GLOBAL EQUITIES

ORCA FUNDS MANAGEMENT

OCTOBER 2022 RESULTS

October was a positive month for stock markets, with the benchmark MSCI World Index up 7.8%. Stock markets have now been more or less flat since the middle of June. Investors are weighing up the economic case against the financial. The economic case is one of rising rates increasing the likelihood of recession. The financial is based on corporate profits, which have been resilient despite the gloomy headlines. At the halfway point of the Q3 earnings season, results have been better than expected, driving stock markets up.

Let’s start by reiterating a point we’ve made before - inflation is generally good for stock markets, all else being the same. We can generally say that rising prices cause rising profits and rising stock prices. It doesn’t really help in net terms if inflation runs at 8% and stock prices rise 8%, but you maintain your value better than other investments. Because companies can benefit from inflation, there’s no overarching reason for stock markets to fear inflationary environments.

The negative side of inflation for stock markets is primarily higher bond yields. As central banks increase policy rates, investors can receive higher returns on government bonds, which makes stock markets relatively less attractive. Of course, the road there is via bond holders taking a bath, but if you can get 4.7% on a 1-year US treasury that paid 0.1% this time last year, market dynamics are markedly different.

With supply chain restraints largely behind us, inflation is being caused by higher personal wealth and higher spending. There are still excess financial resources in the economy from the COVID stimulus packages, which were around 15% of GDP in developed markets. Consumers and businesses have been spending this extra cash, heating up the economy. Central banks are now attempting to cool the spending with higher rates. They’ll succeed, whether through passing rate rises, or just through the passage of time as the stimulus is spent. Looking at the spending patterns, we don’t think high inflation persists past 2023.

October is a busy month, as companies start to report profits for the July to September quarter. The results have been better than expected in general, which helped stock markets to rise this month. With inflation strong, revenues have risen 18% on average, and profits by 7%, with around half the MSCI World stocks reporting. However, a large proportion of these gains are from elevated oil prices. Excluding oil companies and the energy industry, revenues are +10% and profits -3% compared to last year. Although profits have marginally fallen, this was widely anticipated, and profits have still broadly beaten expectations. There’s a Lake Wobegon Effect in stocks though: stocks are expected to beat expectations.

In October the market was led up by Energy stocks, which rose 21%. None of our Funds invest in Energy stocks through our ESG policy. This was a handicap across the board, with all three Funds falling behind their benchmarks in October. While the decision to take oil companies out of our investment universe was primarily made on environmental and social grounds, we were also negative on their poor governance. Energy stocks had underperformed broader stock markets by 55% in the 8 years prior to COVID due to poor capital allocation, overproduction, lack of competitive advantage, and political risk. None of these issues have disappeared, and we think in the long-term oil stocks will underperform the market.

We remain somewhat balanced on stock markets: we don’t fear inflation, but we also realise that if central banks are draining liquidity from the market to slow inflation, some of that financial firepower will have to drain from stock markets as well. We are cautious in the short-term but remain bullish on stock markets in the long-term.

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.

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 5.6% in Australian dollar (AUD) terms in October. Asian markets failed to participate in the global market recovery as the mounting selling pressure on Chinese equities dragged down overall Asia regional markets.

China (-16.4%) and Hong Kong (-11.7%) were the worst performing markets during the month. China's stubborn COVID zero policy has gradually erased confidence, despite government stimulus - infrastructure related investment and easing credit. Overall, economic growth continued to weaken amid ailing property markets, falling consumer spending as along side broader lower economic activity. The negative market sentiment escalated following the Chinese Communist Party Congress where President Xi Jinping secured an unprecedented third term as the party leader. Markets interpreted this move to be an increase in political risk as Xi installs himself as the dominant leader moving forward.

Other markets in the region performed better with Philippines (+9.5%) and South Korea (+9.1%) leading, followed by Malaysia (+3.5%) and India (+3.1%). At a sector level, Communication Services (-16.9%) and Consumer Discretionary (-15.4%) were the worst performer, dominated by heavy-hitting Chinese internet companies. Energy (+1.9%) and Information Technology (+1.8%) outperformed.

The Orca Asia Fund (Fund) returned -6.8%[1] in AUD terms, underperforming the Index by 1.2% for the month. The Fund's non-China holdings contributed positively to the overall performance. **HCL Technologies (+11.4%)** was the top performance contributor, reporting solid quarterly results and raising guidance. **LG Chem (+18.1%)** gained as quarterly earnings beat consensus, supported by increased demand for battery materials. **United Overseas Bank (+8.3%)** outperformed with third quarter results beating consensus. Conversely, the Fund's Chinese holdings were down heavily, with **Inner Mongolia Yili Industries (Yili, -25.1%)** the worst contributor. In addition to the overall negative sentiment on Chinese stocks, Yili reported net profit behind market expectations due to higher ad spending. **Alibaba Group (-20.1%)** also underperformed alongside other large cap Chinese internet stocks. **ENN Energy (-25.3%)** declined due to sluggish third quarter gas volume growth and connection fee income amid a weakening macro environment and restricted movement in some areas.

