

## JUNE 2021 RESULTS

June was yet another strong month for global stock markets, led by technology stocks. June saw a mix of optimism about increasing vaccine rates and opening up of economies like the UK, and continued high case numbers, and Delta variant outbreaks. It was a good month for Orca fund investors, with the Orca Global Disruption fund up 10.4%<sup>1</sup> and the Orca Global Fund up 5.5%<sup>1</sup>, both ahead of global benchmarks, driven by strong returns from innovative holdings in technology and healthcare. As we pass the halfway mark of 2021, companies will report their quarterly and semi-annual profits through July and August, this is generally an active time for stock markets. Expectations are for strong profits this quarter.

COVID-19 continues to ravage the world with many countries experiencing new waves of infection. There are now 185 million cases and 4 million reported deaths worldwide. The Delta strain which was first discovered in India is now becoming the predominant strain worldwide. This strain is almost twice as infectious as the original coronavirus strain and is affecting the younger population. Countries are now focussed on vaccinating their population with seven vaccines approved worldwide. However, supply remains a major constraint with developing countries and several developed countries, like Australia & New Zealand, falling short of vaccination targets. Amongst developed countries, the UK and Israel are leading the vaccination drive and have vaccinated almost 60% of their population. More than 50% of the population has been vaccinated in the US whereas only 8% of population is fully vaccinated in Australia. The current vaccines seem to be effective against the Delta strain with low number of deaths and hospitalisations reported in countries with high vaccination coverage even though the total cases might increase. Many countries including the UK and the US have outlined plans to reopen their economies and the EU is planning to implement a vaccine passport that will allow fully vaccinated people to travel without any restrictions.

Stock markets have really been on a remarkably strong path over the last year, including a 16% rise in the first half of the year. This is great for our investors. In the most simple terms, the strong stock markets have been caused by investors having decent cash reserves and feeling comfortable with taking risks. In conjunction with strong profits for many major stocks, the market has rallied. This has been particularly true this month for technology and disruptive stocks, which have done very well through the pandemic as the economy shifted inside and online.

As well as strong support for the pandemic winners in technology, the stock market has been rotating towards cheaper stocks that haven't kept up with the market rally. Healthcare, utilities, and staples are traditionally defensive stocks that fall behind market rallies and have been largely ignored over the past year. These sectors have had decent runs over the last month and quarter, which has been a performance driver for the Orca Global Fund, which takes a defensive position.

Our investors also benefitted from a fall in the Australian dollar (AUD) this month. Given our investments are all overseas in foreign currencies, when the Australian dollar falls, the value of our funds rise. The AUD fell 3% against the US dollar this month. Currencies tend to move with big economic trends. Broadly, the Aussie had been rising with our superior economic outlook from a better COVID outcome, compared to weaker foreign economies and larger stimulus packages. This month the Aussie suffered from both our COVID outbreaks and stronger US inflation suggesting a faster exit from zero rates. We view the current Australian dollar levels as broadly appropriate, depending mainly on the Fed's tolerance for inflation.

The Orca Global Disruption Fund had a strong month, returning +10.4%<sup>1</sup>, ahead of the global index and global technology benchmarks. The Orca Global Fund also had a strong month, rising 5.5%<sup>1</sup>, also ahead of benchmark. The Orca Asia Fund had a weaker month however, only rising 1.7%<sup>1</sup> compared to the benchmark return of 3.1%. This underperformance was largely caused by an issue relating to Chinese Government regulations for after-school tutoring, affecting New Oriental Education, one of our holdings. This highlights the higher political risk for Asian investments relative to the US and Europe. Our analysis suggests that overly restrictive regulation is unlikely, and we see New Oriental as a strong long-term investment opportunity.

The coming month is likely to be dominated by companies releasing their profits for the first half of 2021, which will give us a better idea of the state of the economy. The first three months of the year were very strong for company profits, which raised expectations this quarter. We've found every profit season has contained some surprising revelations about consumer behaviour and look forward to reporting back on our insights next month.

