

## AUGUST 2021 RESULTS

August was another profitable month for global investors, with the MSCI World Index rising 3.0%. August was dominated by companies reporting profits for the previous three and six-month periods, and strong results drove stock markets up to new highs. This continues the bull market trend of 2021; steady stock market appreciation with falling volatility. Investors who were willing to accept the uncertainty around economies re-opening have been handsomely rewarded, and we've positioned the Orca Global Fund to benefit. Over the last six months, investors in the Orca Global Fund received a return of 24.8%<sup>1</sup>, more than 2% ahead of the Index.

Over the past quarter the two strongest areas of investment have been technology and healthcare, our two favourite themes. A resurgence in the Delta variant means more online economics, bumping up technology related stocks. This has led to the Orca Global Disruption Fund rising 18.5%<sup>1</sup> over the past three months and 5.8%<sup>1</sup> in August – a fantastic outcome. Healthcare has benefitted from lower political risk, relating to the Biden administration, and improved patient dynamics. The Orca Global Fund has a high exposure to healthcare stocks and rose 13.7%<sup>1</sup> over the past three months and 2.1%<sup>1</sup> in August.

In contrast, Asian markets were hit by a pivot by the Chinese government from rampant capitalism to more regulation and wealth redistribution. The Chinese stock market has fallen 5% over the last three months as a result. The reforms announced are generally no more aggressive than we see in Australia, with regulations around data, privacy, tax and wealth. However, the Chinese government dented investor confidence by effectively banning private companies from the education tutoring sector – a move radically different than we would see elsewhere. This destroyed an industry, leading to fear of what may come next. Despite Chinese stocks falling, our Orca Asia Fund has returned a positive 2.9%<sup>1</sup> over the last three months, compared to the Index at 0.0%. The Fund is underweight these Chinese themes, so investors in the Fund need not be too concerned about being over-exposed to Chinese reform.

Investors may recall that the Orca Global Fund and Orca Asia Fund were converted from previous strategies they invested in. As part of the conversion, previous holdings were liquidated in 2018 and the proceeds in our two portfolios invested into listed stocks. However, a small rump of private equity holdings from the previous strategy remained in the portfolio, less than 10% of the value. These investments are predominantly in the parent company of Ola, an Indian rival of Uber. We can't exit these positions until the company has an IPO, or other liquidity event. These private equity holdings have, since the Funds were converted, underperformed global markets and the listed stocks held by the Funds and detracted from relative returns. In this report you'll see that the Orca Global Fund has underperformed in August, with a return of 2.1%<sup>1</sup> versus 3.0% for the Index. However, we estimate that the liquid portion of the Fund (listed stocks and cash) returned 3.5%<sup>1</sup> excluding these private equity holdings. The good news is Ola's core business has recovered rapidly since the second lockdown in India and through August there were widely reported stories that Ola is planning an IPO over the coming year. At US\$1-1.5 billion, and a valuation that could exceed US\$8 billion we are hopeful this will help close the performance gap between our investment returns and the Funds' reported performance. We will update investors as we find out more.

Stock market conditions have been very strong in 2021, and investors are making good returns. We think this bull market can continue and investors can still benefit from exposure to global stocks. At the same time, the more this market runs up, the more investors should ensure they have defence against a pullback. Our Orca Global Fund is defensively positioned, and we aim to preserve investor capital in market downturns.



**Ted Alexander**  
Head of Investments

Note: 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 MSCI Asia ex Japan Index (Index) was up 2.7% in Australian dollar (AUD) terms in August. Asian markets rebounded from the sell-off in July, led by the Philippines (+12.2%) and Thailand (+12.1%), supported by potential reopening optimism. Korea (-0.9%) and Singapore (-0.7%) underperformed the region. On a sector basis Energy (+10.3%) and Utilities (+7.2%) were the best performing sectors as economic activity rebounded while Healthcare (-0.8%) and Consumer Discretionary (-0.7%) underperformed.

The Orca Asia Fund (Fund) returned 3.8%<sup>1</sup>, outperforming the Index by 1.1% for the month, benefiting from solid stock selection partially offset by devaluation of legacy holdings. **Techtronic Industries** (+25.3%) was the top contributor to the Fund's performance, reporting strong results for the first half of 2021 which exceeded market expectations with strong sales and higher margins. The outlook remains bullish as well with strong demand for its new product. **Zhejiang Chint Electrics** (+49.3%) (Chint) also contributed strongly to the Fund's performance. Chint performed strongly in July and its continued rally into August reporting solid first half results, in line with expectations, and benefitted from ongoing momentum in renewable energy related sectors. On the other side of the ledger the Fund's overweight position in **Alibaba Group** (-14.1%) detracted from the Fund's performance. The stock continued to trade in a wide range as ongoing fear of regulatory scrutiny of Chinese internet sectors. Alibaba reported results in line with consensus for the quarter, reiterated revenue guidance of +30% growth and indicated continued heavy investment related to user acquisitions and new business initiatives. Similarly, the Fund's overweight position in **Ping An Group** (-11.0%) detracted from performance. Ping An reported in line with expectation, but soft second quarter results due to weak life insurance sector trends and lingering COVID-19 impacts. However, its property and casualty insurance business remained solid and technology business continued to be strong.