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]
$1.0248	$41.6 million	5.6%	-0.9%

FUND PERFORMANCE[1]

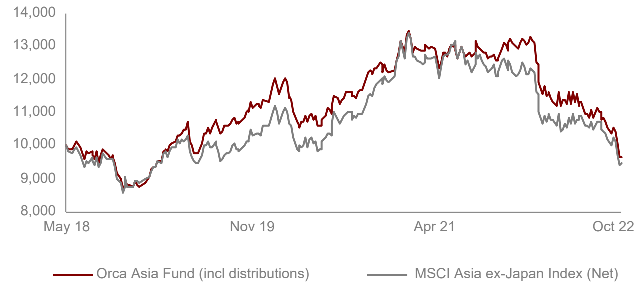
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Asia Fund	-6.8%	-11.1%	-17.2%	-23.7%	-11.1%	-4.5%	-0.9%
MSCI Asia ex Japan Index (Net, AUD)	-5.6%	-10.6%	-14.0%	-22.5%	-9.6%	-2.4%	-1.4%
Excess Return	-1.2%	-0.5%	-3.2%	-1.2%	-1.5%	-2.1%	0.5%

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

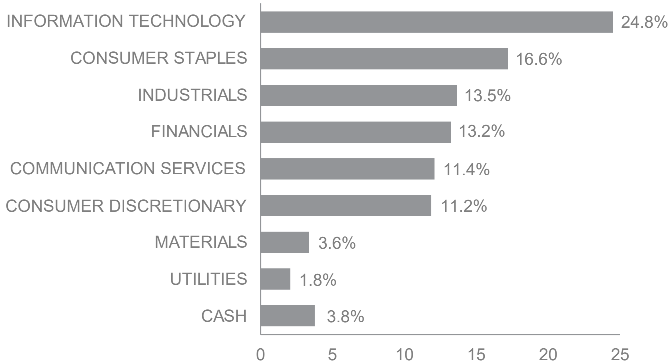
TOP 10 PORTFOLIO HOLDINGS

Alibaba	Techtronic
CP ALL	Tencent
HCL Technologies	TSMC
HDFC Bank	Uni-President Enterprises
LG Chem	United Overseas Bank

PERFORMANCE CHART[1]

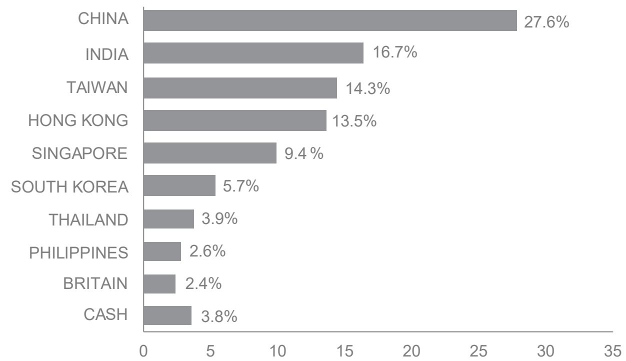


SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data as at 31 October 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 October 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.

ORCA GLOBAL DISRUPTION FUND

Unit price (Exit)	Fund size	Historical (12-month) distribution yield[2]	Performance since inception (25 July 2017)[1]
$1.9909	$151.8 million	5.00%	8.7%

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) +2.1%[1] in Australian dollar (AUD) terms, compared to the broader MSCI AC World Index (Index) +6.6%. Since inception the Fund has returned +8.7%[1] p.a. compared to the market +10.3% p.a.

Equity markets rebounded strongly in October led by value sectors (MSCI World Value Index +10.2%) which continued to outperform growth (MSCI World Growth Index +5.1%). September quarter reporting season commenced with mixed results from mega cap technology companies (e.g. Amazon, Microsoft, Alphabet) – while results and operational trends were robust, outlook statements suggest that near term revenue growth will moderate and margins will come under pressure due to macro related weakness and increasing currency headwinds. There is nothing to suggest that near term issues are structural, and we believe the long-term secular drivers remain in place and their competitive positions likely to strengthen in an economic recession.

