

SEPTEMBER 2022 RESULTS

Stock markets fell in September, with the MSCI World Index declining 3.3% in Australian dollar (AUD) terms. Our Orca Global Fund outperformed, returning -2.3%¹ due to our more conservative positioning on risk. The MSCI Asia ex-Japan Index fell 7.0%, and the Orca Asia Fund outperformed, returning -6.1%¹. The Orca Global Disruption Fund fell -6.2%¹, underperforming its benchmark MSCI ACWI, which fell -3.6%. With significant stock market volatility, it has been difficult to consistently position for monthly moves, but both the Orca Global Fund and Orca Asia Fund have outperformed over the last 12 months and continue to be positioned for continued volatility as markets follow and react to economic developments.

The global economy has continued to behave much as expected through September. Inflation has remained high, central banks are aggressively raising rates, bond yields are up, and stock markets have been weak and volatile. These are classical market adjustments to the environment. As long as governments don't undermine central bank efforts to pacify inflation, we would expect the adjustment mechanism to work. Inflation will be controlled, employment levels will normalise, and market volatility will stabilise.

When we talk of bonds, we benchmark everything back to US Government debt instruments. The US Federal Reserve (Fed) sets benchmark interest rates for short life US debt, which flows through the system. With the Fed raising rates, you can get 4.1% return on a 1-year US government debt investment, one of the safest investments in the world. Believe it or not, at the start of this year you would only have got 0.41% on that same investment. This has fundamentally changed the investment options for all investors. New options mean different decisions and behaviours, with investors shifting out of riskier stock markets to lock in a larger proportion of their portfolio in bonds. This drives down stock markets.

This relationship is one of the most interesting in the world, in my eyes. Pre-1970 oil shocks, bonds and stocks were negatively related: bond markets fell as stock markets rose. From 1970 to 2000, the relationship flipped as inflation became the main concern in the economy. If bond markets fell on higher inflation, stock markets fell too. Then from 2000 to 2021 the relationship flipped back again, a stronger economy meant

stronger stock markets and weaker bond markets. The relation is clearly multivariate, depending whether real or nominal effects dominated. Our theory was that if we saw high inflation, the relationship would flip back to positive. This year inflation has returned, and we're seeing higher bond yields from falling bond markets, accompanied by falling stock markets, which is in-line with our theory. The measured correlation has shifted back to positive in the presence of high inflation. For the foreseeable future, higher bond yields will be bad for stock markets, which wasn't the case for the last 20 years! This is why we're focusing more on what is going on in bond markets.

With bond yields up at 4%, what are stock markets offering? The adjusted stock yield is at 8%, offering 4% more than bonds, known as the equity premium. The issue is that the equity premium has averaged 5% for the previous decade. So although stock markets are cheaper than at the start of the year, and offer higher long-term expected returns as measured by adjusted yields, they're still less attractive relative to bonds. Unless bond yields fall back down towards 3%, stock markets still aren't cheap by this equity premium measure. However, inflation should drive corporate profits too, which is why we're closely watching the upcoming earnings season for evidence of supersized profits that could shift investors back into stock markets.

We have been pretty bearish on the Australian dollar for some time, but September marked a real turning point. The Australian dollar fell -6.4% against the US dollar as the RBA came out softly on inflation just as the US Fed was getting more aggressive. This has opened up the largest yield gap between the currencies since the start of the COVID crisis. In this environment the US dollar will remain significantly more attractive to capital than the Australian dollar, and we would expect the Aussie to continue to slide. This makes overseas investments more attractive to the Australian investor.

A stylized, handwritten signature in dark 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 MSCI Asia ex-Japan Index (Index) was down 7.0% in Australian dollar (AUD) terms through September as global stock markets fell. Global recessionary risks including inflation are showing little sign of cooling while geopolitical tensions and the energy crisis in Europe all continued to heighten market risk. The US dollar (USD) strengthened against most currencies softening declining returns for local investors.

South Korea (-13.2%), Philippines (-12.2%) and Taiwan (-10.4%) were the worst performing markets during the month following a selloff in Information Technology (IT) stocks. Indonesia (+5.8%) continued to outperform and has been one of the best performing markets globally year to date. Singapore (+1.0%) and India (+0.1%) also gained due to their defensive positioning.

IT (-11.0%), Communication Services (-10.8%) and Consumer Discretionary (-8.7%) were the hardest hit sectors as markets pivoted to 'risk-off'. Defensive Consumer Staples (+0.3%) was the best performing sector for the month.

