GLOBAL EQUITIES

JULY 2022 RESULTS

July 2022 was a case study in central banking fighting against the markets, and the victor may not be known for years. Track back a month and everyone agreed central banks were raising rates to 3.5% over the next year, and generally that this was a good idea. Some of the steam came out of stock markets as we accepted the likelihood of a weaker economy and higher rates.

Over July we saw the emergence of an alternative narrative. The economy was already weakening, inflation was already on the right path, and instead of raising rates, the US Federal Reserve (Fed) would need to cut rates to stimulate the economy in early 2023. Instead of interest rates at 3.5% next year, debt markets were pricing in 2.5%, a massive difference. Lower interest rates would stimulate the economy and release more liquidity, so this lower rate case underpinned rising stock markets in July. Fed Chairman Powell announced that the future path of interest rates was less clear, fuelling speculation of what was to come.

Central banking is largely about managing expectations, which can turn into an exercise in game theory. The Fed wants everyone to believe that rates will rise and inflation will be tamed, to influence behaviour now. But they don't necessarily really want to raise rates, perhaps they'd rather that you believed in higher rates, changing the outcome, and they didn't need to follow through. When markets call out the lie, the Fed then has to either back down, or carry out the threat. Currently markets say 2.5% and the Fed says 3.5%. The more the markets say 2.5% and those lower rate expectations threaten to spread through the economy into inflationary activity, the more that the Fed has to act tough. In the week after market rate expectations crashed, four Federal Reserve representatives reiterated the message of rate rises coming, denying the case for lower rates next year.

We are now in a rather perverse market where bad economic data makes stock markets rise, and good economic data makes stock markets fall. If the economy is in recession, rates will be held down, which markets are taking positively. Stock markets actually benefit from inflation, ceteris paribus, but they don't benefit from higher interest rates. Strong US employment numbers sent stock markets down – despite the fact that higher employment drives wages, spending, the economy, and the profits of the companies we invest in.

I don't deny stock markets their decent month in July, or that corporate profits were just good enough to allow a mild recovery, but the logic around rates and the reaction to economic news does not bode well for market efficiency.

Stock markets rose 7% in July. This was accompanied by US Treasury 10-year rate falling from 3.0% to 2.6%, and driven by decent company profits. Companies reported profits for the period April-June, called Q2. These profits were pretty good. Markets had feared that very weak current economic results could derail stocks, and that fear has been behind 2022's weak stock markets. In Q2 revenues and profits were ahead of expectations, although companies generally told us that profits for the full 2022 would be weaker than previous guidance, partly caused by a weak US dollar.

The larger companies did well, with beats from Amazon, Apple, Microsoft, and Alphabet. On the other hand, Meta was weak as advertisers held back spending. We heard that companies like Unilever, Coca-Cola, and McDonald's are putting through double digit price increases. Some retailers were squeezed between the producers and the consumer, with Walmart reporting weakness as consumers act more cautiously buying and trade down. China was weak for exporters such as Adidas and Caterpillar.

Overall, the consumer is still spending, and strong employment data underpins this. Inflation is very prevalent, and in areas consumers are pushing back or switching spending patterns. Supply chains are still patchy, with inventories building up in some industries, but shortages in others.

In July the Orca Global Fund returned 3.0%[1], the Orca Asia Fund returned -3.2%[1], and the Orca Global Disruption Fund +10.4%[1]. We remain positive on the asset class of global share markets.

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.

ORCA ASIA FUND

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 MSCI Asia ex Japan Index (Index) was down 2.1% in Australian dollar (AUD) terms in July as regional markets in Asia failed to follow the global market rally during the month. Chinese (-10.3%) and Hong Kong (-4.5%) markets gave back gains from previous months as the economic recovery stalled amid continuous disruptions including Covid zero policies. Stocks exposed to the domestic property market came under pressure as mortgage boycotts plagued already struggling property developers.

