

## APRIL 2021 RESULTS

April was a positive month for the Orca Funds and stock markets, as companies reported profits from the first three months of 2021 that exceeded expectations. Consumer confidence is generally high, driven by stimulus packages and COVID re-opening. We've seen this cashed-up consumer driving up economic activity through most developed markets, but we're also seeing them have an impact on investment markets. Through April there were yet more stories of novel investments going spectacularly up, and sometimes down, and stock markets have seen increased individual trading influencing pricing. In many ways, this is a positive, although financial history is littered with examples of individual investors chasing returns and increasing systemic risk. But so far there's been no hint of elevated risk in stock markets, and no reason to doubt markets in coming months.

We operate three different strategies at Orca Funds. Our core offering, the Orca Global Fund (**Global Fund**), is a lower risk global fund seeking to capture alpha, while protecting investors in any periods of market turbulence. The Global Fund was broadly in-line for the month, gaining 7.0% in a strong quarter, which is pleasing. This fund has been able to generate substantial risk-adjusted outperformance over its life, and we believe is positioned to suit a balanced investor with a long-term horizon.

Our Orca Global Disruption Fund (**Disruption Fund**) has a more concentrated focus, investing in disruptive stocks across the market. In April the Disruption Fund outperformed the broader market by over 100bps, an excellent result. The strong performance was driven by core holdings Amazon and Google's parent Alphabet.

In May, the Orca Asia Fund (**Asia Fund**) will reach its three year anniversary, and is on-track to outperform its benchmark over that period. The Asia Fund operates at a lower risk level than Asian stocks in general and offers investment diversification for Australian investors. In April Asian stocks were weaker than global stocks, and our Asian fund underperformed, with a few core holdings falling. The Asia Fund has already recovered most of this underperformance in the first week of May.

We are over halfway through the Q1 earnings season, where companies report profits from the first three months of the year. Profits are broadly in-line with our expectations; reporting around 60% profit growth compared to a COVID-impacted period last year. Probably the biggest trend has been that economies didn't produce enough of anything last year, which is leading to supply shortages through the world. Netflix doesn't have enough TV shows, Husqvana is short of chainsaws, Tesla can't produce enough cars. The price of lumber has exploded, the cost of shipping goods is up, and labour shortages are prevalent. Disruption of the economy from COVID-19 was expected, but as it works its way through every part of the economy the result is shortages of goods, which leads to price rises and inflation. In 2021 we expect to see some strong inflation, but we don't think it'll be sufficient to require interest rate rises.

Central banks won't raise interest rates because, in our opinion, any inflation is transitory, and economies are still weak. One of the central issues is that we haven't seen enough of an improvement in employment, and we don't think we will until 2022. US job creation is running millions below what would generally be considered a healthy recovery level. The reason the consumer is cashed up and spending is the stimulus packages, not from wages. We expect some volatility this year from the path of employment compared to stimulus.

Although global stock markets hit all-time highs in April, we think stock markets can continue to offer decent returns through 2021. Companies are making healthy profits, consumers are spending money, and interest rates will remain low. We have high confidence that our three strategies will deliver on their mandate to investors over coming years.



**Ted Alexander**  
Head of Investments



## 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 1.2% in Australian dollar (AUD) terms over April. Asian markets rose mildly as the economic recovery continues despite some regional setback from increasing COVID-19 infections in India (-2.0%) and Thailand (-2.3%). Taiwan (+5.9%) and Malaysia (+2.4%) were the best performing markets. Materials (+8.7%) was the strongest sector, outperforming amid surging commodity prices, followed by Healthcare (+6.0%). Real Estate (-2.4%) and Utilities (-1.8%) underperformed.

The Orca Asia Fund (Fund) returned 0.4% in April, underperforming the Index by 0.8%. **ASM Pacific** (+17.6%) was the largest positive contributor on a relative performance basis. ASM reported strong first quarter results (well ahead of consensus) with enormous bookings, and noted heavy demand for their technology products, in line with many other semiconductor supply chain companies. Techtronic Industries (+5.3%) continued to perform well, as the global recovery continues, especially in the US, which is driving demand for their tools. On the other hand, **HCL Technologies** (-9.1%) was the worst performance contributor for the month, reporting softening margins and providing a disappointing guidance. The Indian IT services sector has experienced some tapering following a period of outperformance. **CP All** (-10.7%) also underperformed, partially due to short term profit taking after a strong performance in March, while the resurgence of COVID-19 and its possible impact on the domestic Thai economy also weighed on the stock.