## PORTFOLIO MANAGERS



**Ted Alexander**  
Portfolio Manager



**Ying Luo**  
Assistant  
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>\$1.4725</b>	<b>\$86.8 million</b>	<b>4.2%</b>	<b>8.8%</b>

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

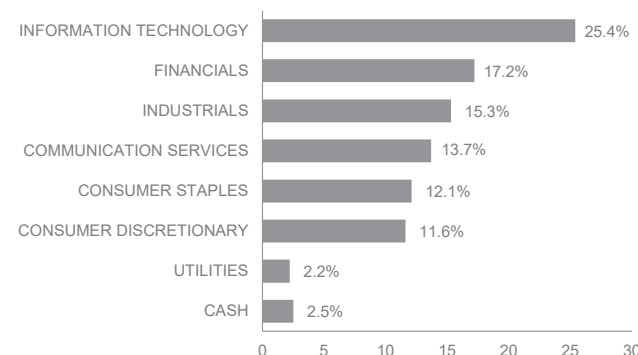
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Asia Fund	3.8%	2.9%	2.9%	15.1%	11.6%	10.2%	8.8%
MSCI Asia ex Japan Index (Net, AUD (%))	2.7%	0.0%	0.9%	18.9%	14.7%	9.6%	7.8%
Excess Return	1.1%	2.9%	2.0%	-3.7%	-3.1%	0.6%	1.0%

Note: Numbers may not sum due to rounding.

## TOP 10 PORTFOLIO HOLDINGS

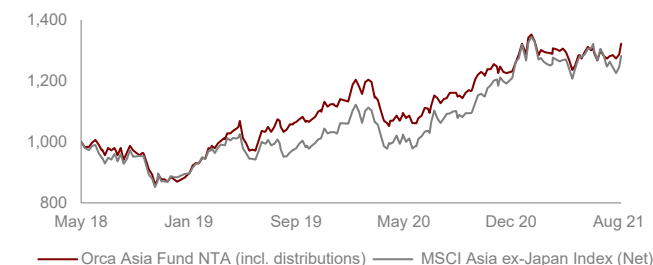
Alibaba Group	Tencent Holdings
HCL Technologies	TSMC
HDFC Bank	Uni-President Enterprises
Samsung Electronics	United Overseas Bank Ltd
Techtronic Industries	Zhejiang Chint Electrics

## SECTOR EXPOSURE

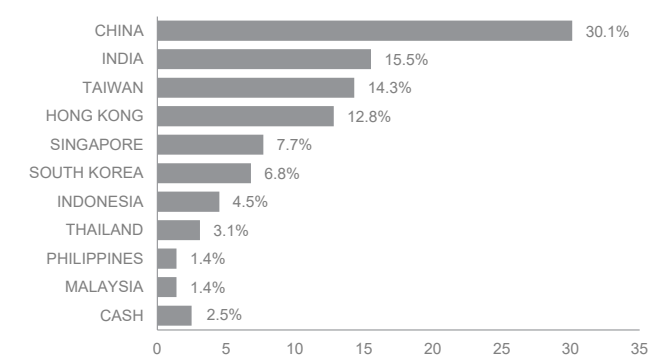


Source: Investment Manager, Bloomberg

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



## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data as at 31 August 2021 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 August 2021. 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 1,000. Index Source: Bloomberg.



## 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 5.8%<sup>1</sup> in Australian dollar (AUD) terms, outperforming the broader MSCI AC World Index (+3.0%). Since inception, the Fund is up +26.3%<sup>1</sup> per annum (p.a.) compared with the broader market +15.7% p.a.

The Fund's top contributors for August were Alphabet (+8.0%), Sea (+23.2%), Microsoft (+6.6%) and Afterpay (+39.2%). Weaker contributors included Illumina (-7.3%), Alibaba (-14.0%), and Zoom (-23.0%).

**Sea** (+23.2%) reported a strong June quarter result with revenue growth of +159% (Gaming +167%, Ecommerce +161%), marking 12 quarters of triple digit growth. The company also increased FY21 guidance for its gaming and ecommerce businesses.

**Afterpay** (+39.2%) received an all-stock bid from US fintech company Square, seeking to integrate the leading buy-now-pay-later platform into its merchant Seller and consumer focused Cash App ecosystems. Afterpay subsequently reported its FY21 result which indicated continued strong momentum with underlying sales +102% and 16.5 million users on the platform.

