

## JANUARY 2021 RESULTS

Welcome to our first monthly update under the new Orca branding. We hope the transition from listed investment trusts has been smooth for investors.

The stock market hit headlines through January, as co-ordinated buying of shorted stocks captured the public's attention. This has since moved to purchasing dog-meme currencies, and who knows what comes next. I doubt it will be a world-leading yoghurt manufacturer with a solid balance sheet, but you never know. Broad interest in the mechanisms of the stock markets is excellent, but there's a mantra gaining credence that "stocks only go up". We would love this to be true, but we need to invest with an eye to protecting investors through any coming volatility. In fact, January was a moderately negative month for stocks, due to brief volatility at the end of the month, but the market has since bounced back to all-time highs.

There are a few things we're keeping an eye on through 2021: how much money the Biden administration is going to pump into the US economy, what happens to inflation and bond yields, and how that translates to the stock market. Currently, we have a \$1.9 trillion stimulus package for the US being discussed, and it seems some form will pass through the reconciliation process. A trillion is a lot of dollars, and two trillion is around 10% of the size of the US economy: this really is a large stimulus package, following up a similar package last March. There's no doubt this would be good for the economy and the stock market in 2021, but we could see issues down the line from higher debt levels and higher inflation. We haven't seen strong inflation for approximately 15 years, could all this cash bring back high price inflation? I think that we will see more normal inflation in 2021, back towards 2% by the end of the year, but that medium-term inflation won't be a concern. Government bond prices have started to fall as inflation expectations rise, which is normal, but this hasn't translated across to stock markets yet. We'd expect to hear that discussed through the year: government stimulus causing inflation to rise, government bonds to fall, and then stock markets could fall.

Around half of the listed stocks on the global market have now reported their profits for the final three months of 2020. It's customary to compare profits to the same period of 2019, which is pre-COVID. Revenues are flat over that period, which is better than the 5% fall expected due to the recession. Even more surprising is that most profit measures are higher than 2019. The stock market consists of many trends, and not all are higher, with oil companies and airlines still suffering. But overall profits were up over the last year, driven by internet companies and work from home stocks, and more surprising pockets, like automotive supply chains and manufacturers of chainsaws, fridges, and drills. Consumers have some spare cash from government assistance and lower spending on entertainment and travel, which has pushed up spending in other categories. This will probably continue through the year and in general profit levels should be sustained, as long as we don't have further shutdowns, or delays to further assistance.

The broad measure for global stocks, the MSCI World Index, fell -0.3% in Australian dollar terms in January, but has bounced back sharply in February. Compared to this, the Orca Global Fund fell -0.8% due to a slightly higher exposure to Europe. The Orca Global Disruption Fund rose 3.8% as technology stocks performed well. The Orca Asia Fund rose 4.6%, with the Chinese stock market rising strongly for the month. We see strong economic support from economies reopening and stimulus packages, but are wary of current stock market pricing, trading at all-time-highs during a recession.

A handwritten signature in dark ink, appearing to read "Ted Alexander".

**Ted Alexander**  
Head of Investments



## 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

Markets were down marginally in January, with the MSCI World Index declining 0.3% in AUD terms. Companies reporting year-end results, progress by the Biden administration on further US stimulus and vaccine news were all positive, however news of the detection of new COVID-19 strains and increasing case numbers in the US and globally weighed on markets. The interaction between retail traders and hedge funds also led to increased volatility.

The Orca Global Fund (Fund) underperformed the market by 0.5%, due in part to the Fund's more defensive positioning. Alphabet (+4.9%), Intel (+12.1%) and ASML Holdings (+10.5%) were the best performing stocks. Alphabet's results beat expectations with advertising revenues rebounding strongly. Intel's results also beat expectations with the new CEO noting that its troubled chip project was recovering. ASML rose to all-time highs on record results and a strong demand outlook.

Detractors from performance included Coca-Cola (-11.6%), Orsted (-6.1%) and Anheuser-Busch (-9.7%). Coca-Cola declined following a broker downgrade due to an ongoing US tax dispute. Orsted released results and 2021 guidance which disappointed the markets. Longer-term Orsted's sector dominance may also be at risk, as oil majors announced plans to enter the renewable energy sector. Anheuser-Busch declined as alcohol consumption trends deteriorated due to lockdowns in major European cities.