## PORTFOLIO MANAGERS



**Ted Alexander**  
Portfolio Manager



**Ying Luo**  
Assistant  
Portfolio Manager

Unit price (exit)	Fund size	12-month distribution yield (target: 4%)	Annualised performance since inception (14 May 2018) <sup>1</sup>
<b>\$1.4786</b>	<b>\$102.0 million</b>	<b>3.5%</b>	<b>9.1%</b>

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

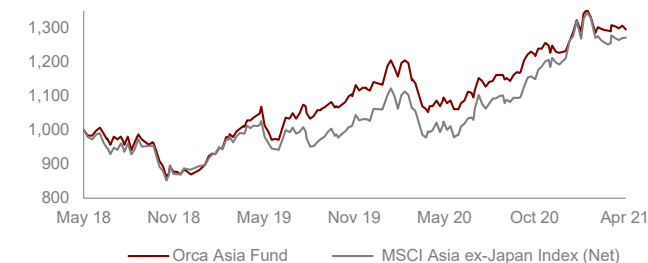
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Asia Fund	0.4%	0.5%	6.4%	19.1%	11.1%	–	9.1%
MSCI Asia ex Japan Index (Net, AUD)	1.2%	0.2%	10.5%	25.2%	11.9%	–	8.4%
Excess Return	-0.8%	0.3%	-4.1%	-6.1%	-0.8%	–	0.7%

Note: Numbers may not sum due to rounding.

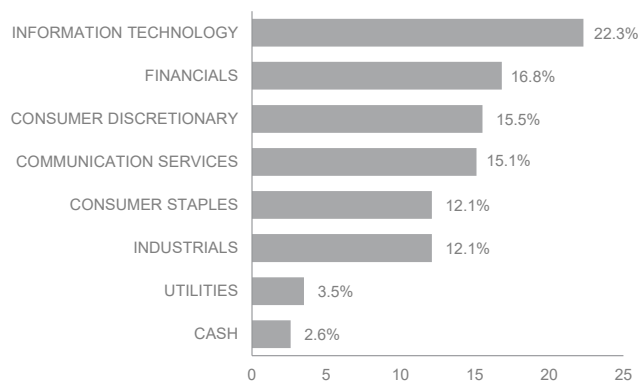
## TOP 10 PORTFOLIO HOLDINGS

Alibaba Group	Techtronic Industries
ENN Energy Holdings	Tencent Holdings
HCL Technologies	TSMC
Ping An Insurance Group	Uni-President Enterprises
Samsung Electronics	United Overseas Bank Ltd

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

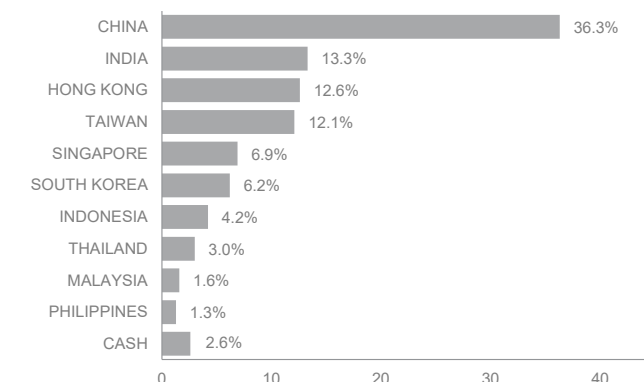


## SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data as at 30 April 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 30 April 2021. 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 4.2% for the month, outperforming the broader MSCI AC World Index (3.1%).

Following the equity market rotation towards more cyclical and value orientated sectors during March, April saw a reversal with Growth outperforming Value. Reporting season commenced for the Fund, with particularly strong March quarter results for companies exposed to digital advertising, ecommerce, and cloud computing.

**Alphabet** (+12.5%) was the Fund's largest positive contributor this month following a strong result with revenue (+34%) and operating income (+106%) well ahead of market estimates. Advertiser activity rebounded strongly as economic conditions have improved, with commercial search activity remaining high. Cloud growth also remaining very strong (revenue +46%).

