

# Orca Global Disruption Fund March 2024 Quarterly



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

Fund performance	3 Months	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.)
Orca Global Disruption Fund	23.9%	41.2%	53.8%	6.8%	14.0%	15.6%
MSCI AC World Index (Net, AUD)	13.6%	18.9%	26.8%	12.7%	12.8%	12.9%
Excess Return	10.3%	22.3%	27.0%	-5.9%	1.2%	2.6%

**Notes:** Data as at 31 March 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 31 March 2024: \$3.3770. Fundsize: \$184.4 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 March quarter, the Orca Global Disruption Fund (Fund) returned +23.9%, compared with the MSCI All Countries World Index (Index) which returned +13.6%. Since inception, the Fund is up 15.6% p.a. against the Index gain of +12.9% p.a.

Despite continued geopolitical uncertainty, global markets rallied, supported by the following factors:

- (1) Solid economic data suggesting the US economy remains robust;
- (2) Better-than-expected reporting season which reflects a resilient US economy.
- (3) Expectations that the Federal Reserve will continue to cut rates this year (although market expectations have been pared back somewhat); and
- (4) Continued positive sentiment on the adoption of Artificial Intelligence.

## FUND UPDATE

Overall, the Fund's holdings reported strong quarterly results which confirmed that the growth outlook and underlying fundamentals remain robust. Semiconductor stocks outperformed with signs of a cyclical upturn in semiconductor demand and secular tailwinds from the significant and rising investment to build out AI infrastructure.

For the quarter, the strongest contributors to performance were Nvidia (+90.8%), Amazon (+24.2%), and TSMC (+36.8%). The bottom contributors to performance were Tesla (-16.2%), Gitlab (-20.3%), and Adobe (-11.5%).

**Nvidia (+90.8%)** delivered another stunning result with 4Q24 revenues growing +265% and EPS +487%, both ahead of market expectations.

Guidance for 1Q25 was also ahead of expectations with Nvidia expecting further revenue growth of +234%. The company continues to be driven by its datacentre business which is benefiting from the explosion in spending on generative AI infrastructure (e.g. H100 GPU chips, networking solutions). Demand continues to outstrip improving supply and this will likely be the case into 2025 as Nvidia launches a string of new and more powerful products (H200, B100 GPU chips and Spectrum X, which is a new AI networking solution). Demand is also broadening with adoption across cloud service providers, enterprise and even sovereign states.

**Amazon (+24.2%)** delivered a strong 4Q23 result with revenue growth of +14% and operating income of US\$13.2bn (prior year was US\$2.7bn), both ahead of market expectations. The company flagged continuing strong growth with revenue up +8-13% in 1Q24 and operating income of US\$8-12bn (market expectations were US\$9bn). Highlights of the result were: (1) a re-acceleration in AWS revenues (+13%) as customers have largely slowed optimizations and resumed new workload migrations with an increasing spend on AI; and (2) continued improvement in retail margins due to logistics efficiencies and robust advertising.

**Taiwan Semiconductor (+36.8%)** reported a December quarter result with flat revenue growth and EPS -19%, both better than expected. The guidance range for FY24 revenues of low-to-mid-20 percentage points was well ahead of expectations, reflecting the beginning of a cyclical growth upturn for the semiconductor industry. This is predicated on a recovery in the smartphone and PC markets while accelerating AI adoption continues (as highlighted by results from key customers Nvidia and AMD). TSMC reiterated expectations of revenue growth of +15-20% CAGR in coming years.

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

**Tesla (-16.2%)** delivered a soft December quarter result, below expectations, with revenue growth of +3% and operating margins of 8.2%. Automotive deliveries grew +20% to 484.5k with revenues +1% as price cuts flowed through, while gross margins (ex-credits) improved sequentially to 17.2% (from 16.3% in the Sept quarter). Tesla expects growth for FY24 to moderate further from FY23 (deliveries +38%) before the release of its lower cost next-generation platform (slated for late 2025).