## PORTFOLIO MANAGERS



**Ted Alexander**  
Portfolio Manager



**Jumana Nahhas**  
Assistant  
Portfolio Manager



**Kunal Valia**  
Assistant  
Portfolio Manager

NTA per unit	Gross assets	12-month distribution yield (target: 4%)	Annualised performance since inception (6 July 2018) <sup>1</sup>
<b>\$1.58</b>	<b>\$138.6 million</b>	<b>9.9%</b>	<b>9.5%</b>

Units on issue: 87,490,085

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

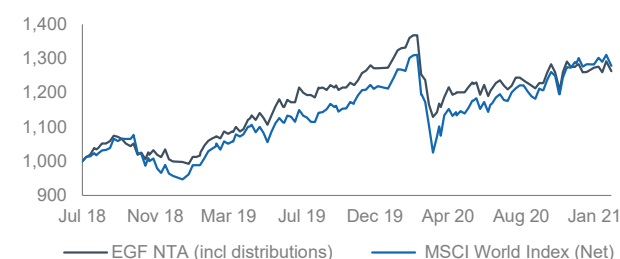
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
NTA	-0.8%	4.7%	4.4%	-5.2%	11.4%	—	9.5%
MSCI World Index (Net, AUD)	-0.3%	6.9%	8.7%	1.2%	13.7%	—	10.0%
Excess Return	-0.5%	-2.2%	-4.3%	-6.3%	-2.3%	—	-0.5%

Note: Numbers may not sum due to rounding.

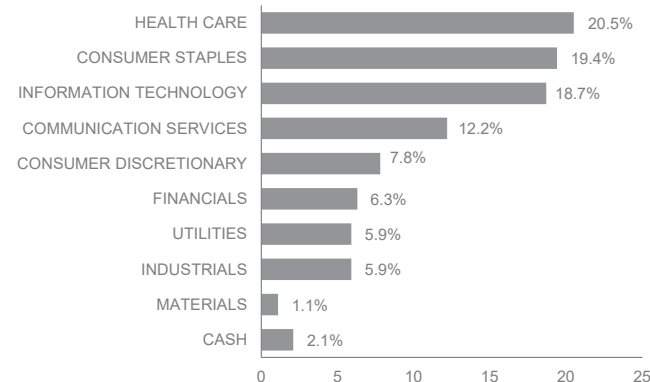
## TOP 10 PORTFOLIO HOLDINGS

Alphabet Inc	Mowi ASA
Aon PLC	Novartis AG
Apple Inc	Orsted AS
Danone SA	RELX PLC
Microsoft Corp	Unilever PLC

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

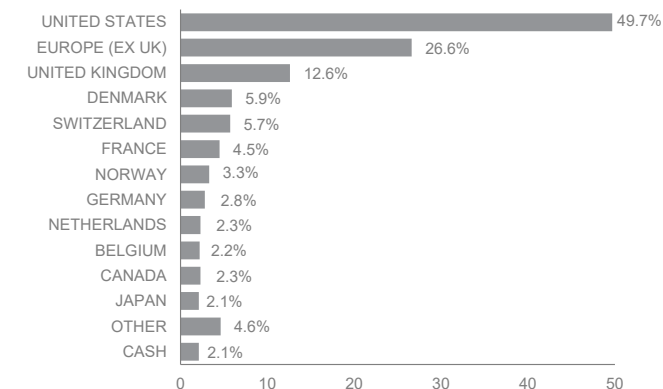


## SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data at 31 January 2021 unless stated. Numbers may not sum due to rounding.

1. All returns are total returns, inclusive of reinvested distributions. NTA returns are net of fees and costs. Past performance is not a reliable indicator of future performance. Inception 6 July 2018. Chart data range: 6 July 2018 to 31 January 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 +3.8% in AUD terms, well ahead of the broader market.

The strongest performing positions in January were TSMC (+12.6%), Tencent (+21.5%) and Teladoc (+32.7%). Weaker performers included Facebook (-4.9%), Adobe (-7.7%), and Mastercard (-10.7%).

TSMC reported strong December quarter results (sales +14%, EPS +23%) driven by demand for 5G and high-performance computing products. The company is investing heavily (FY21 capex US\$25-28 billion vs FY20 US\$17 billion) while raising long term revenue guidance to +10-15% (p.a. 2020-2025) as it expects demand to accelerate.