**Illumina** (-7.3%) reported a solid June quarter result with revenues growing +78% and EPS +202% both ahead of market expectations. Illumina's share price came under pressure when the company elected to close the acquisition of Grail, with EC regulatory approval still pending for the transaction.

**Alibaba** (-14.0%) reported quarterly results with revenues +34% (+22% organic) and EPS +12%. The company reiterated FY22 revenue guidance of +30% indicating it will continue heavy investment into user acquisition and new business initiatives.

A number of other holdings reported strong results during the month.

**Adyen** (+19.6%) reported a strong 1H result with payment volumes rebounding strongly (+67%) during the half driving revenue growth (+46%). **Salesforce** (+10.3%) reported a strong June quarter result with revenues (+23%) and operating margins of 20.4% both ahead of expectations. FY22 guidance was upgraded for the second time with management expecting revenue growth of 24% (previously +22%) and operating margins of 18.5% (previously 18%).

## PORTFOLIO MANAGER



**Raymond Tong**  
Portfolio Manager

Unit price (Exit)	Fund size	12-month distribution yield <sup>2</sup>	Performance since inception (25 July 2017) <sup>1</sup>
<b>\$3.5197</b>	<b>\$310.5 million</b>	<b>6.3%</b>	<b>26.3%</b>

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

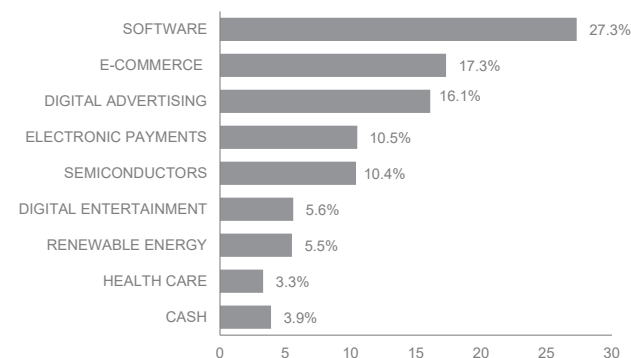
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Global Disruption Fund	5.8%	18.5%	19.1%	26.6%	34.1%	21.6%	26.3%
MSCI ACWI Index (Net, AUD (%))	3.0%	10.7%	20.2%	30.0%	17.4%	13.7%	15.7%
Excess Return	2.8%	7.9%	-1.1%	-3.4%	16.7%	8.0%	10.6%

Note: Numbers may not sum due to rounding.

## TOP 10 PORTFOLIO HOLDINGS

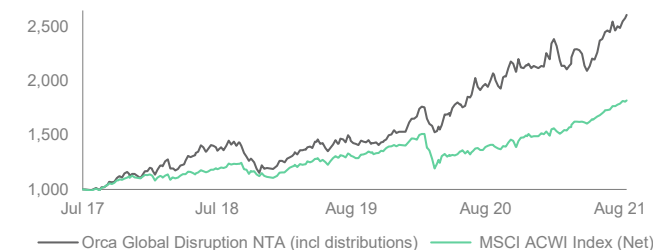
Adobe	Microsoft Corp
Alphabet Inc	PayPal Holdings Inc
Amazon.com Inc	Salesforce.com Inc
ASML Holding	ServiceNow
Facebook Inc	TSMC

## SECTOR EXPOSURE

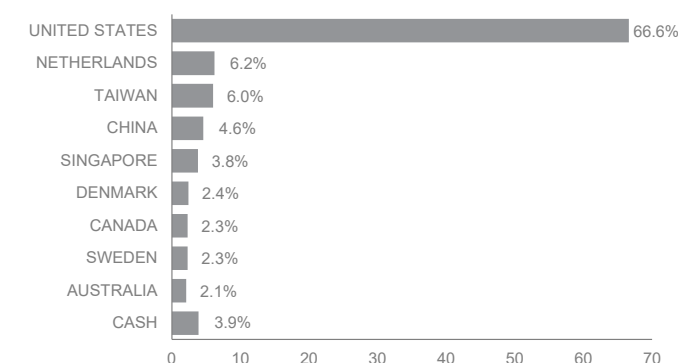


Source: Investment Manager, Bloomberg

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



## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data as at 31 August 2021 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 25 July 2017.

Chart data range: 25 July 2017 to 31 August 2021. 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 1,000.