**Amazon** (+10.5%) reported revenue (+44% growth) and operating income (+122%) well ahead of market expectations. The result was driven by US retail revenues +43%, International retail +50%, AWS accelerating to +32% and advertising growing over 70%. Amazon continues to expect strong growth with revenue guidance for the next quarter of +24-30%.

**Microsoft's** (+5.4%) result was also very strong with revenue and earnings growth (+19% and +39% respectively) ahead of market expectations. Strength was broad-based led by Azure (+50%), Office365 (+22%), Gaming (+34%), Windows (+10%). Management guided to further strength next quarter expecting revenues to grow +13% and operating income +22%.

Results for **TSMC** (-2.7%) were strong with revenue growth of +17% and earnings +19% driven by demand for 5G and High-Performance Computing chips. TSMC raised capex guidance to expand capacity to meet very strong demand. **Spotify's** (-7.2%) result was mixed, raising revenue guidance for FY21 and maintaining its premium subscriber outlook while moderating its total monthly active user guidance. **Orsted** (-11.1%) also delivered mixed results, impacted by undersea damage to turbine cables and low wind speeds during the quarter.

## PORTFOLIO MANAGER



**Raymond Tong**  
Portfolio Manager

Unit price (exit)	Fund size	12-month distribution yield	Annualised performance since inception (25 July 2017) <sup>1</sup>
\$3.2387	\$293.5 million	4.6%	24.0%

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

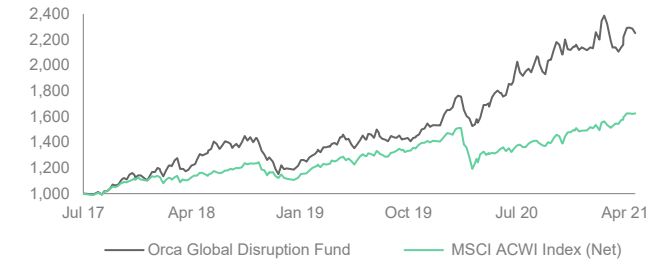
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Global Disruption Fund	4.2%	2.3%	7.8%	32.0%	25.0%	22.2%	24.0%
MSCI ACWI Index (Net, AUD)	3.1%	8.7%	16.8%	23.3%	12.5%	12.5%	13.7%
Excess Return	1.1%	-6.4%	-8.9%	8.7%	12.4%	9.7%	10.3%

Note: Numbers may not sum due to rounding.

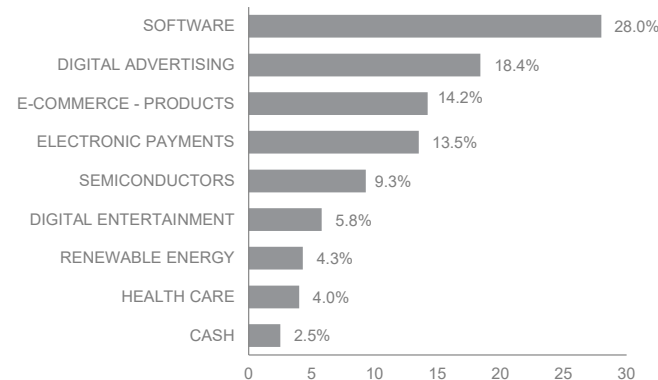
## TOP 10 PORTFOLIO HOLDINGS

Adobe	Microsoft Corp
Alibaba	PayPal Holdings Inc
Alphabet Inc	Salesforce.com Inc
Amazon.com Inc	Tencent Holdings Ltd
Facebook Inc	TSMC