India (+8.1%) and Singapore (+4.8%) were the best markets on the back of continuous domestic recovery while technology heavy Korea (+3.4%) and Taiwan (+2.4%) also outperformed following the global rally in technology stocks. On a sector basis, Information Technology (+3.4%) and Materials (+2.2%) outperformed. Consumer Discretionary (-8.7%) and Real Estate (-8.3%) were the worst sectors echoing the underperformance of Chinese equities.

The Orca Asia Fund (Fund) returned -3.2%[1] in AUD terms, underperforming the Index by 1.1%. **Techtronic Industries** (+5.3%) was the top performance contributor for the month as the stock rebounded after the selloff in prior months and concerns of a US recession. **LG Chem** (+14.1%) was the second-best performance contributor after reporting solid quarterly results, with the electric vehicle battery sector boosted by continuous strong demand. **Uni-President Enterprise** (+3.5%) also contributed positively as the company announced the acquisition of Carrefour Taiwan to further consolidate the retail markets in Taiwan. **Alibaba Group** (-22.1%) was the largest detractor from performance partly due to the dual listing mismatch in the last trading day of the month. In addition, there have been renewed concerns of regulatory pressure on Chinese internet companies. **Ping An Group** (-14.3%) gave up gains from previous months as the Chinese financial sector retraced on economic concerns. **Shenzhou International** (-14.0%) was also a detractor for the month as concerns of weak demand for sportswear rose due to potential recessions in the US and Europe.

This fund is appropriate for investors with a “Medium to High” risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a medium investment timeframe. Investors should refer to the **TMD** for further information.

PORTFOLIO MANAGERS

Ted Alexander
Portfolio Manager

Ying Luo
Assistant
Portfolio Manager

Unit price (Exit)	Fund size	12-month distribution yield (target: 4%)[2]	Performance since inception (14 May 2018)[1]
$1.1529	$50.3 million	5.0%	1.9%

FUND PERFORMANCE[1]

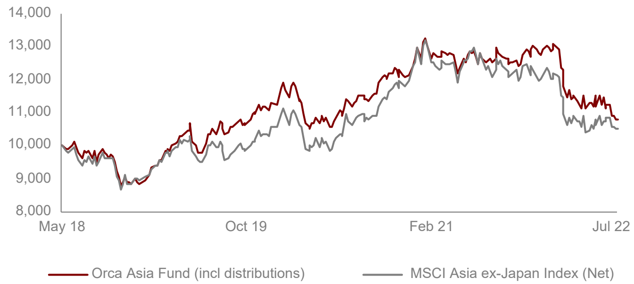
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Asia Fund	-3.2%	-6.9%	-17.8%	-15.1%	-2.6%	0.4%	1.9%
MSCI Asia ex Japan Index (Net, AUD)	-2.1%	-3.8%	-13.6%	-15.7%	-1.2%	1.8%	1.2%
Excess Return	-1.1%	-3.1%	-4.2%	0.7%	-1.4%	-1.5%	0.7%

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

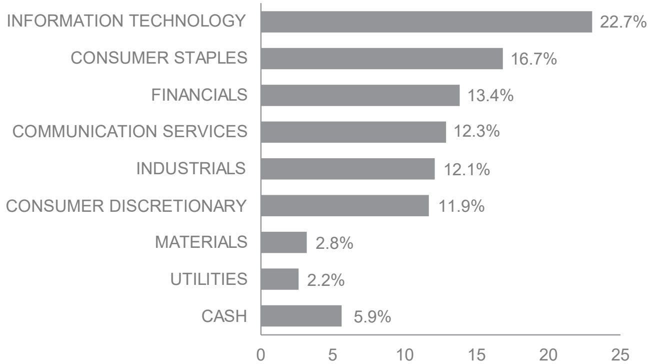
TOP 10 PORTFOLIO HOLDINGS

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

PERFORMANCE CHART[1]

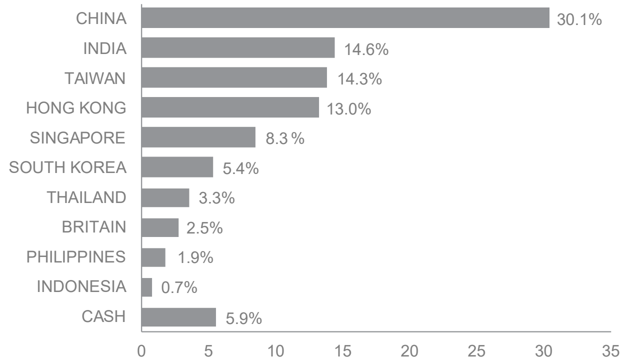


SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data as at 31 July 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 July 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.