The Orca Asia Fund (Fund) returned -6.1%¹ in AUD terms, outperforming the Index by 0.9% for the month. **Uni-President Enterprises** (+4.1%) was the top performance contributor for the month and has been one of the best performing Consumer Staple companies in the downward market. **HCL Technologies** (+3.6%) also contributed positively to the Fund's performance as the local Indian market outperformed and IT services demand remained strong globally. **Singapore Telecom** (+5.3%) also outperformed due to its defensive nature, however, it has since traced lower following data security breaches from its Australian subsidiary Optus. **Techtronic Industries** (-13.2%) gave back all its outperformance from prior month as recession concerns are likely to impact demand for power tools. **Shenzhou International** (-19.4%) detracted from performance as the global demand for sportswear is likely to weaken in high inflationary and high interest rate environments. **ASMP** (-16.5%) underperformed due to the global rotation away from IT companies.

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
\$1.1000	\$45.7 million	5.2%	0.7%

FUND PERFORMANCE¹

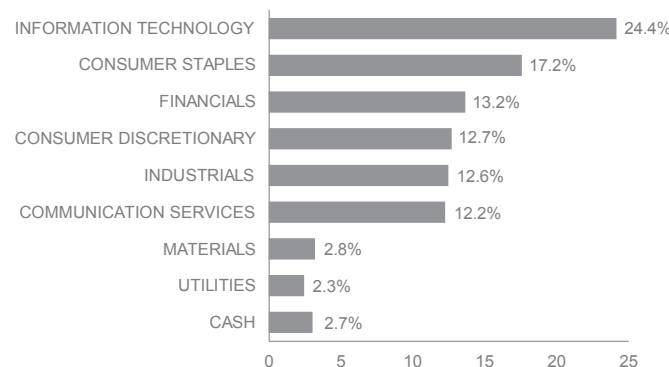
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Asia Fund	-6.1%	-7.7%	-10.9%	-19.5%	-6.0%	-1.2%	0.7%
MSCI Asia ex Japan Index (Net, AUD)	-7.0%	-7.4%	-8.6%	-20.1%	-4.7%	0.3%	-0.1%
Excess Return	0.9%	-0.3%	-2.4%	0.6%	-1.3%	-1.5%	0.8%

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

TOP 10 PORTFOLIO HOLDINGS

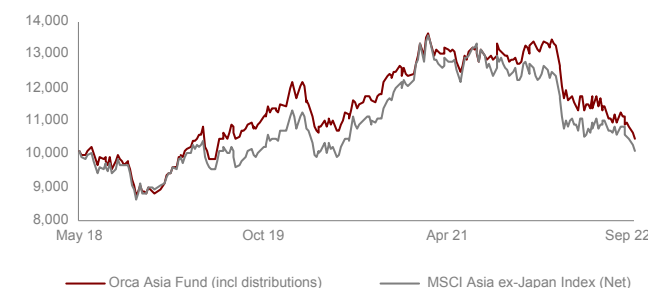
Alibaba	Techtronic
CP ALL	Tencent
HCL Technologies	TSMC
HDFC Bank	Uni-President Enterprises
Ping An Insurance Group	United Overseas Bank

SECTOR EXPOSURE

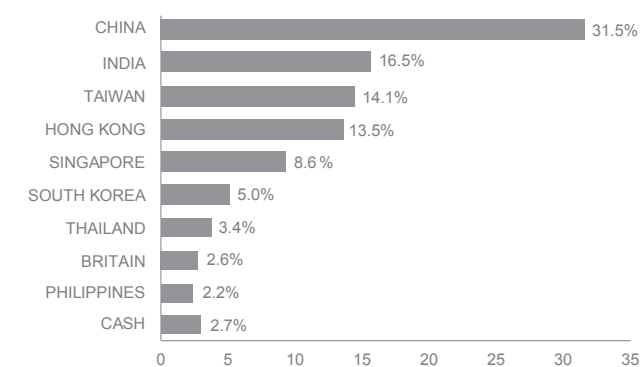


Source: Investment Manager, Bloomberg

PERFORMANCE CHART¹



COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data as at 30 September 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 30 September 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 over the long-term through exposure to companies that will benefit from disruptive innovation.

PORTFOLIO UPDATE

The Orca Global Disruption Fund (Fund) returned -6.2%¹ in Australian dollar (AUD) terms, compared to the broader MSCI AC World Index (Index) -3.6%. Highlighting the market decline, and positive impact of a declining AUD, the Index was down -9.5% in USD terms. Since inception the Fund has returned +8.4%¹ p.a. compared to the market +9.1% p.a.

Markets sold off in September with a higher-than-expected US CPI print, while the US Federal Reserve delivered another 75bps rate hike (as expected), but surprised the market with hawkish commentary that signalled more aggressive near-term rate hikes than previously priced in.

The Fund's top contributors for the month were **Tesla** (+2.6%), **Illumina** (+0.9%) and **Snowflake** (+0.1%). Weaker contributors were **TSMC** (-11.9%), **Amazon** (-5.0%) and **Microsoft** (-5.0%).