The Fund's best contributors for the month were **Salesforce (+13.7%)**, **ServiceNow (+12.1%)** and **Mastercard (+16.3%)**. Weaker contributors were **Tencent (-22.4%)**, **Tesla (-13.7%)** and **Amazon (-8.8%)**.

ServiceNow (+13.7%) reported a strong result with subscription revenue growth (+28.5% on a constant currency basis (CC) remaining strong despite market fears of a macro driven demand slowdown. FY22 guidance for subscription revenues was raised 50 basis points to (+28.5%) while operating margins of 25% were reiterated.

Mastercard (+16.3%) reported strong September quarter results with revenues growing +23%, operating income +27% and EPS +22% (CC). For the December quarter the company expects to grow at high mid-teens (CC).

Salesforce (+13.7%) rose following news that activist investor Starboard Value had taken a stake in the company.

Tesla (-13.7%) reported a mixed result with revenues +56% (slightly below expectations) and EPS (above expectations). For FY22 while Tesla expects to grow production by +50%, deliveries growth will likely be below this given logistic challenges to deliver these vehicles to customers by year end.

Amazon (-8.8%) reported a mixed result with quarterly revenues +19% (CC) while operating income was in-line with guidance declining 57%. Management guided next quarter revenue growth to decelerate (+7% to +12% CC) with operating income $0 to $4bn, below market expectations.

Other key fund holdings to report during the month included solid September quarter results from Apple, Microsoft and TSMC. Alphabet reported a mixed result with revenue growth and operating margins below market expectations.

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.

FUND PERFORMANCE[1]

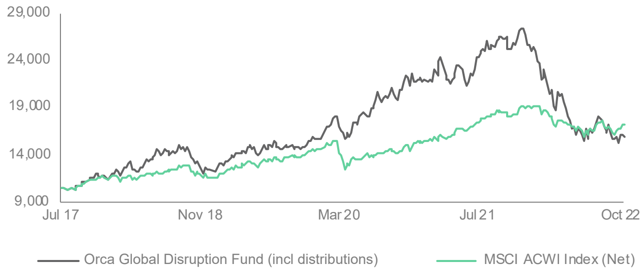
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.)
Orca Global Disruption Fund	2.1%	-8.2%	-9.5%	-39.9%	-13.8%	2.5%	6.8%	8.7%
MSCI AC World Index (Net, AUD)	6.6%	0.8%	0.3%	-6.0%	9.8%	7.5%	9.1%	10.3%
Excess Return	-4.5%	-9.0%	-9.8%	-33.9%	-23.6%	-4.9%	-2.3%	-1.6%

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

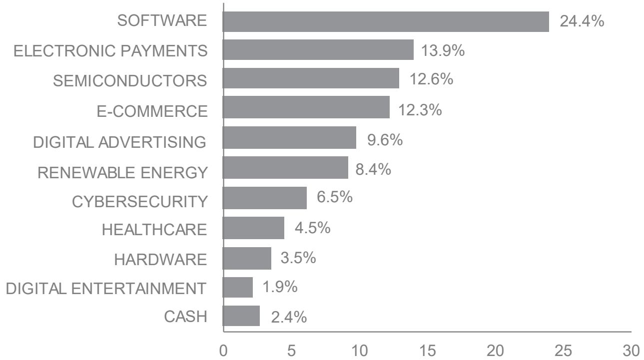
TOP 10 PORTFOLIO HOLDINGS

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

PERFORMANCE CHART[1]

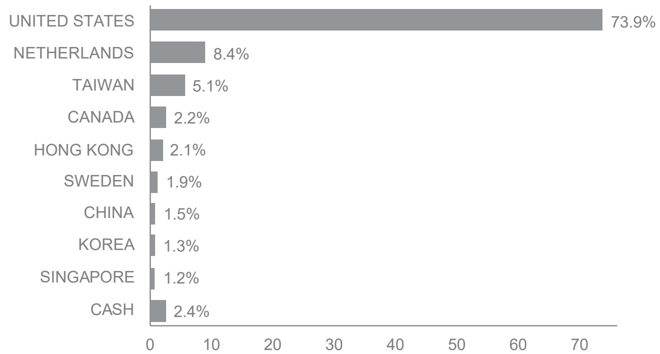


SECTOR EXPOSURE



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 October 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.

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

Global stock markets rose 7.8% in October, driven up by strong profit reports. The Orca Global Fund (Fund) rose 5.2%[1], underperforming the MSCI World Index (Index) by 2.5%. This was mainly due to a more defensive positioning, which benefited the Fund in September. Stock markets are still balanced between appreciating strong spending and high prices, which are positive for profits, against the macroeconomic backdrop of rising interest rates and potential for recession.