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

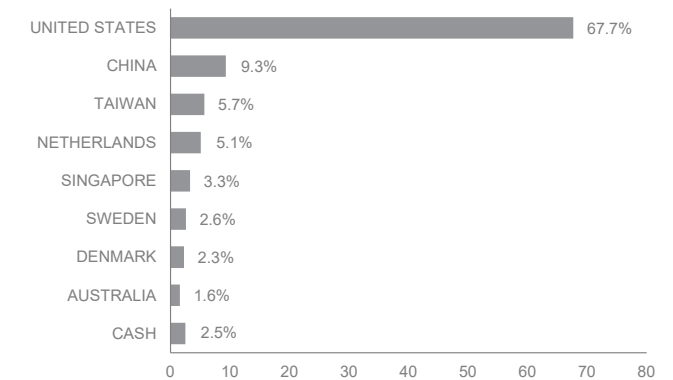


## SECTOR EXPOSURE



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 30 April 2021. 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 3.4% in Australian dollar (AUD) terms over April 2021. Strong quarterly earnings results from corporates (with the majority surpassing expectations), upbeat outlook commentary and strong economic data releases buoyed markets. The positive news outweighed growing concerns around the spread of new COVID-19 variants and the slow pace of vaccination rollouts. In the US, economic data releases continued to point to a recovery. New unemployment claims came in lower than anticipated, new home sales were higher than expected and manufacturing data illustrated solid expansion. In the UK, retail sales surpassed expectations. Both the US Federal Reserve and European Central Bank have reiterated supportive stance on monetary policy.

The Orca Global Fund (Fund) returned 3.1% in April, underperforming the Index by 0.3%. In a strong month for global markets, which saw a rotation back in favour of growth investments, the Fund's lower risk positioning detracted from relative performance. At a stock level, several results announcements also had an impact. **Orsted** (-11.1%) was weak on results with one-off costs impacting the quarter although full year guidance was maintained. Orsted is a large holding for the Fund that has delivered a +50% return over the holding period and we remain confident around the long-term fundamentals of this business. **Intel** (-11.2%) and **E-Bay** (-10.0%) were also weak following results with market concern on relatively subdued outlooks. Meanwhile, **Iqvia** (+20.0%), **Alphabet** (+12.5%) and **Amazon** (+10.5%) surged on results, beating market expectations, with Iqvia also raising full year guidance.

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

## PORTFOLIO MANAGERS



**Ted Alexander**  
Portfolio Manager



**Jumana Nahhas**  
Assistant  
Portfolio Manager



**Kunal Valia**  
Assistant  
Portfolio Manager

Unit price (exit)	Fund size	12-month distribution yield (target: 4%)	Annualised performance since inception (6 July 2018) <sup>1</sup>
<b>\$1.6948</b>	<b>\$122.9 million</b>	<b>9.2%</b>	<b>11.3%</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 Fund	3.1%	7.0%	12.1%	12.7%	9.6%	–	11.3%
MSCI World Index (Net, AUD)	3.4%	9.9%	17.5%	23.0%	12.9%	–	12.8%
Excess Return	-0.3%	-2.9%	-5.4%	-10.2%	-3.3%	–	-1.5%

Note: Numbers may not sum due to rounding.

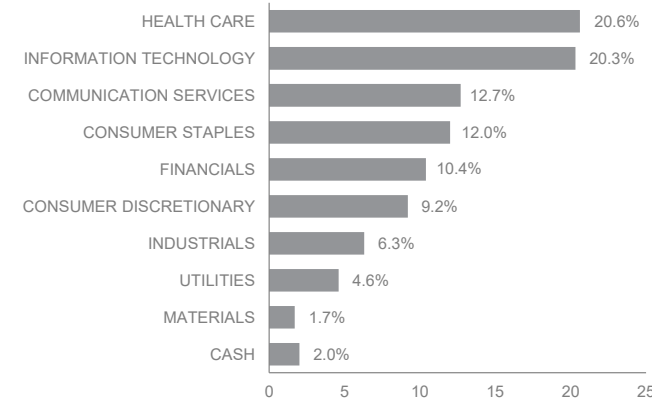
## TOP 10 PORTFOLIO HOLDINGS

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

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

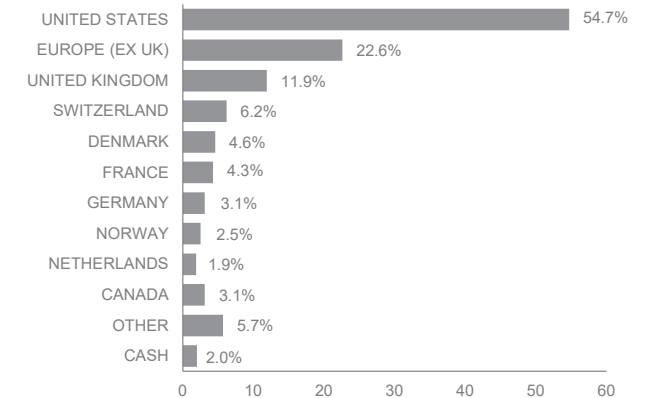


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# ABOUT ORCA FUNDS MANAGEMENT

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 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.

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