Note: 1. Fund performance is quoted net of fees and inclusive of reinvested distributions. Past performance is not a reliable indicator of future performance.



**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 +3.1% in Australian dollar (AUD) terms during June. Asian regional markets were mixed as some countries continued to experience surging COVID-19 cases, which is delaying reopening of their economies, such as Indonesia (-3.5%) and Malaysia (-0.8%). The Philippines (+5.2%) was the best performing market maintaining the positive momentum from previous month due to easing restriction. Korea (+3.8%) and Taiwan (+3.7%) outperformed, with strong positive moves in technology names. China (+3.3%) also performed well as the domestic economy is recovering back to pre-COVID levels and vaccinations continue to ramp up. On a sector basis, Consumer Discretionary (+8.1%) and Industrials (+7.4%) outperformed and Financials (-0.7%) and Utilities (-0.3%) were the worst sectors.

The Orca Asia Fund (Fund) returned +1.7%<sup>1</sup>, underperforming the index by 1.4% for the month. **Alibaba** (+9.1%) contributed strongly to the Fund's performance as the stock rebounded and investors looked beyond the short-term impact from its investment plan to solid longer-term growth outlook. **Naver** (+16.5%) performed strongly for the month as the market became more confident about its ecommerce and AI business. **WH Group** (+10.6%) also outperformed as the company announced a share buyback plan during the month, implying a solid outlook in the future.

The largest detractor from performance was **New Oriental Education** (-17.6%), which continued to slide due to the regulatory overhang on the after-school tutoring sector. News reports have been mixed and market sentiment remains negative, however at present it is unclear what the Chinese regulatory body actions will be, if any. **Ping An Insurance Group** (-7.1%) also underperformed. Sector-wide, revenue from new business has been slower to recover than expected, and investors remain cautious. **Techtronic Industries** (-2.4%), a strong performer over the past 12 months, also detracted from performance as weaker (than expected) existing home sales in the US in May triggered some profit taking.

## PORTFOLIO MANAGERS



**Ted Alexander**  
Portfolio Manager



**Ying Luo**  
Assistant  
Portfolio Manager

Exit price (Cumulative Distribution)	Distribution – 30 June 2021 <sup>2</sup>	Fund size	12-month distribution yield (target: 4%) <sup>2</sup>	Performance since inception (14 May 2018) <sup>1</sup>
<b>\$1.4925</b>	<b>2.82 cents</b>	<b>\$93.2 million</b>	<b>3.66%</b>	<b>8.9%</b>

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

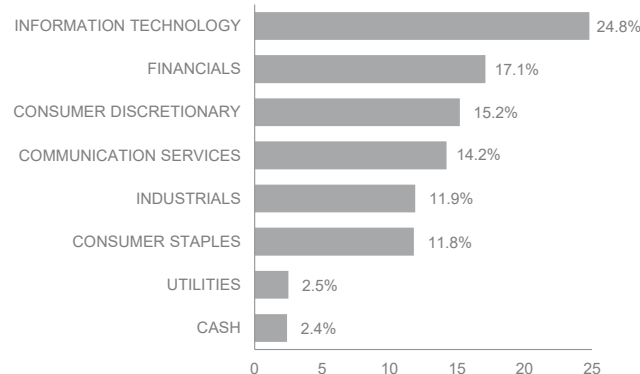
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Asia Fund	1.7%	1.4%	6.2%	19.3%	12.3%	10.3%	8.9%
MSCI Asia ex Japan Index (Net, AUD (%))	3.1%	5.3%	9.2%	28.3%	15.2%	11.7%	9.3%
Excess Return	-1.4%	-3.9%	-3.0%	-9.0%	-2.9%	-1.4%	-0.4%

Note: Numbers may not sum due to rounding.