The biggest factors in the Fund's underperformance were our exclusion of Energy stocks (+20.7%) from the Fund on ESG grounds and positioning in Information Technology, with core holding Microsoft and unlisted investments flat for the month. The Fund's largest overweight holding is the Healthcare sector, which as a sector outperformed the broader Index, however, the Fund's holdings also outperformed at the sector level, returning +11.4%, and generating the largest positive contribution to returns on October.

The Fund's top performers for the month included **Merck (+18.2%)**, **HCA (+19.0%)**, and **Mastercard (+16.2%)**. Pharmaceutical stocks were strong in general, and Merck delivered a decent third quarter results. HCA is the leading private hospital operator in the US but the stock has been quite volatile given the changing hospital landscape post-COVID: the strong month followed a weak August and September. Mastercard ran up strongly with markets , rallying a further 4% after they reported decent profits.

The Fund's worst performing stocks were Google, SIG Group, and TSMC. Google was broadly flat for the month, however declined -9% the day after made a disappointing earnings announcement, with investors also concerned about future ad market revenue. SIG Group, a Swiss packaging manufacturer, fell 5.7% over the month, with concern about their end market demand and pricing rising. TSMC is the leading global semiconductor manufacturer, and shares came off 9.7% with concerns about demand for semiconductors vs their planned capacity expansion. TSMC has provided some punchy market guidance, and there are growing fears that a downgrade may be coming.

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]
$1.6834	$64.9 million	4.4%	8.5%

FUND PERFORMANCE[1]

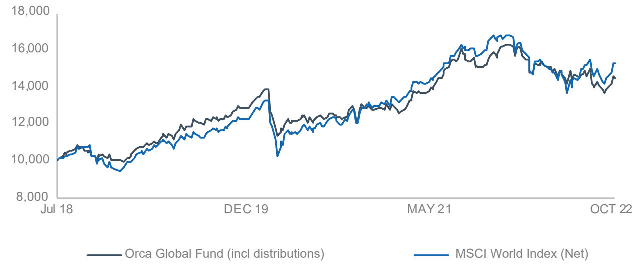
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Global Fund	5.2%	-1.6%	-4.4%	-4.9%	8.7%	5.2%	8.5%
MSCI World Index (Net, AUD)	7.8%	1.6%	1.8%	-4.3%	12.1%	8.8%	9.9%
Excess Return	-2.5%	-3.2%	-6.1%	-0.6%	-3.4%	-3.5%	-1.3%

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

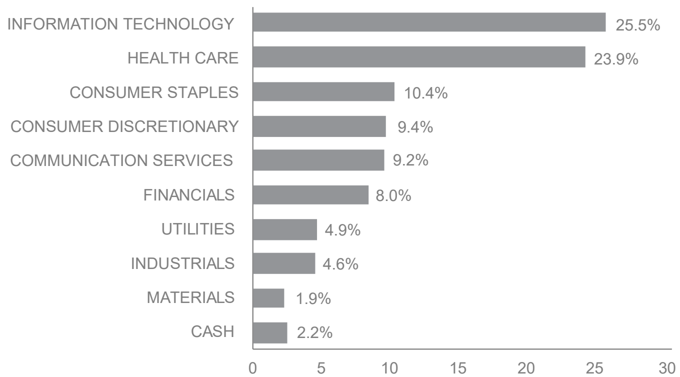
TOP 10 PORTFOLIO HOLDINGS

Alphabet Inc	Microsoft Corp
Danone SA	Novartis AG
Dollar General Corp	Orsted AS
Mastercard Inc	Royal Bank of Canada
Merck & Co Inc	Unilever PLC

PERFORMANCE CHART[1]

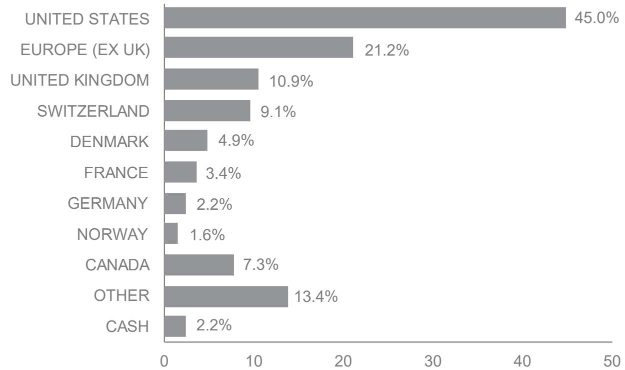


SECTOR EXPOSURE



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 $450 million of funds.

TELEPHONE

1300 732 541

EMAIL

info@orcafunds.com

ADDRESS

Level 32, 1 O'Connell Street
Sydney
NSW 2000

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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