GLOBAL DISRUPTION FUND

INVESTMENT OBJECTIVE

To provide investors with capital growth over the long-term through exposure to companies that will benefit from disruptive innovation.

PORTFOLIO UPDATE

The Orca Global Disruption Fund (Fund) returned +10.4%[1] in Australian dollar (AUD) terms (+12.0% in US dollar (USD)), compared to the broader MSCI AC World Index +6.0%. Since inception the Fund has returned +11.0% p.a.[1] compared to the market +10.7%.

Markets rebounded in July with a reversal in recent trends as growth sectors outperformed value. The US Federal Reserve hiked rates a further 75 basis points however, the market reacted positively to Chair Powell's comments that the pace of further rate hikes would likely slow. The market was also supported by a number of solid results from large technology companies.

The Fund's strongest contributors for the month were **Amazon** (+25.2%), **Tesla** (+30.5%) and **ASML** (+19.0%). Weaker contributors were **Techtronic** (-4.8%), **Tencent** (-14.7%) and **ServiceNow** (-7.4%).

Amazon (+25.2%) beat expectations with June quarter revenues +7.2% and operating income of $3.3bn, both ahead of guidance. Amazon's retail business is regaining momentum as comps ease and the company makes progress on costs, while the cloud business performed strongly (AWS revenues +33%). Management guided to an acceleration in September quarter revenues to +13 to +17%.

Tesla (+30.5%) delivered a good June quarter result with revenues +42% while EBIT margins were above market estimates despite production headwinds from the temporary shutdown of its Shanghai Gigafactory during the COVID outbreak. Demand for Tesla's electric vehicles remains well above supply and management guided to FY22 delivery growth of +50%.

ASML (+19.0%) reported a strong result with revenues +35% ahead of expectations, operating margins of 30.3% and EPS +40%. Management lowered FY22 revenue guidance to +10% (from +20%) and gross margins to 49-50% (from 52%) as supply chain constraints have led to some delayed revenue recognition of orders. However, given order book strength, management expects FY23 to be another growth year.

Tencent (-14.7%) weakened due to uncertainty over China's domestic economy recovery and following news that regulators moved to impose fines on several Chinese tech companies failing to comply with anti-monopoly laws. **Techtronic** (-4.8%) declined on shorter term concerns that a recession could impact consumer demand for battery powered tools.

ServiceNow (-7.4%) reported a solid quarterly result with revenues +25% (+29.5% in constant currency) and operating margins of 23% ahead of guidance. While demand for ServiceNow's workflow software remains strong, CEO Bill McDermott acknowledged that some sales cycles have lengthened.

In other results, both Microsoft and Alphabet delivered good results despite seeing some macroeconomic weakness in certain parts of their businesses.

PORTFOLIO MANAGER

Raymond Tong
Portfolio Manager

This fund is appropriate for investors with "High" and "Very High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a medium to long investment timeframe. Investors should refer to the TMD for further information.

