

## DECEMBER 2022 RESULTS

Investors should be aware of the wind-up announcements for the Orca Asia Fund and Orca Global Fund. We thank our investors for all their support since the Funds launched in 2018, and hope that there will be future opportunities to provide further services in coming years. The Orca Global Disruption Fund is not subject to the wind-up announcement.

December was a negative month for stock markets, but both the Orca Global Fund and Orca Asia Fund outperformed their benchmarks, by +2.5%<sup>1</sup> and +1.3%<sup>1</sup> respectively. US Technology and growth stocks were down approximately 10%, and the Orca Global Disruption Fund was down similarly.

Stock markets fell in December due to fears of a coming recession in 2023 and a retreat from excessive valuations caused by COVID stimulus and aggressive investor risk taking. Central banks have no choice but to emphatically fight inflation with higher interest rates, even though we have seen emerging evidence that inflationary forces are subsiding and slack is returning to the economy. This raises concerns that rate policy will worsen a slowing economy, in-line with common criticism that central bank policy is too late and exaggerated compared to live economic conditions. In our opinion we should largely absolve central banks though – policy is largely a reaction function with little latitude. In fact, the biggest concern for central banks is that markets will see them as impotent, so while the market revels in schadenfreude for bumbling central banks, central bankers are probably happy to still be relevant. Hopefully this period of markets blaming central banks will help build credibility to avoid the next major financial crisis.

We have spent the last two years waiting for more attractive entry points for investors, and we are finally seeing conditions improve. This makes us more bullish on stocks today than any point since 2020. It's vital to separate the noise from the signal on stock markets. Enthusiasm for the economy, stock markets, or themes like crypto and meme stocks are largely noise, what matters is how the stock market is priced and whether there is room for it to meaningfully go up due to fundamental drivers. The market was clearly overpriced for the last few years, but the decline in stock market prices mean we have more upside going forward. Investors should take a rational approach to building a suitable portfolio for the current environment.

The question for investors is their preference between a risky higher expected return from stocks or a safer but lower expected return from bonds, and how they mix that in their portfolio. For those with higher risk preferences, do they pursue disruptive western companies or disruptive eastern economies? Many portfolios have been skewed to recent COVID investment themes that have had a miserable 2022, and need to be rebalanced in-line with reality. I have no doubt that in the current environment of higher risk financial markets, with higher potential returns, active investment management will be more important than the previous two years of universally strong stock markets.

We thank investors for their support for the Orca Global Fund and Orca Asia Fund and look forward to providing continued service on the Orca Global Disruption Fund.

A stylized, handwritten signature in dark blue ink, appearing to read "Ted Alexander".

**Ted Alexander**  
Head of Investments

Notes:

1. Fund performance is quoted net of fees and inclusive of reinvested distributions. Past performance is not a reliable indicator of future performance.



## INVESTMENT OBJECTIVE

To provide investors with attractive risk-adjusted returns over the long-term by investing in high quality companies in the Asia ex Japan region.

## PORTFOLIO UPDATE

The Orca Asia Fund outperformed the benchmark MSCI Asia ex-Japan Index by 1.3%<sup>1</sup> in December. December was a marginally negative month for Asian markets, which declined -1.8%, with the Orca Asia Fund holding its capital value better than the market to return -0.4%<sup>1</sup> for the month and since inception. Asian markets were negatively impacted by falling global stock markets, but there were positive moves on speculation that China would relax COVID restrictions, opening up the economy. This led to China and Hong Kong markets rising by 4.3% and 4.9% respectively. The Orca Asia Fund is overweight both China and Hong Kong.

We view the current situation as a rare opportunity to gain exposure to Chinese stock markets at a significant discount. We have witnessed extremely strong returns in Chinese stock markets in recent years, offset by similar strong declines, due partly to the uncertain reading of the Chinese political climate from a Western perspective. Have no doubt that Chinese stock markets are higher risk compared to more established and open markets, but there may be high potential returns on offer for those with the risk appetite.

The best performing stocks for the Fund were Shenzhou (+24.5%), Tencent (+14.9%), and Moutai (+11.1%). These are all Chinese stocks that benefited from the anticipated Chinese economic rebound from re-opened economies.

The worst performers were Sea (-12.0%), LG Chemicals (-16.5%) and HCL (-9.9%). LG Chemicals is a leading battery manufacturer and was hit by a swing in market sentiment against Tesla, and evidence that Chinese manufacturers are taking market share. Sea is a pan-Asian online consumer company, which announced a reduction in their ambitions as they have been hit by a post-COVID market backlash against online firms. HCL is a leading Indian IT Services provider which has been a strong outperformer for the Fund, but the valuation has come off with global economic concerns.

Investors should be aware that the Fund announced a wind-up in December, and will continue to be fully invested until February. The Fund has returned investors a positive return since inception, and outperformed the benchmark over that period, while targeting a portfolio of stocks that provided a lower risk level than the market. We thank all investors for their support.