During the month, **Tesla** (+2.6%) held its AI day 2022 where it showcased the breadth and depth of its engineering capabilities (e.g. humanoid robot prototype, self-driving product) as a leader in autonomous and AI technology. In early October, Tesla reported 3Q22 vehicle deliveries grew +42% to a record 344k with production of 366k vehicles.

Snowflake (+0.1%) continued its solid run of relative performance following an update at a broker conference where management reiterated that the demand environment remains strong and it is not seeing macro related weakness experienced by some peers.

Illumina (+0.9%) held its inaugural Genomics Forum where it launched its new high-throughput sequencing offerings – NovaSeq X and NovaSeq X Plus – which will deliver cheaper (\$200/genome vs \$600 today), faster and more accurate sequencing. Illumina's product innovation will likely continue to support its dominant competitive position driven by further adoption and new applications within their largest target market, oncology testing.

Salesforce (-1.8%) held its annual Dreamforce conference where it showcased new product offerings and reiterated FY26 guidance of \$50bn (implying +17% growth p.a.). Importantly the company expects operating margin guidance to increase 25% by FY26 (19% in FY22).

TSMC (-11.9%) fell despite reporting August revenues that grew +59%. Macroeconomic concerns continue to weigh on the broader semiconductor sector (SOX Index -8.1%).

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
\$1.9505	\$150.9 million	5.1%	8.4%

FUND PERFORMANCE¹

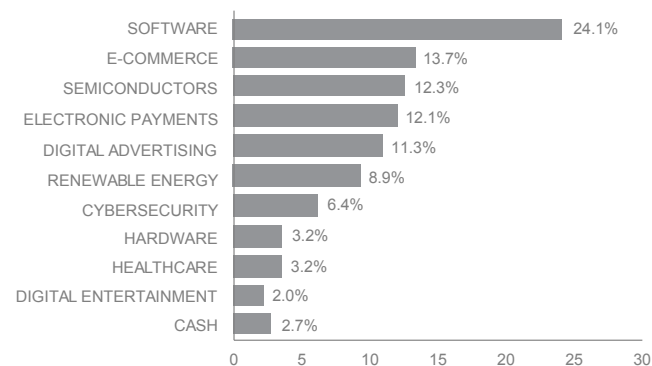
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.)
Orca Global Disruption Fund	-6.2%	-0.8%	-24.0%	-38.5%	-13.8%	2.1%	7.9%	8.4%
MSCI AC World Index (Net, AUD)	-3.6%	0.2%	-8.4%	-11.0%	6.2%	5.4%	8.7%	9.1%
Excess Return	-2.6%	-0.9%	-15.6%	-27.5%	-20.0%	-3.3%	-0.8%	-0.7%

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

TOP 10 PORTFOLIO HOLDINGS

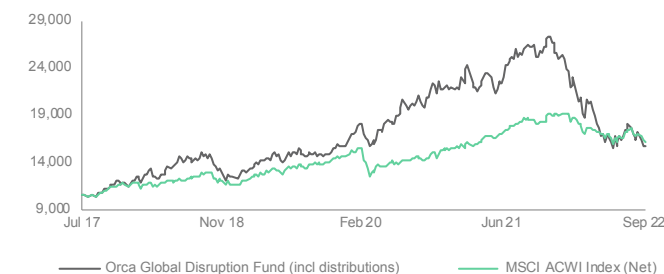
Alphabet Inc	Microsoft Corp
Amazon.com Inc	Salesforce.com Inc
ASML Holding	ServiceNow
CrowdStrike	Tesla
Mastercard Inc	TSMC

SECTOR EXPOSURE

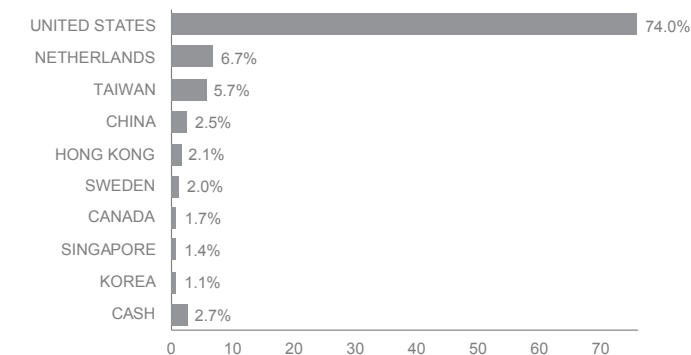


Source: Investment Manager, Bloomberg

PERFORMANCE CHART¹



COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data as at 30 September 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 25 July 2017.