While results from **Adobe (-11.5%)** and **GitLab (-20.3%)** eclipsed market expectations, they offered weaker than expected near-term guidance. Nevertheless, both these companies are well placed to benefit as they roll out and monetise generative AI offerings. Adobe also held its annual conference where it showcased a series of innovations (Firefly services, Adobe Gen Studio) and suggested that new Gen AI capabilities including text to video/3D/Audio are in the pipeline for later this year. It also indicated that it is seeing Generative AI tailwinds across the business with strong Firefly engagement, uplift in new user growth and monetization to come later in the year.

## FUND CHANGES

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

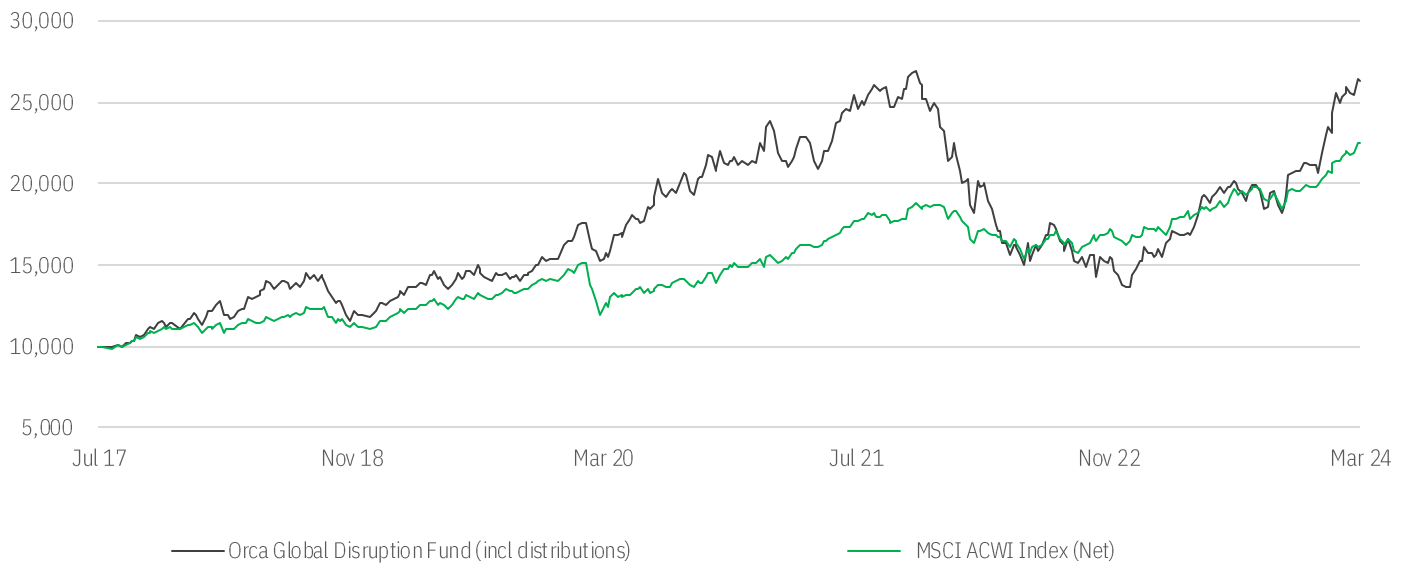
### Key additions by thematic:

- **Broadening AI exposure:** Broadcom, Qualcomm, Micron, Meta
- **Adding to streaming thematic:** Netflix, Roku
- **Adding to Connected/electric vehicles:** Onsemi, Indie Semiconductor, John Deere, Trimble
- **Adding to Cloud software and digitisation:** Gitlab, Nutanix
- **Adding to Ecommerce:** MercadoLibre, Walmart

