

# Orca Global Disruption Fund September 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	-6.6%	-6.0%	8.9%	22.6%	-3.1%	5.4%	10.6%
MSCI AC World Index (Net, AUD)	-3.7%	0.0%	6.7%	20.6%	10.8%	9.0%	10.9%
Excess Return	-2.9%	-6.0%	2.2%	2.0%	-13.9%	-3.6%	-0.3%

Notes: Data as at 30 September 2023 unless stated. Unit price (exit) at 30 September 2023: \$2.3916. Fund size: \$142.6 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 -6.6% in AUD terms (-7.0% in USD), compared to the broader MSCI AC World Index (Index) -3.7% (-4.1% in USD). Since inception the Fund has returned +10.6% p.a. compared to the Index return of +10.9% p.a.

US equity markets logged consecutive monthly declines with the S&P 500 Index returning -4.8% and Nasdaq -5.8% (in USD terms) as market expectations for higher-for-longer interest rates increased following more hawkish takeaways from the US Federal Reserves (Fed) FOMC meeting. While the Fed expects one more rate hike before the end of the year, it is now indicating fewer interest rate cuts next year with 50bps suggested in 2024, less than the 100bps recorded at the June meeting. Shifting rate expectations created headwinds for growth assets while US Government bond yields rose to the highest levels since 2007 (US 10yr above 4.6%).

The Fund's best contributors for the month were **CrowdStrike (+3.0%)**, **Spotify (+0.3%)** and **AMD (-2.4%)**. Largest detractors were **Block (-23.0%)**, **Amazon (-7.6%)** and **Nvidia (-11.6%)**.

One of the Fund's core cybersecurity investments, CrowdStrike (+3.0%), held its annual Fal.Con conference where management updated their longer-term revenue outlook and medium-term profitability framework. Management outlined a 5-7yr annual recurring revenue (ARR) target of \$10bn (2Q24 \$2.9bn) implying +20-28% CAGR. This will be supported by customer growth, greater product penetration including high growth next generation security offerings, broadening partner relationships, and significant opportunities in the public sector as well as internationally. Management also upgraded its target operating model (3-5yr view) which assumes operating margins expand to 28-32% (+900bps on prior guidance), with free-cash-flow margins 34-38% (+500bps on prior guidance). During the conference, CrowdStrike outlined details

on monetisation plans for Charlotte, its Generative AI security assistant, which has a list price of \$20 annually per endpoint with volume discounts. Charlotte aims to upskill security operations analysts and increase productivity by enabling natural language queries and automation of data intensive tasks.

In another example of how portfolio companies are leveraging generative AI, **Spotify (+0.3%)**, announced that it will use generative AI to translate podcasts into other languages as part of a new partnership with OpenAI. We expect this will expand the addressable market for its podcast offerings. In early October, Spotify also announced a significant step in its audiobook strategy, including 15hrs of audiobook listening (150k audiobooks available) as part of Spotify Premium subscriptions. In our view, this will grow the overall audiobook market while adding another higher margin layer to strengthen and drive engagement across Spotify's platform.

**AMD (-2.4%)** outperformed the broader market following comments from Microsoft's CTO Kevin Scott at the Code Conference suggesting that AMD's GPU chips are becoming more compelling and will be important for the semiconductor market, given the current dominance of Nvidia.

**Block (-23.0%)** and fintech peers continue to face headwinds from potentially softening economic outlook and challenging investor sentiment. Additional volatility arose for Block following an outage in the Square Seller business, causing short term customer disruption. Later in the month, Alyssa Henry, the CEO of the Square seller business stepped down with founder and Group CEO, Jack Dorsey assuming the role.