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 MSCI World Index (Index) was up 3.0% in Australian dollar (AUD) terms over August 2021. Rising concerns around the spread of the Delta variant increasing COVID-19 cases, particularly in the US, and lacklustre economic indicators (US retail sales, US ISM manufacturing Index, China Industrial Production which printed below expectations) led to a decline in the Index by mid-month, although the formal FDA approval of the Pfizer COVID-19 vaccine and some signs of peaking Delta cases in the US helped the index rebound in the latter half of the month. An address by the Chairman of the US Federal Reserve Jerome Powell at month end suggested willingness to begin the scale back of the \$120 billion monthly asset purchase program this year, but noted that these measures would be quite distinct from any action on rates.

The Orca Global Fund (Fund) returned 2.1%<sup>1</sup> in August (net of fees), underperforming the Index by 0.8% with underperformance relating to a revaluation of unlisted assets. Excluding the impact of these unlisted assets, the remaining portfolio outperformed Index. The portfolio's holdings in the Technology and Communication sectors performed well, with **Alphabet** (+7.9%) and **Microsoft** (+6.6%) both rising. Insurance broker and adviser **Aon** (+10.8%) benefited from continued positive market sentiment on the back of second quarter results that illustrated solid organic growth prospects and abandonment of the Willis Towers Watson merger, which will allow management to focus on growth initiatives. In contrast, **Mastercard** (-9.9%) was weak, alongside other stocks that will benefit from reopening themes in light of further Delta variant spread. **Dollar General** (-3.8%) and **Unilever** (-2.1%) weakened as recent results demonstrated some cost inflation pressures. The largest detractor this month was due to a revaluation of unlisted assets, however offsetting this disappointing outcome was news of a possible future listing of the largest of these holdings, Ola.

The Fund remains cautiously positioned and portfolio cash levels remain well below 10%.

## PORTFOLIO MANAGERS



**Ted Alexander**  
Portfolio Manager



**Kunal Valia**  
Portfolio Manager



**Jumana Nahhas**  
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>
<b>\$1.9160</b>	<b>\$111.4 million</b>	<b>3.3%</b>	<b>15.0%</b>

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

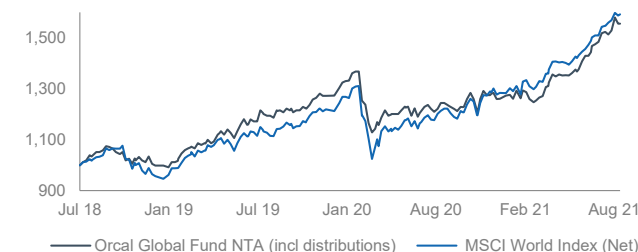
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Global Fund	2.1%	13.7%	24.8%	26.2%	13.3%	13.1%	15.0%
MSCI World Index (Net, AUD (%))	3.0%	12.1%	22.7%	31.2%	18.1%	14.3%	15.9%
Excess Return	-0.8%	1.7%	2.1%	-5.0%	-4.8%	-1.2%	-0.8%

Note: Numbers may not sum due to rounding.

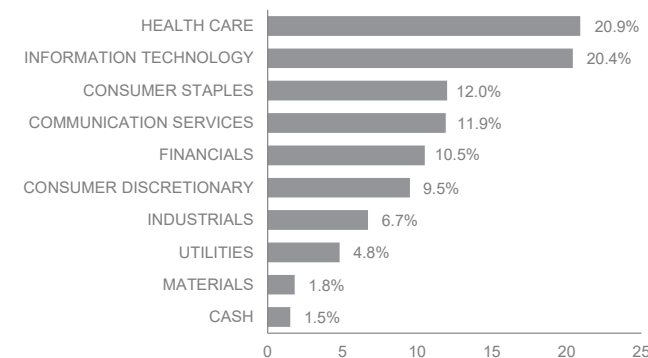
## TOP 10 PORTFOLIO HOLDINGS

Alphabet Inc	Microsoft Corp
Aon PLC	Novartis AG
Apple Inc	Orsted AS
Dollar General Corp	Royal Bank of Canada
Merck & Co Inc	Unilever PLC

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

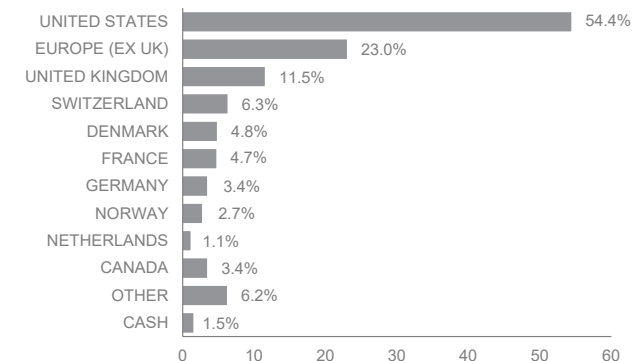


## SECTOR EXPOSURE



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 31 December 2020, collectively manage over \$790 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 which is available at [orcafunds.com.au](http://orcafunds.com.au).

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