Tencent held its WeChat Open Class Pro conference where it provided an update on WeChat's operating metrics, live streaming and content creation initiatives and new product features. The event reinforced the growing strength of WeChat's ecosystem and likely monetisation upside.

Teladoc raised FY20 guidance for revenue and visitation, also reiterating expectations for revenues to grow 30-40% p.a. to 2023.

Facebook reported a strong result (sales +33%, EPS +52%) above market expectations. Growth is expected to remain strong in 1Q/2Q but decelerate in 2H21 due to on stronger comparable period and ad targeting headwinds. While Mastercard's 4Q results beat expectations, lockdowns remain a headwind for volume growth in the near term.

## PORTFOLIO MANAGER



**Raymond Tong**  
Portfolio Manager

NTA per unit	Gross assets	12-month distribution yield	Annualised performance since inception (25 July 2017) <sup>1</sup>
<b>\$3.17</b>	<b>\$302.3 million</b>	<b>4.7%</b>	<b>25.1%</b>

Units on issue: 95,327,553

## 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.)
NTA	3.8%	5.4%	12.6%	31.5%	32.5%	22.6%	25.1%
MSCI World Index (Net, AUD)	0.2%	7.5%	9.6%	2.5%	13.7%	9.8%	12.1%
Excess Return	3.6%	-2.0%	3.0%	29.0%	18.8%	12.8%	13.0%

Note: Numbers may not sum due to rounding.

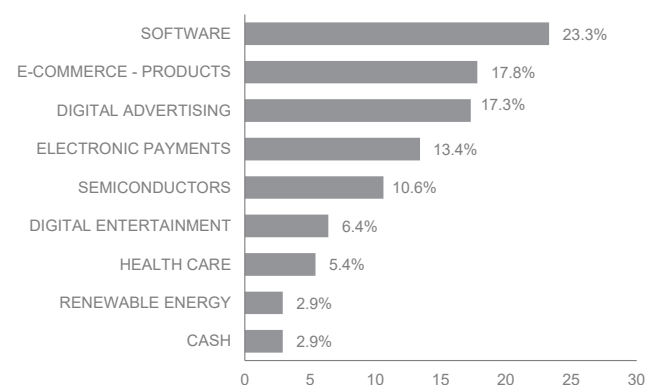
## TOP 10 PORTFOLIO HOLDINGS

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

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

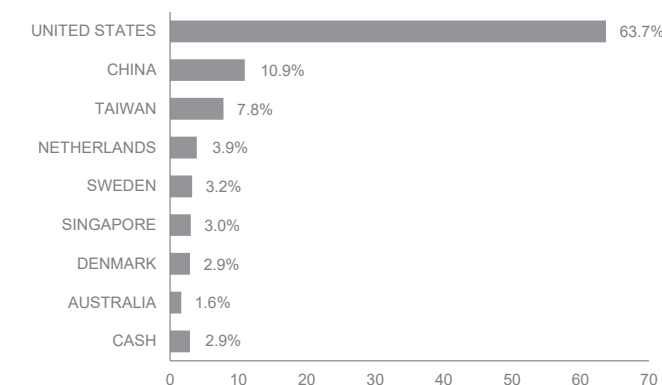


## SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data at 31 January 2021 unless stated. Numbers may not sum due to rounding.

1. All returns are total returns, inclusive of reinvested distributions. NTA returns are net of fees and costs. Past performance is not a reliable indicator of future performance. Inception 25 July 2017. Due to the change in the composition of the Fund and of the MSCI ACWI Information Technology Index over the prior 12 months, it is no longer shown as a comparable index. Chart data range: 25 July 2017 to 31 January 2021. Initial index value 1,000. Index Source: Bloomberg.



## 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) continued to rally in January, up +4.8% in AUD terms. Asian markets were strong amid positive global sentiment with the potential for more US stimulus and vaccine rollouts across the region. China (+8.1%) and Taiwan (+7.2%) were the best performing markets while the Philippines (-8.3%) and Malaysia (-3.5%) were impacted by a resurgence of COVID-19. Communication Services (+15.3%) was the best performing sector, lifted by several large tech-related companies followed by Consumer Discretionary (+7.8%). Energy (-1.4%) and Real Estate (-0.9%) underperformed.

