GLOBAL EQUITIES

ORCA FUNDS MANAGEMENT

DECEMBER 2021 RESULTS

2021 was a positive one for investors in our Funds. Our Orca Global Fund returned 25.8%[1], the Orca Global Disruption Fund returned 16.0%[1], and the Orca Asia Fund returned 5.6%[1]. Stock markets rose overall due to the strong position of consumers after government stimulus, and the recovery of the economy as COVID concerns reduced.

December saw global stock markets return to all-time highs late in the month. Stock markets had dipped late in November, and investors took the opportunity to buy up in early December. Despite concerns around the spread of COVID-19 (Omicron), and little economic news, stock markets have been strong. We believe the underlying reason is still a combination of strong corporate profits and strong wealth levels with few alternative assets offering superior returns to stock markets.

January will be dominated by companies reporting their profits for the full year of 2021. We'd expect to hear that consumers are imposing their own restrictions on movements and activity, regardless of government policy. Supply chain issues should have subsided through the month, though in some industries there will be production limitations through the year. Companies have struggled to get employees hired and working due to high wages, sickness, and fear. Parts of the US have also been hit by a cold snap that has grounded flights and kept workers at home.

Finally, US government bond yields have recently hit COVID highs at 1.75%. This is a proxy for the alternative return for investors that view stocks as too risky. Investors are expecting the US Federal Reserve (Fed) to start raising rates in March 2022, which could shift the balance from stocks to bonds. Although this could be viewed as a negative for stock markets this year, the underlying reason behind rate rises is a strong economy, which is the biggest positive driver for stock markets.

We are taking a cautious position into January. Stock markets will be wary of rising interest rates, and it seems that further government stimulus is unlikely. We expect the banks to kick off earnings season with concerns around expenses, and for technology stocks to come up against high expectations and saturated markets. Bond yields should be higher than pre-pandemic, and we expect four rate rise from the Fed in 2022. All this points to some correction in more expensive stocks, particularly within technology stocks. We are overweight on lower risk, safer stocks, like pharmaceuticals, and manufacturers of consumer necessities.

With the Aussie dollar currently trading at close to 73 US cents we see a bit more downside than upside against the US dollar. We have less clarity about what the Reserve Bank of Australia will do in 2022, but they are unlikely to be as aggressive as the Fed, which will weaken the Aussie back towards 70 cents.

Despite our caution for January, we remain of the view that global stock markets are our preferred asset class, and that stock markets can return decent levels to investors in 2022. Firstly, the impact of rates on the stock markets will probably, in our view, be less than on bonds and alternative assets like crypto. Secondly, the interest rate adjustment is likely to be a one-off market shift early in the year, and then markets will be guided by company profit levels and the economy. Finally, when interest rate rises are driven by a strong real economy, as opposed to pure monetary inflation, stock markets benefit. We haven't seen any weakness in economic data yet to suggest another recession is coming, and in those circumstances we favour stocks, although with a cautious approach.

Thank you to all our investors for your support in 2021.

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 up 1.3% in US dollar (USD) terms, however declined 1.1% in Australian dollar (AUD) terms in December due to the strengthening AUD. China (-5.5%) was the worst performing market in the region as global investors continue to harbour concerns over possible future regulatory crackdowns domestically and offshore listed Chinese companies. The Philippines (-4.3%) and Singapore (-2.4%) markets also underperformed as the Omicron variant spread through the region. Thailand (+4.6%) and South Korea (+2.9%) were the strongest markets. From a sector perspective, Utilities (+4.2%) and IT (+3.7%) outperformed while Health Care (-8.6%) and Consumer Discretionary (-7.4%) were the worst sectors.

The Index finished the calendar year of 2021 up 0.7% in AUD terms, with China (-17.2%) significantly underperforming. This was largely due to large cap internet stocks amid the regulatory crackdown such as antitrust, workers welfare, data security and privacy, as well as various regulations on educational related sectors. However, Taiwan (+34.4%) and India (+33.6%) posted strong returns for the year, despite the impacts of the pandemic as they benefited from strong global demand for technology and IT services.

