Orca Global Disruption Fund May 2024 Monthly

FUND PERFORMANCE[1]

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	4.5%	3.0%	26.6%	36.7%	6.2%	14.2%	15.2%
MSCI AC World Index (Net, AUD)	1.6%	1.6%	13.6%	20.4%	10.7%	12.7%	12.4%
Excess Return	2.9%	1.4%	13.0%	16.3%	-4.5%	1.6%	2.8%

Notes: Data as at 31 May 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 May 2024: $3.3812. Fund size: $180.0 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.

FUND UPDATE

Artificial Intelligence (AI) continues to drive markets. **Nvidia** once again beat expectations and raised guidance on its earnings call as **Qualcomm** ran on the back of its launch as the flagship chip in **Microsoft**'s upcoming Copilot+ PC. However, software companies had a meaningful sell off at the end of the month following a number of weak results as a result of a softer demand environment from cyclical headwinds and uncertainty created over AI spending and implementation.

Qualcomm was the largest contributor for the month, adding +2.8% to Fund value from multiple secular tailwinds. Last month's performance review detailed the opportunity of the Snapdragon X Elite, the breakthrough chip in Microsoft's flagship AI-enabled personal computer. This is a laptop with an on-device AI "Copilot" and is the first meaningful ARM architecture chip which promises similar or even superior battery life to Apple's performant M3 laptops. The smartphone business is also experiencing the start of a cyclical recovery, separately to this new PC chip.

Netflix was the second largest contributor for the month, adding +0.8% to the Fund, after the market shrugged off the negative reaction to earnings, specifically the intention to wind down quarterly subscriber growth disclosure. The thesis around Netflix' dominance in the streaming industry remains intact underpinned by multiple revenue levers and spending discipline. This company is about more than just subscriber growth.

Mercadolibre was the fourth largest contributor, adding +0.3% to the Fund. The Latin American ecommerce giant reported earnings at the start of the month. Macroeconomic turmoil in Argentina was expected to weigh heavily on earnings, but strong execution in Brazil and Mexico prevailed. The share price pushed upwards in response.

The worst performing stock for the month was **DoubleVerify** which cut -0.7% from the Fund's value. DoubleVerify revenue is dependent on large retail and consumer packaged goods advertisers. These groups are showing uneven spending patterns, impacting the topline of DoubleVerify in the near term.

Samsung Electronics was the third-worst performing stock, detracting -0.2% for the month. Samsung is an exposure to memory chips. Historically, the memory market has been commoditised, dominated by three large players. Competition has heated up in the high-bandwidth memory (HBM) category – crucial in systems like Nvidia's and **Advanced Micro Devices**'. Here, it appears Samsung lags competitors **Micron** and SK Hynix. However, a similarly important tailwind for these companies is that the demand for memory is only just exiting its cyclical bottom. We also note structural changes in traditional end-markets, such as the step change in memory requirements for devices at the edge (phones, PCs) needing to run LLMs or other AI.
All positive signs for Samsung.