Unit price (Exit)	Fund size	Historical (12-month) distribution yield[2]	Performance since inception (25 July 2017)[1]
$2.1698	$173.7 million	4.6%	11.0%

FUND PERFORMANCE[1]

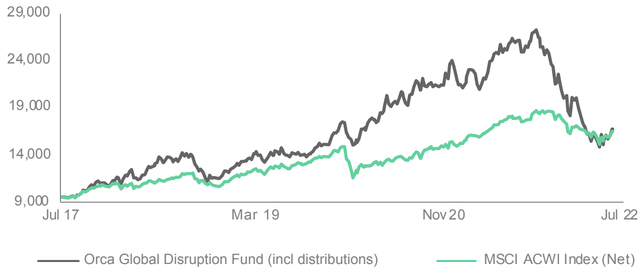
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.)
Orca Global Disruption Fund	10.4%	-1.3%	-24.8%	-31.5%	-7.0%	4.6%	11.1%	11.0%
MSCI AC World Index (Net, AUD)	6.0%	-0.4%	-9.1%	-5.8%	10.5%	8.0%	10.8%	10.7%
Excess Return	4.4%	-0.9%	-15.7%	-25.7%	-17.5%	-3.4%	0.3%	0.3%

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

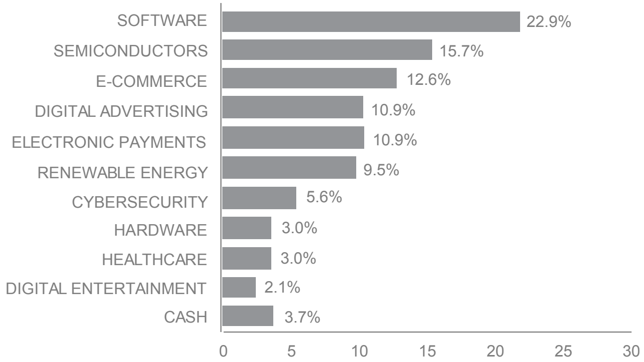
TOP 10 PORTFOLIO HOLDINGS

Alphabet Inc	NVIDIA Corp
Amazon.com Inc	Salesforce.com Inc
ASML Holding	ServiceNow
Crowdstrike	Tesla
Microsoft Corp	TSMC

PERFORMANCE CHART[1]

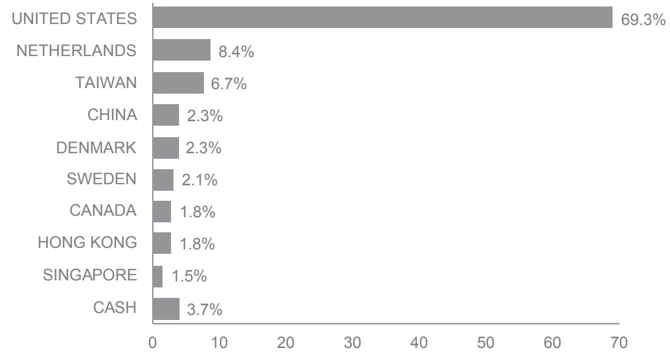


SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

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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.
Chart data range: 25 July 2017 to 31 July 2022. 2. Distribution yield is a historical measure. There is no guarantee the Fund will meet its investment objective. The payment of a 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.

GLOBAL FUND

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 returned +3.0%[1] in July. The benchmark MSCI World Index (Index) returned 6.9%, as higher-risk economically-cyclical sectors outperformed. The Fund's cautious risk positioning resulted in underperformance in July, including from a higher exposure to healthcare stocks, which underperformed the market due to political risk in the US - a reversal of the previous outperformance.

In positioning the Global Fund (our aim is to achieve a lower volatility than the market), the Fund outperformed the market through the first six months of the year, as stock markets fell. With July seeing strength in stock markets, we saw the reverse and the Fund underperformed. Higher risk stocks outperformed through the month, which resulted in the Fund's underperforming.

The best performing names were **SIG Combibloc** (SIG, +16.8%), **HCA** (+25.2%), and **Amazon** (+25.9%). SIG manufactures drink packaging, and the stock rose on strong profits, despite cost inflation. HCA is the largest private hospital network in the US, and reversed recent underperformance with strong profits as nursing costs appear to have peaked. Global retail behemoth Amazon rose after profits beat expectations, with the stock reversing its large underperformance in Q2.

The worst performing stocks were **AbbVie** (-6.32%), **Vodafone** (-5.6%), and **Adidas** (-4.2%). AbbVie fell as quarterly results disappointed. Sales of their cancer drug Imbruvica were down due to Covid impacting diagnosis and competition from rival drugs. Vodafone fell after disappointing results, impacted by their German operations. Adidas fell after they issued a profit warning due to weakness in the Chinese economy.