## TOP 10 PORTFOLIO HOLDINGS

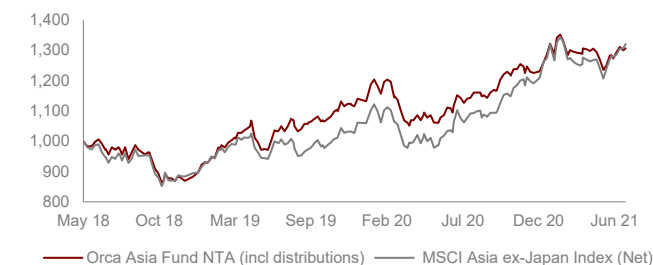
Alibaba Group	Techtronic Industries
HCL Technologies	Tencent Holdings
HDFC Bank Ltd	TSMC
Ping An Insurance Group	Uni-President Enterprises
Samsung Electronics	United Overseas Bank Ltd

## SECTOR EXPOSURE

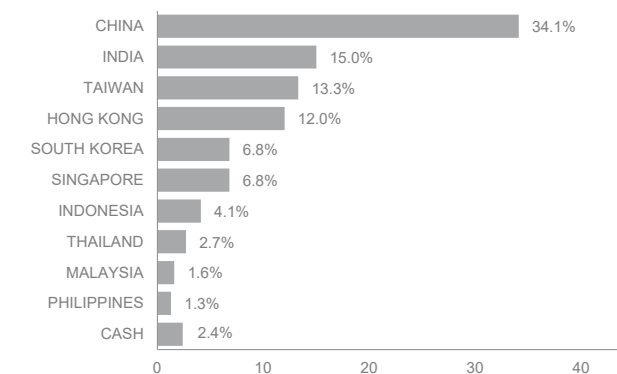


Source: Investment Manager, Bloomberg

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



## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data as at 30 June 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 June 2021. 2. Distribution record date is 30 June 2021 and payable on or around 27 July 2021. 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 +10.4%<sup>1</sup> in AUD terms (7.1% in USD), outperforming the broader MSCI AC World Index (+4.6%). Since inception, the Fund is up 25.3% p.a. compared with the broader market, which is up 14.8% p.a.

Monthly news was dominated by the US Federal Reserve's (Fed) more hawkish outlook commentary around interest rates. While the Fed maintains that strong inflation remains transitory, it indicated that it was moving closer to a discussion around potential tapering of asset purchases and it had brought forward expectations for rate hikes before the end of 2023, ahead of previous guidance. In response to the Fed and a reversal of May trends, markets rotated back towards growth sectors.

The Fund's top contributors to performance were Microsoft (+11.6%), PayPal (+15.3%) and Amazon (+9.8%). Higher growth stocks in the Portfolio performed strongly during the month (AfterPay +25.8%, Shopify +20.9%, Twilio +20.7%, Zoom +20.1%). Weaker contributors were ASML (+5.9%), Tencent (-2.7%), and Orsted (-4.6%).

Payments were an area of strength with PayPal and AfterPay performing strongly. **PayPal** announced it would introduce price rises for some of its branded products. **AfterPay** rose on the back of PayPal's pricing changes and on news that it would leverage virtual cards to provide customers in the US with access to its services including Amazon, CVS, Macy's, Nike and Sephora.

Other Fund holdings to report included Adobe, Zoom and CrowdStrike, all delivered strong quarterly results.

**Adobe** (+19.4%) delivered revenue growth (+23%) with EPS (+24%), both ahead of market expectations. Broad-based strength was observed across Digital Media (Rev +25%) and Digital Experience (Revenue +21%).

**CrowdStrike** (+16.4%) delivered strong results with revenue +70%, expanding operating margins and FY22 guidance raise for revenue and earnings, all ahead of expectations.

**Zoom** (+20.1%) also reported a strong result with revenue growth +191%, customers +88% and operating margins of 42%. Management also upgraded FY revenue growth guidance to +50% implying +23 to +25% growth in the 2H22.