The broader software sector fell after earnings from Salesforce highlighted a weaker than expected demand environment as enterprise customers navigate cyclical headwinds and software budgets face greater scrutiny as they work out the best way to implement AI. Our software exposures: **GitLab**, **ServiceNow**, **Adobe** and **Nutanix** all fell because of the broader software weakness. We note that recent quarterly results from ServiceNow, GitLab and Nutanix were all relatively strong. We continue to believe our software names are well placed to benefit over the medium term from monetizing AI products that drive increased productivity and are not structurally challenged over the longer term.
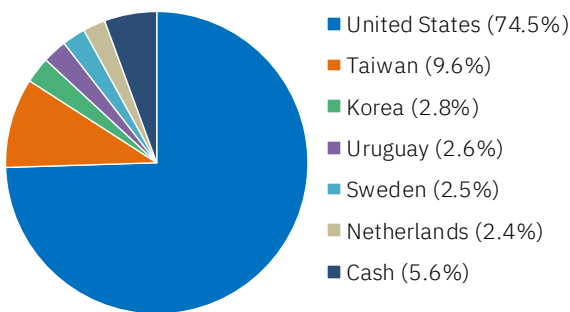
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1. All returns are total returns, inclusive of reinvested distributions and net of fees and costs using net asset value per unit from inception to, and including, 31 January 2021 and exit unit price from this date. Past performance is not a reliable indicator of future performance. Inception 25 July 2017.
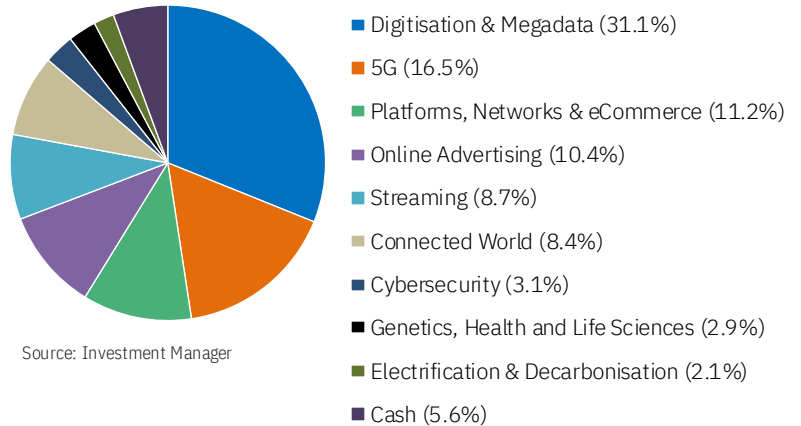
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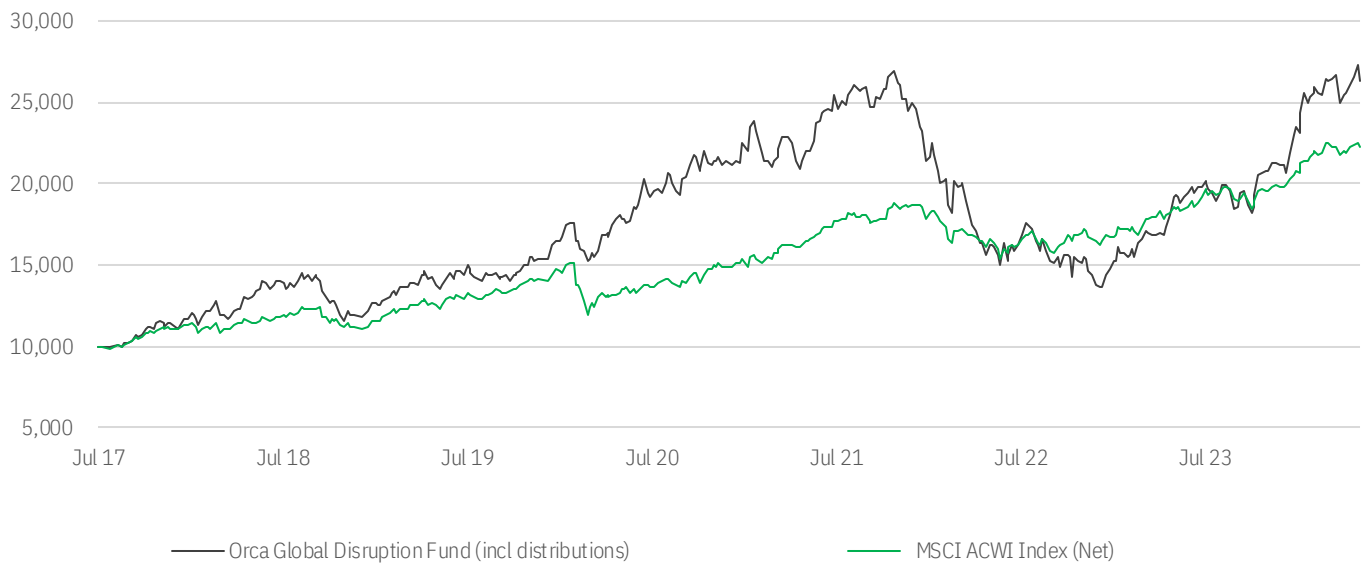
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GEOGRAPHIC EXPOSURE

- United States (74.5%)
- Taiwan (9.6%)
- Korea (2.8%)
- Uruguay (2.6%)
- Sweden (2.5%)
- Netherlands (2.4%)
- Cash (5.6%)

Source: Bloomberg, Country of Domicile

THEMATIC EXPOSURE

- Digitisation & Megadata (31.1%)
- 5G (16.5%)
- Platforms, Networks & eCommerce (11.2%)
- Online Advertising (10.4%)
- Streaming (8.7%)
- Connected World (8.4%)
- Cybersecurity (3.1%)
- Genetics, Health and Life Sciences (2.9%)
- Electrification & Decarbonisation (2.1%)
- Cash (5.6%)

Source: Investment Manager

TOP 10 FUND HOLDINGS AS AT 31 MAY 2024

NAME	GICS SECTOR
Alphabet	Communication Services
Amazon.com	Consumer Discretionary
Advanced Micro Devices	Information Technology
Broadcom	Information Technology
Meta Platforms	Communication Services
Microsoft	Information Technology
Netflix	Communication Services
Qualcomm	Information Technology
Samsung	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

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.

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.

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.

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.

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)

Samsung – is a global leader in technology and consumer electronics, was founded in 1969 and is headquartered in Suwon, South Korea. The company is renowned for its diverse range of products, including smartphones, tablets, televisions, home appliances, and semiconductors. Samsung Electronics is one of the largest manufacturers of electronic devices in the world and plays a significant role in the development and production of innovative technology solutions, from cutting-edge mobile devices to advanced semiconductor chips, making it a pivotal player in the global tech 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

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.