### The following was stocks were sold from the Fund:

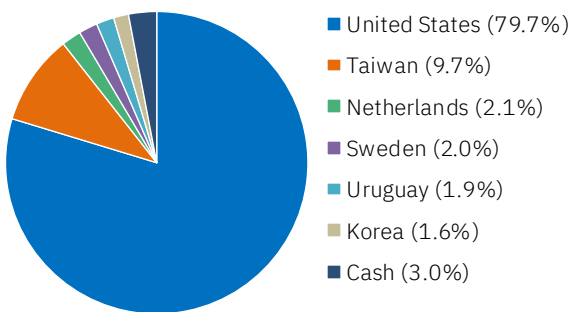
- **Apple:** Sold on valuation grounds with more attractive opportunities elsewhere. While AI could represent an upside opportunity for Apple, we believe Qualcomm will also benefit from the proliferation of AI capabilities onto devices and represents better risk/reward at current prices.
- **Tesla:** Sold on valuation grounds and on headwinds to near to medium growth. We have recycled the proceeds to Onsemi and Indie Semiconductor, both set to benefit from the shift to connected and electric vehicles.
- **Mastercard:** While Mastercard remains an industry leader, the shares were sold to lower the Fund's exposure to digital payments.
- **Intuitive Surgical:** Sold on valuation grounds. We continue to like the company's prospects and would look to re-enter at more attractive levels.
- **Snowflake:** Sold following: (1) a weaker than expected 4Q24 result when FY25 guidance was well below market expectations; and (2) the surprise retirement of the company's well-regarded CEO.
- **IQVIA:** Sold given full valuation and to fund more attractive growth opportunities elsewhere.

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



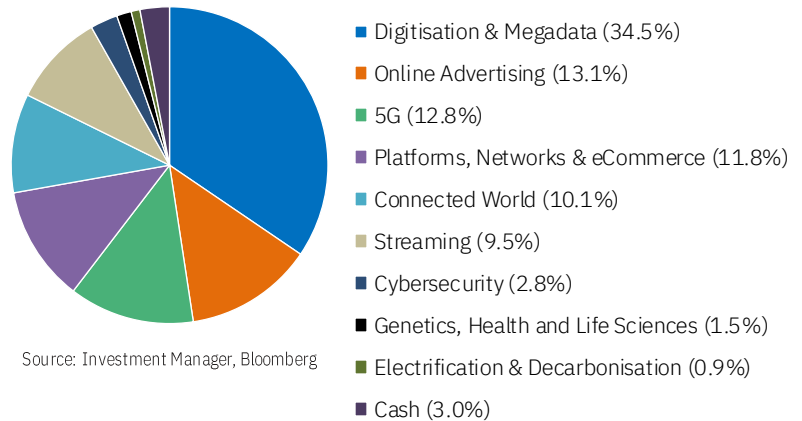
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## GEOGRAPHIC EXPOSURE



Source: Bloomberg, Country of Domicile

## THEMATIC EXPOSURE



Source: Investment Manager, Bloomberg

## TOP 10 FUND HOLDINGS AS AT 31 MARCH 2024

NAME	GICS SECTOR
Alphabet	Communication Services
Amazon.com	Consumer Discretionary
Broadcom	Information Technology
Meta Platforms	Communication Services
Micron Technology	Information Technology
Microsoft	Information Technology
Netflix	Communication Services
NVIDIA	Information Technology
Qualcomm	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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# Orca Global Disruption Fund

TOP 10 HOLDINGS AS AT 31 MARCH 2024

## 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.



**Broadcom** – is a leader in wireless, datacentre networking, AI chips, storage, and infrastructure silicon/hardware/software with broad-based exposure to positive trends in these end markets. Broadcom is a technology infrastructure powerhouse with semiconductor leadership positions in AI (#2 global AI semiconductor supplier), custom chip ASIC supplier, cloud datacentre/telco networking, wireless and enterprise storage.



**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.



**Micron Technology** – based in the US, is one of the world's leading manufacturers of memory technologies specializing in DRAM, NAND flash and NOR flash memory products. It also provides packaging solutions and semiconductor systems. Demand for memory will benefit from the secular increase in semiconductors for data centres, automobiles, IoT and industrials. Micron has recently started mass production of its high-bandwidth memory (HBM) semiconductor products for use in the latest artificial intelligence chips.



**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.



**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.



**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)



**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 Ltd (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.