The Orca Asia Fund (Fund) returned +4.6% on an NTA basis, performing broadly in line with the Index. Taiwan Semiconductor Manufacturing Company (TSMC) (+12.6%), was the largest positive contributor during the month. TSMC reported solid Q4 results and more importantly it raised guidance and capital expenditure substantially, indicating a strong outlook. In addition, NARI Technology (+13.2%) also contributed positively to performance as China ramps up smart grid infrastructure investment and NARI, as a secondary grid equipment provider, will benefit. Conversely, New Oriental Education (-9.3%) detracted most from the Fund's performance as some of its offline centres were closed due to a resurgence of COVID-19 (now under control) in a number of cities across China.

## PORTFOLIO MANAGERS



**Ted Alexander**  
Portfolio Manager



**Ying Luo**  
Assistant  
Portfolio Manager

NTA per unit	Gross assets	12-month Distribution yield (target: 4%)	Annualised performance since inception (25 July 2017) <sup>1</sup>
<b>\$1.47</b>	<b>\$120.3 million</b>	<b>3.6%</b>	<b>9.8%</b>

Units on issue: 81,701,710

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

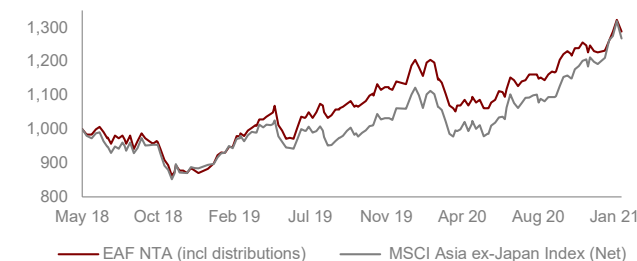
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
NTA	4.6%	5.8%	12.9%	11.3%	17.7%	—	9.8%
MSCI Asia ex Japan Index (Net, AUD)	4.8%	10.3%	17.7%	19.3%	16.7%	—	9.1%
Excess Return	-0.2%	-4.4%	-4.8%	-8.0%	1.0%	—	0.6%

Note: Numbers may not sum due to rounding.

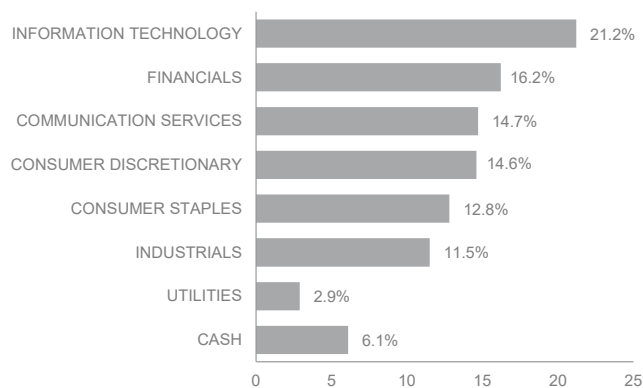
## TOP 10 PORTFOLIO HOLDINGS

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

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

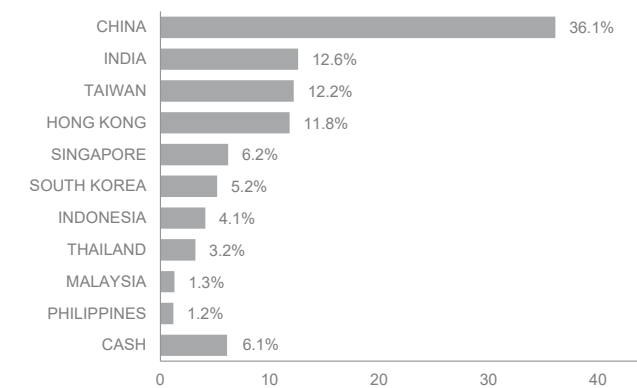


## SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data at 31 January 2021 unless stated. Numbers may not sum due to rounding.

1. All returns are total returns, inclusive of reinvested distributions. NTA returns are net of fees and costs. Past performance is not a reliable indicator of future performance. Inception 14 May 2018. Chart data range: 14 May 2018 to 31 January 2021. Initial index value 1,000. 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 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). EAF, EGF and EGD are together referred to as '**Funds**'.

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