The Orca Asia Fund (Fund) returned 0.7%[1] in AUD terms for the month, outperforming the Index by 1.8%, with the Fund continuing to benefit from the positive revaluation of privately held investments. **HCL Technologies** (+14.0%) was the top performing contributor to the Fund with the resurgence of COVID-19 cases across the globe, as a more transmissible variant delayed most "return to work" plans to the benefit of IT services providers. **United Overseas Bank** (+4.6%) also positively contributed to the Fund's performance benefiting from potential rate hikes in the new year amid rising yields in the US. Diversified consumer staples business **Uni-President Enterprise** (+2.8%) was among the top three contributors as the as investors reacted to increased volatility and rotated into more defensively positioned companies. Conversely, **Techtronic Industries** (-5.9%) was the largest detractor from the Fund's performance, largely due to short term profit taking, offsetting the strong performance in the prior month. **Alibaba** (-9.1%) again dragged the Fund's performance due to continuous pressure from regulatory issues and a guidance downgrade. We note that the stock has rebounded more than 10% since the month end, and at the time of writing, as investors continue to look for attractive valuations with solid long-term fundamentals.

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]
$1.4182	$72.3 million	4.4%	7.5%

FUND PERFORMANCE[1]

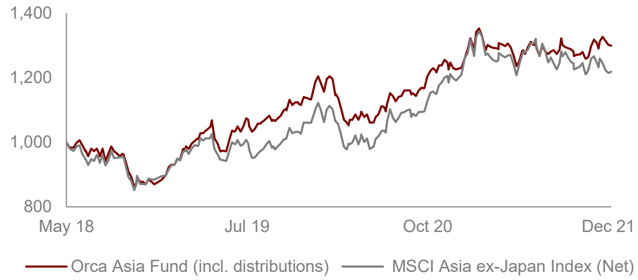
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Asia Fund	0.7%	1.4%	-0.6%	5.6%	7.1%	13.8%	7.5%
MSCI Asia ex Japan Index (Net, AUD)	-1.1%	-2.1%	-7.7%	0.7%	7.2%	10.9%	5.6%
Excess Return	1.8%	3.5%	7.2%	4.8%	-0.1%	2.9%	1.9%

Note: Numbers may not sum due to rounding.

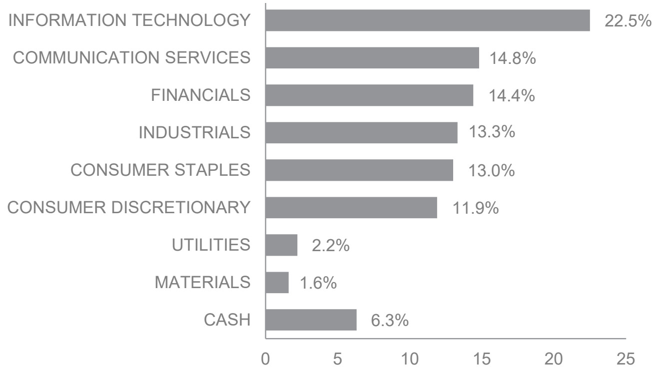
TOP 10 PORTFOLIO HOLDINGS

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

PERFORMANCE CHART[1]

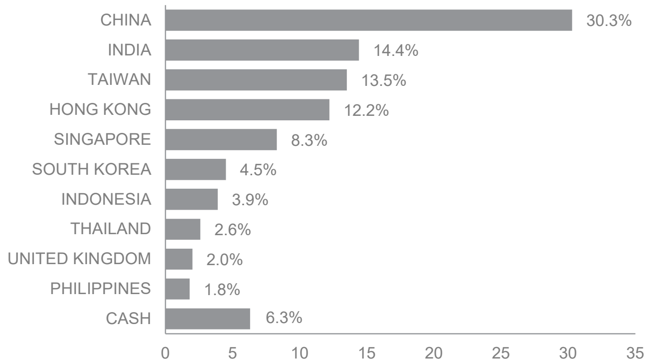


SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data as at 31 December 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 31 December 2021. 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 1,000. Index Source: Bloomberg.

Unit price (Exit)	Fund size	12-month distribution yield[2]	Performance since inception (25 July 2017)[1]
$3.3153	$287.8 million	6.6%	22.5%

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 -5.9%[1] in Australian dollar (AUD) terms, underperforming the broader MSCI AC World Index (Index) (+1.5%). For the year, the Fund returned +16.0%[1] compared to the broader market which returned +25.3%.

During December, the US Federal Reserve announced an accelerated tapering schedule of its bond purchasing program, reducing monthly asset purchases by US$30 billion (previously US$15 billion), while projections also affirmed for multiple rate hikes to take place in 2022. Markets were supported by relative strength in large cap technology stocks (Apple +4.8%, Alphabet -0.4%, Microsoft -0.7%, Meta +1.2%) and continuing rotation from Growth (MSCI World Growth Index, -0.4%) to Value stocks (MSCI World Value Index, +4.1%). Beneath the surface, market breadth was weak with nearly 40% of the Nasdaq down at least 50% from 52-week highs with many high growth and high multiple stocks significantly sold off during November and December.