## PORTFOLIO MANAGER



**Raymond Tong**  
Portfolio Manager

Exit price (Cumulative Distribution)	Distribution – 30 June 2021 <sup>2</sup>	Fund size	12-month distribution yield <sup>2</sup>	Performance since inception (25 July 2017) <sup>1</sup>
<b>\$3.4988</b>	<b>20 cents</b>	<b>\$308.8 million</b>	<b>6.06%</b>	<b>25.3%</b>

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

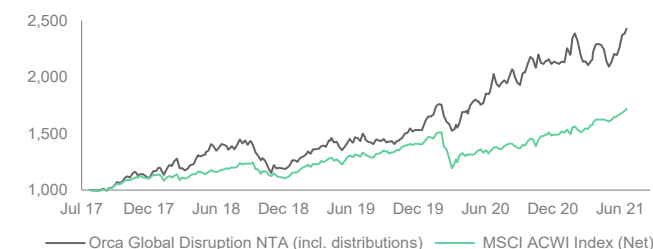
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Global Disruption Fund	10.4%	12.5%	14.7%	29.7%	30.7%	21.6%	25.3%
MSCI ACWI Index (Net, AUD (%))	4.6%	9.1%	15.3%	28.0%	15.3%	14.0%	14.8%
Excess Return	5.8%	3.4%	-0.5%	1.7%	15.4%	7.6%	10.6%

Note: Numbers may not sum due to rounding.

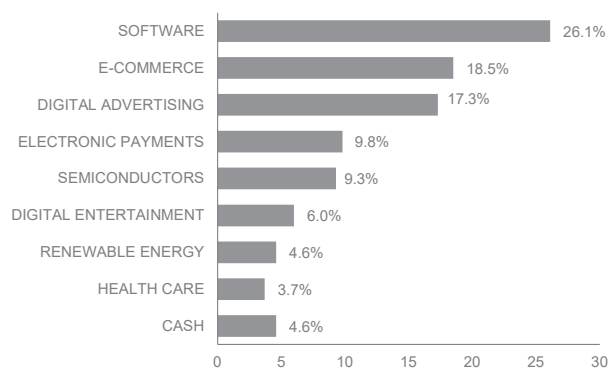
## TOP 10 PORTFOLIO HOLDINGS

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

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

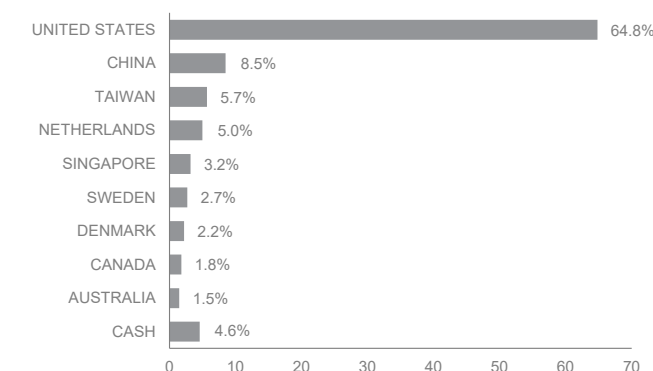


## SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

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## 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 4.8% in Australian dollar (AUD) terms during June 2021. The US and European monetary policy stance was retained during the month, whilst inflation measures came in well above target ranges. Current inflationary pressures are seen as temporary and relate to re-opening themes and are expected to normalise. The technology and communication related companies outperformed in this environment. Market sentiment did however dampen towards month-end due to increasing concerns around the delta strain of the COVID-19 virus which is beginning to hamper global economic recovery.

The Orca Global Fund (Fund) returned 5.5%<sup>1</sup> in June, ahead of the Index by 0.8%. The portfolio's Information Technology and Communication Services sector holdings were the largest positive contributors to performance, with **Adobe** (+19.4%) up strongly on the back of a strong result that beat expectations and solid 3Q guidance. **Microsoft** (+11.6%) and **Alphabet** (+6.6%) were also up, in line with broader sector strength.