## PORTFOLIO MANAGERS



**Ted Alexander**  
Portfolio Manager

Unit price (Exit)	Fund size	12-month distribution yield (target: 4%) <sup>2</sup>	Performance since inception (14 May 2018) <sup>1</sup>
<b>\$1.1694</b>	<b>\$45.6 million</b>	<b>2.4%</b>	<b>2.0%</b>

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

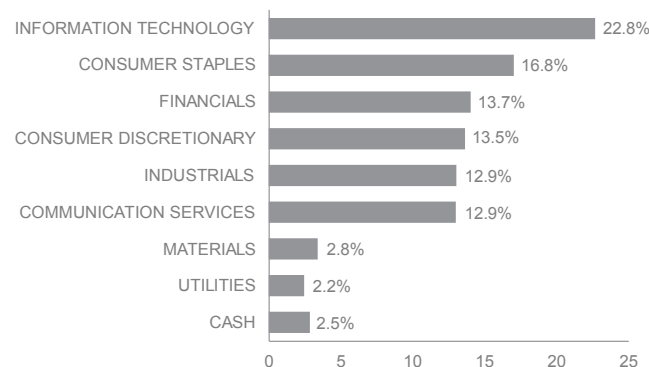
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Asia Fund	-0.4%	6.3%	-1.8%	-15.6%	-5.6%	-1.0%	2.0%
MSCI Asia ex Japan Index (Net, AUD)	-1.8%	5.0%	-2.7%	-14.3%	-7.1%	-0.5%	0.9%
Excess Return	1.3%	1.3%	0.9%	-1.3%	1.5%	-0.6%	1.1%

Note: Numbers may not sum due to rounding. Past performance is not a reliable indicator of future performance.

## TOP 10 PORTFOLIO HOLDINGS

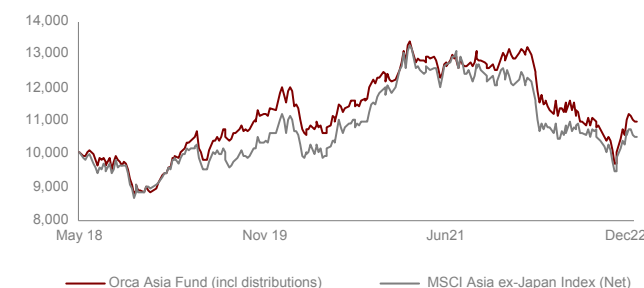
Alibaba	Techtronic
CP ALL	Tencent
HCL Technologies	TSMC
Ping An Insurance	Uni-President Enterprises Corp
Shenzhou International	United Overseas Bank

## SECTOR EXPOSURE

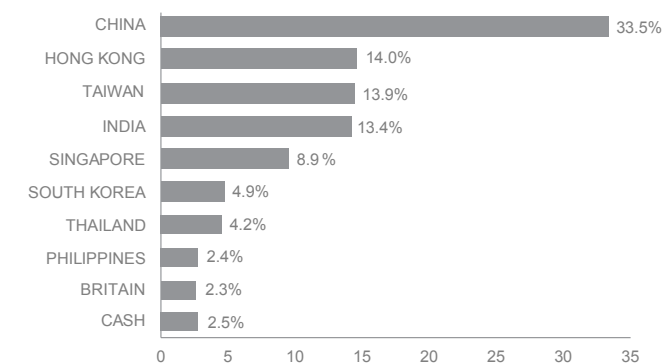


Source: Investment Manager, Bloomberg

## PERFORMANCE CHART<sup>1</sup>



## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data as at 31 December 2022 unless stated. Numbers may not sum due to rounding.

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 14 May 2018. Chart data range: 14 May 2018 to 31 December 2022. 2. Distribution yield is a historical measure. The Fund has a target distribution yield of 4%. There is no guarantee the Fund will meet its investment objective. The payment of a semi-annual distribution is a goal of the Fund only and neither the Manager or the Responsible Entity provide any representations or warranty in relation to the payment of any semi-annual cash income. The Fund reserves the discretion to amend its distribution policy. Initial index value 10,000. Index Source: Bloomberg.



## INVESTMENT OBJECTIVE

To provide investors with capital growth and attractive risk-adjusted returns over the long-term through exposure to a portfolio of global listed equities.

## PORTFOLIO UPDATE

The Orca Global Fund outperformed the MSCI World Index (Index) by 2.5%<sup>1</sup> in December. December was a negative month for stock markets, driven by concerns around inflation and stock valuations. The Index fell 5.8% for the month in Australian dollar (AUD) terms, while the Orca Global Fund returned -3.3%<sup>1</sup>. The Fund's strategy is to build a portfolio of stocks that protect investors' capital in falling markets, and this more defensive positioning drove our outperformance for the month.