The Fund continues to aim for lower volatility than the broader market, and we are cautious about the short-term market moves. Nonetheless, we remain strongly positive on the longer-term prospects for global equities, and in particular the holdings of the Orca Global Fund.

This fund is appropriate for investors with a "Medium to High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a medium investment timeframe. Investors should refer to the **TMD** for further information.

PORTFOLIO MANAGERS

Ted Alexander
Portfolio Manager

Kunal Valia
Assistant
Portfolio Manager

Jumana Nahhas
Assistant
Portfolio Manager

Unit price (Exit)	Fund size	12-month distribution yield (target: 4%)[2]	Performance since inception (6 July 2018)[1]
$1.7101	$72.8 million	4.4%	9.5%

FUND PERFORMANCE[1]

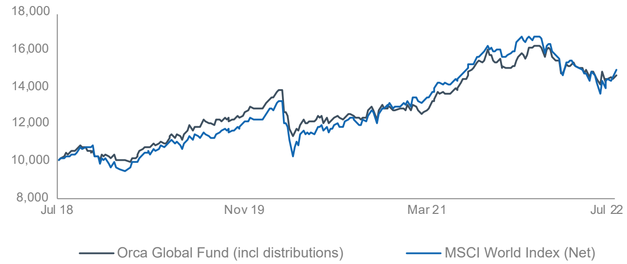
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Global Fund	3.0%	-2.8%	-9.0%	-5.0%	9.4%	6.3%	9.5%
MSCI World Index (Net, AUD)	6.9%	0.2%	-8.3%	-4.4%	12.1%	9.1%	10.1%
Excess Return	-3.9%	-3.0%	-0.7%	-0.6%	-2.7%	-2.8%	-0.6%

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

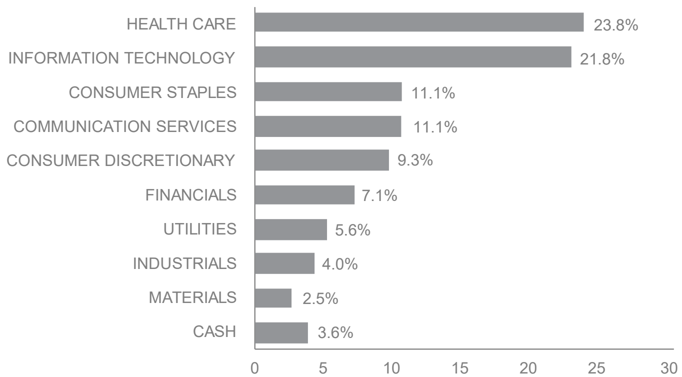
TOP 10 PORTFOLIO HOLDINGS

Alphabet	Microsoft
AstraZeneca	Novartis
Dollar General	Orsted
Mastercard	Royal Bank of Canada
Merck & Co	Unilever

PERFORMANCE CHART[1]

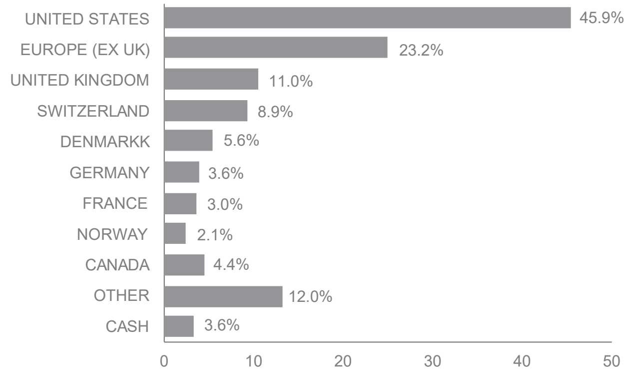


SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

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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 seven investment professionals who, as at 30 June 2022, collectively manage over $453 million of funds.

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Signatory of:

PRI Principles for Responsible Investment

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.

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