Chart data range: 25 July 2017 to 30 September 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

September was a negative month for stock markets, with the MSCI World falling -3.3% in Australian dollar terms. The Orca Global Fund (Fund) returned -2.3%¹, outperforming by 1.0% due to a more defensive positioning. During the month, US central bank implemented aggressive monetary policy, increasing the likelihood of a weak economy, which hit stock market sentiment. At the same time, more attractive returns on bonds offered a tangible alternative to stocks for investors. This continues the trend in stock markets that has dominated 2022. October is the start of the third quarter earnings season, when companies report profits for July to September. Stronger profits could reverse recent market falls.

The biggest driver of Fund outperformance for the Orca Global Fund was the skew towards Healthcare investing, responsible for about half of the Fund's outperformance. Healthcare stocks are more defensive, as the industry is more driven by natural population health conditions than the economy. Our biggest negative by industry allocation was Communication Services, which underperformed.

Our best performing stock by positive contribution was **Dollar General** (+7.7%), a discount US supermarket which should benefit from recessionary conditions as consumers look to save money. The next best stocks were US pharmaceutical companies **Merck** (+8.4%) and **Johnson & Johnson** (+8.0%). The worst performing stock was leading offshore wind farm developer **Orsted** (-13.2%). Despite increasing demand for wind farms and success in bidding for projects, Orsted declined due to uncertainty over energy pricing and cost inflation, along with the impact of higher interest rates on their debt. Leading salmon farmer **Mowi** (-33.4%) also declined, due to a new supertax that has been suggested by the Norwegian government. **Google** (-5.8%) rounded out the three weakest stocks following a broader tech selloff.

We view our portfolio positioning as appropriate given current market conditions, and have been trading to take advantage of market conditions. The Fund continues to be cautiously positioned due to market volatility and economic uncertainty.

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
\$1.5997	\$63.9 million	4.7%	7.4%

FUND PERFORMANCE¹

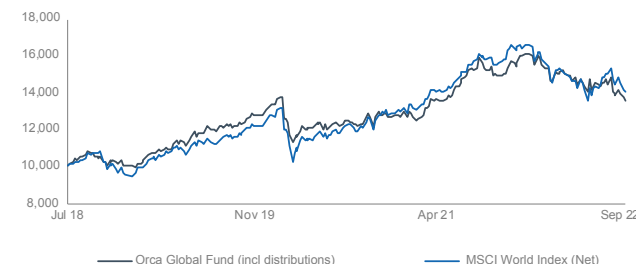
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Global Fund	-2.3%	-3.6%	-9.6%	-9.1%	5.0%	3.5%	7.4%
MSCI World Index (Net, AUD)	-3.3%	0.8%	-8.3%	-9.8%	7.5%	6.3%	8.2%
Excess Return	1.0%	-4.5%	-1.3%	0.7%	-2.5%	-2.8%	-0.7%

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

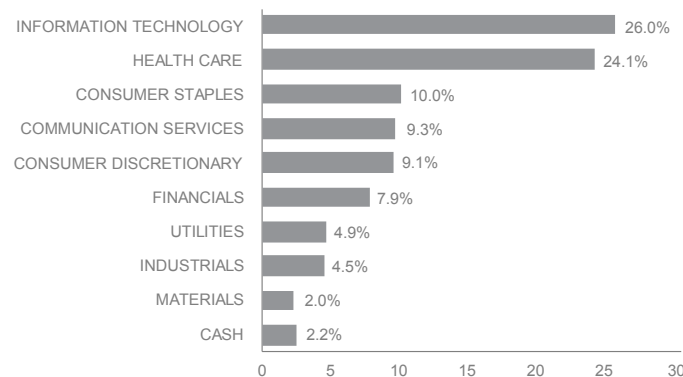
TOP 10 PORTFOLIO HOLDINGS

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 CHART¹

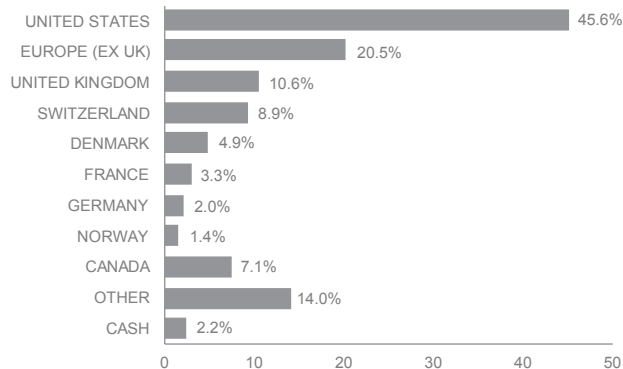


SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data as at 30 September 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 30 September 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 seven investment professionals who, as at 30 June 2022, collectively manage over \$450 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.

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