, cancer and other rare diseases.

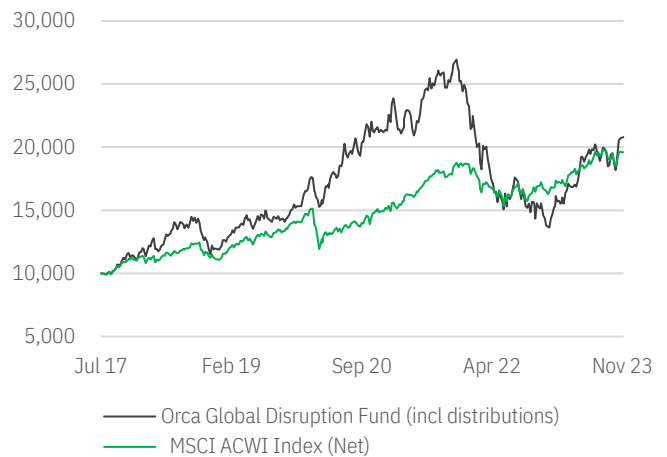
Other companies to report results included Nvidia, Palo Alto Networks and Shopify.

**Nvidia (+9.5%)** reported another very strong third quarter result with revenues +206% and EPS +1,274%, both well ahead of expectations. The company expects fourth quarter revenues to grow +230% to \$20bn, well head of market expectations of \$18.3bn. Nvidia's growth continues to be driven by strength from the datacentre business (revenues +279%) due to demand for accelerated computing and software solutions underpinning Generative AI applications (e.g. Adobe Firefly, ChatGPT, MSFT365 Copilot) and large language models. New US export controls on sales of advanced GPUs to Chinese customers did not have a material impact during the quarter. While the restrictions will have an impact on China sales in the following quarter, Nvidia: (1) expects this to be offset by demand strength from other regions; and (2) is also working on new compliant chips for the Chinese market. Overall, management reiterated strong demand visibility over coming quarters and confidence in 2024/2025 growth underpinned by supply expansion to meet demand, new customer growth (including countries building out sovereign AI infrastructure), and new product launches.

**Palo Alto Networks (+16.0%)** also reported a good third quarter result with revenues +20% and operating margins of 28% both ahead of market expectations. While management noted some customers are seeking flexibility around billings due to higher interest costs, contracted revenue growth (RPO) has remained strong growing at +26%. While full year billings guidance was lowered (+16-17%) to account for payment flexibility, revenue growth was reiterated (+18-19%), and operating income margins were raised (26-26.5%) on strong cost performance. Demand for cyber security products has remained strong as ransomware attacks continue to rise (+37% this year) and incoming SEC rules requiring companies to disclose material cyber-attacks within four days are prompting Boards to ensure their companies are appropriately protected.

**Shopify (+47.3%)** reported a strong September quarter result with better-than-expected revenue growth (+25% vs market +22%) and operating margins (16% vs market 10%). 4Q guidance was also strong with expectations of high teens revenue growth (low-mid 20 percentage points ex sales of logistics business) and operating margins continuing to improve. GMV growth accelerated to +22%, the strongest since the COVID period, driven by continued ecommerce growth and Shopify continuing to gain market share. The company continues to execute well on balancing strong operational growth and financial discipline as its margins improves.

## FUND PERFORMANCE<sup>1</sup>



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## TOP 10 FUND HOLDINGS AS AT 30 NOVEMBER 2023

NAME	SECTOR
Alphabet Inc	Digital advertising
Amazon.com Inc	eCommerce
ASML Holding	Semiconductors
Crowdstrike	Cybersecurity
Mastercard Inc	Electronic payments
Microsoft Corp	Software
NVIDIA Corp	Semiconductors
ServiceNow	Software
Spotify	Digital entertainment
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 30 NOVEMBER 2023

## Alphabet

**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

**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

**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.

## CROWDSTRIKE

**CrowdStrike** – is a leading cloud based cybersecurity software company. Through collection and AI driven analysis of security data from millions of global endpoints, CrowdStrike aims to detect and prevent potential breaches with its proprietary threat graph technology. CrowdStrike's Falcon platform offers customer 22 separate modules spanning corporate endpoint security, cloud security, managed security services, security and IT operations, threat intelligence, identity protection and log management. CrowdStrike was co-founded by CEO George Kurtz, Gregg Marston and Dmitri Alperovitch in 2011 and is based in Austin, Texas.



**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

**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.

## servicenow

**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.

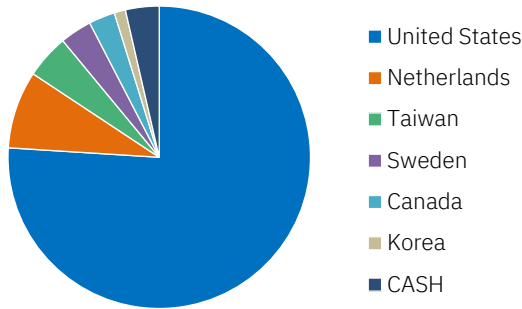


**Spotify** - Spotify's mission is to unlock the potential of human creativity by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it. Spotify's platform revolutionised music listening forever when it launched in 2008. Spotify's move into podcasting brought innovation and a new generation of listeners to the medium, and in 2022 it entered the next audio market with the addition of audiobooks. Today, Spotify has 100 million tracks, 5 million podcasts titles, and 350,000 audiobooks. It is the world's most popular audio streaming subscription service with more than 574 million users, including 226 million subscribers in 184 markets. The company was founded by Daniel Ek and Martin Lorentzon in April 2006 and is headquartered in Luxembourg.



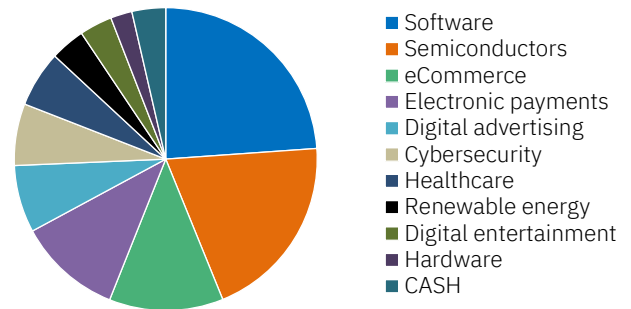
**Taiwan Semiconductor Manufacturing Co (TSMC)** – is the largest dedicated global foundry for the manufacture of semiconductor chips. TSMC produces chips for a wide range of uses including data centres, networking equipment, smartphones, tablets, PCs and gaming consoles. TSMC has a broad customer base 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.

## GEOGRAPHIC EXPOSURE



Source: Bloomberg, Country of Domicile

## THEMATIC EXPOSURE



Source: Investment Manager, Bloomberg

Signatory of:



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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.