The Orca Global Fund was overweight to the core defensive sectors of Healthcare, Consumer Staples, and Utilities. All of these sectors outperformed the Index in a negative month, and the Fund's holdings in these sectors outperformed their respective benchmarks through superior stock selection.

Novartis, a top 5 holding for the Fund, and a leading pharmaceutical drug developer out of Switzerland, was the strongest performer in Healthcare. The stock rose +1.6% after positive news on a new prostate drug, demonstrating our core thesis that innovation can outperform in negative market conditions. In Consumer Staples, it was both Unilever (-0.2%) and Mowi (+8.5%) that outperformed markets, reflecting their defensive nature. Finally, in Utilities offshore wind developer Orsted rose 4.0% for the month due to lower rate outlooks.

The worst performing positions for the month were Alphabet (-7.5%), Microsoft (-7.2%), and Techtronic (-7.6%). An underweight to Technology stocks was positive for the Fund, given large tech names like Alphabet and Microsoft underperformed on valuation and economic concerns. Techtronic declined as concerns for the US economic environment and key customer Home Depot weighed on the stock.

Given corporate developments, the Orca Global Fund is now substantially invested in cash and only holds its legacy investments as part of the wind-up process announced in December.

We thank all our investors for their support.

## PORTFOLIO MANAGERS



**Ted Alexander**  
Portfolio Manager



**Kunal Valia**  
Assistant Portfolio Manager

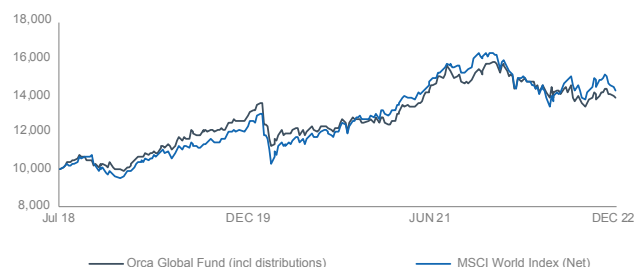
Unit price (Exit)	Fund size	12-month distribution yield (target: 4%) <sup>2</sup>	Performance since inception (6 July 2018) <sup>1</sup>
\$1.6572	\$60.8 million	2.3%	7.8%

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

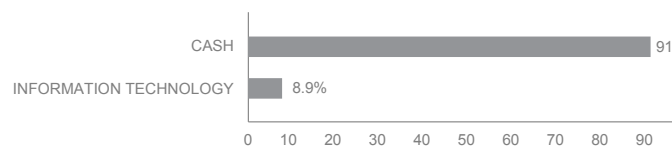
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Global Fund	-3.3%	3.6%	-0.2%	-12.4%	4.9%	3.3%	7.8%
MSCI World Index (Net, AUD)	-5.8%	3.5%	4.4%	-12.6%	6.1%	6.0%	8.5%
Excess Return	2.5%	0.1%	-4.5%	0.2%	-1.1%	-2.7%	-0.7%

Note: Numbers may not sum due to rounding. Past performance is not a reliable indicator of future performance.

## PERFORMANCE CHART<sup>1</sup>

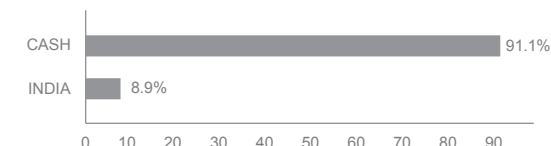


## SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data as at 31 December 2022 unless stated. Numbers may not sum due to rounding.

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 6 July 2018. Chart data range: 6 July 2018 to 31 December 2022. 2. Distribution yield is a historical measure. The Fund has a target distribution yield of 4%. There is no guarantee the Fund will meet its investment objective. The payment of a semi-annual distribution is a goal of the Fund only and neither the Manager or the Responsible Entity provide any representations or warranty in relation to the payment of any semi-annual cash income. The Fund reserves the discretion to amend its distribution policy. Initial index value 10,000. Index Source: Bloomberg.

# ABOUT ORCA FUNDS MANAGEMENT

Orca Funds Management is the investment manager for the Orca Global Disruption Fund, Orca Asia Fund and the Orca Global Fund. The Orca Funds Management Investment Team has more than two decades of experience in managing global equities and fixed income funds. Orca Funds Management has an investment team of four investment professionals who, as at 31 December 2022, collectively manage over \$360 million of funds.

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## IMPORTANT INFORMATION

This report has been prepared and issued by Orca Funds Management Pty Limited (**Investment Manager**) (ACN 619 080 045, CAR No. 1255264), as investment manager for the Orca Asia Fund (ARSN 624 216 404), Orca Global Fund (ARSN 158 717 072) and Orca Global Disruption Fund (ARSN 619 350 042) which are together referred to as the '**Funds**'. The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235150) is the Responsible Entity of the Funds. For further information on the Funds please refer to each Fund's PDS and Target Market Determination which is available at [orcafunds.com.au](http://orcafunds.com.au).

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