**Amazon (-7.6%)** was sold off along with the broader megacap technology stocks. Late in the month, the FTC announced it had filed an antitrust suit alleging Amazon used its market power to

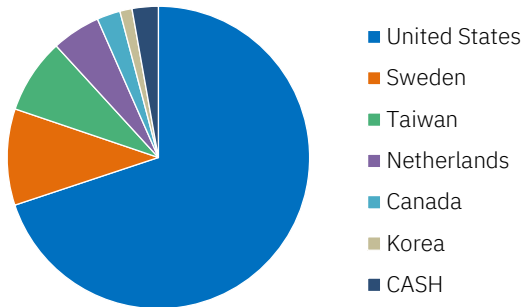
1. All returns are total returns, inclusive of reinvested distributions and net of fees and costs using net asset value per unit from inception to, and including, 31 January 2021 and exit unit price from this date. Past performance is not a reliable indicator of future performance. Inception 25 July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

## FUND UPDATE (continued)

overcharge sellers, limit discounting by competitors, increase fees to market sellers and stifle competition. Amazon's response suggested that if the FTC was successful, it would drive higher prices, slower fulfilment, and a more expensive and less convenient Prime offering.

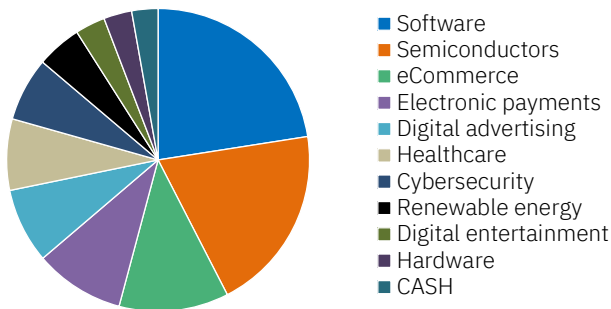
**Nvidia (-11.6%)** was sold off following its strong run this year (YTD +198%) and along with broader market weakness (Semiconductor index -6.0%).

## GEOGRAPHIC EXPOSURE



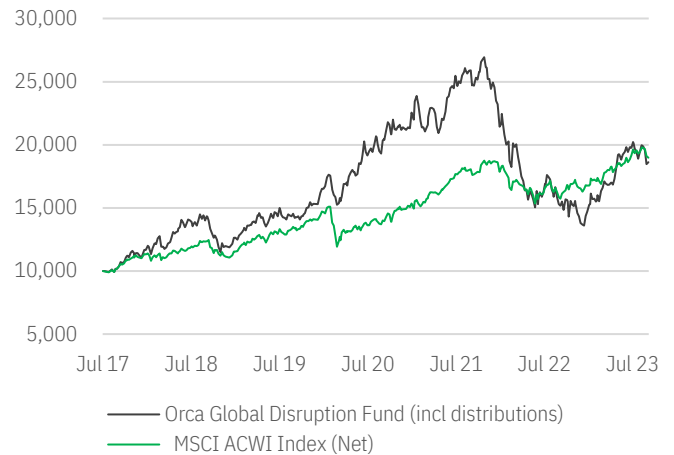
Source: Bloomberg, Country of Domicile

## THEMATIC EXPOSURE



Source: Investment Manager, Bloomberg

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



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## TOP 10 FUND HOLDINGS AS AT 30 SEPTEMBER 2023

NAME	SECTOR
Alphabet Inc	Digital advertising
Amazon.com Inc	eCommerce
ASML Holding	Semiconductors
CrowdStrike	Cybersecurity
Intuitive Surgical	Healthcare
Mastercard Inc	Electronic payments
Microsoft Corp	Software
NVIDIA Corp	Semiconductors
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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# Orca Global Disruption Fund

TOP 10 HOLDINGS AS AT 30 SEPTEMBER 2023



**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.



**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.



**Intuitive Surgical** – is a pioneer in robotically assisted surgery, creating and commercialising the surgical robot market. Intuitive designs, manufactures, and markets da Vinci Surgical Systems and related instruments and accessories. Intuitive operates in 67 countries, with 7000+ systems currently in place and more than 11 million procedures performed worldwide since inception. Intuitive faces little or no competition in its markets with competitors lagging in development of their products. The da Vinci system is installed in almost every major surgical teaching hospital across the US with junior surgical doctors trained on the da Vinci. This increases the stickiness of Intuitive’s product offering which would be difficult to match.



**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.



**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:



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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.