Detractors from performance included **Orsted** (-4.6%), which softened following its investor day disclosure, which introduced some complexity to the investment theme in terms of higher rate of farm downs (selling off of new farms to external parties). As the market digested this news there has been some recovery in this name. **AON** (-3.0%) declined on the back of potential anti-trust opposition and delays with respect to its merger with Wills Towers Watson. Lastly, **Vodafone** (-2.5%) was down on the back of broader industry weakness. Positively, Vodafone did announce mid-month that they had reached an ESG milestone, their entire operations across Europe are now powered from renewable energy sources.

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

## PORTFOLIO MANAGERS



**Ted Alexander**  
Portfolio Manager



**Kunal Valia**  
Portfolio Manager



**Jumana Nahhas**  
Assistant  
Portfolio Manager

Exit price (Cumulative Distribution)	Distribution – 30 June 2021 <sup>2</sup>	Fund size	12-month distribution yield (target: 4%) <sup>2</sup>	Performance since inception (6 July 2018) <sup>1</sup>
\$1.8099	3.20 cents	\$113.2 million	3.53%	13.1%

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

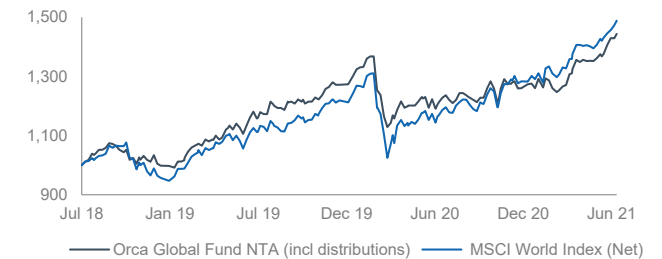
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Orca Global Fund	5.5%	10.1%	13.4%	19.8%	11.6%	–	13.1%
MSCI World Index (Net, AUD (%))	4.8%	9.5%	16.0%	27.8%	15.6%	–	14.3%
Excess Return	0.8%	0.6%	-2.7%	-8.0%	-4.0%	–	-1.2%

Note: Numbers may not sum due to rounding.

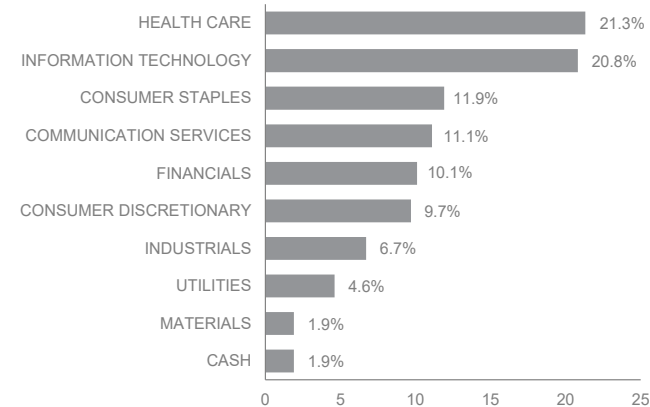
## TOP 10 PORTFOLIO HOLDINGS

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

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

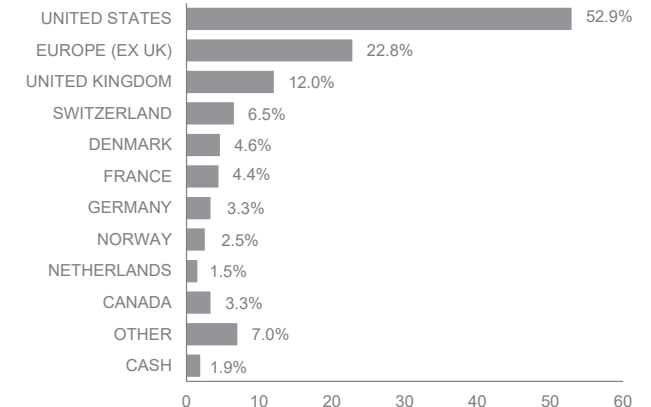


## SECTOR EXPOSURE



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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