During the month, the Fund's best contributors were **Meta** (+1.2%), **TSMC** (+0.6%) and **Illumina** (+1.6%). Weaker contributors were **Salesforce** (-13.0%), **Amazon** (-7.3%) and **Sea** (-24.3%).

While the fund has a strong weighting towards mega-cap technology companies, this is complemented by investments into higher growth disruptive stocks (20-30% of Fund) that we believe have the potential to be future global technology leaders. Although some of these companies experienced significant drawdowns (e.g. Sea: -24.3%, AfterPay: -23.7%, Unity: -19.1% in December) and share prices will likely remain volatile, our positive view has not changed over the longer term. We believe: (1) disruption continues to accelerate and spread across many sectors; (2) fundamentals and growth remain strong; (3) while profitability for some of these companies are limited in the near term, they are investing into growth opportunities (we note that profitability for Amazon and Netflix were low for many years!); and (4) valuations for some stocks have fallen to pre-pandemic levels.

During the month, **Crowdstrike** (-8.0%) reported a strong result with revenue growing +63%, accelerating net new annual recuring revenue (ARR) +46% and continued operating margin expansion.

Salesforce (-13.0%) reported a solid result with revenues +27% and operating margins of 20% both ahead of expectations. Management also raised FY22 revenue and free-cash-flow guidance while reiterating FY23 revenue guidance of +20%.

PORTFOLIO MANAGER

Raymond Tong
Portfolio Manager

FUND PERFORMANCE[1]

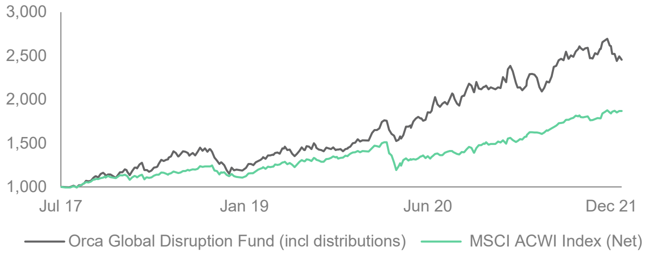
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Global Disruption Fund	-5.9%	-0.6%	1.1%	16.0%	26.6%	27.4%	22.5%
MSCI AC World Index (Net, AUD)	1.5%	5.7%	8.7%	25.3%	15.3%	19.1%	15.1%
Excess Return	-7.4%	-6.3%	-7.6%	-9.3%	11.3%	8.3%	7.3%

Note: Numbers may not sum due to rounding.

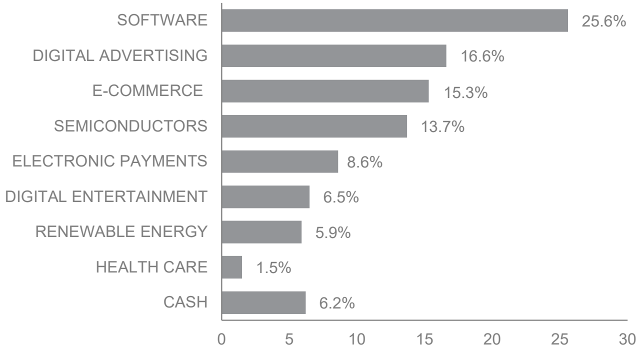
TOP 10 PORTFOLIO HOLDINGS

Alphabet Inc	PayPal Holdings Inc
Amazon.com Inc	Salesforce.com Inc
Facebook Inc	ServiceNow
Microsoft Corp	Tesla
Netflix Inc	TSMC

PERFORMANCE CHART[1]

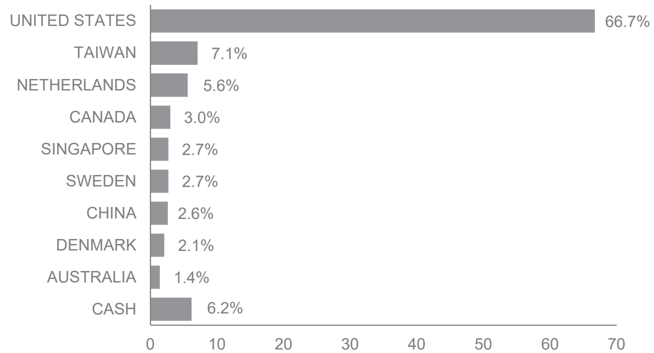


SECTOR EXPOSURE



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) ended the year strongly, up 4.3% in US dollar (USD) terms and up 1.8% in Australian dollar (AUD) terms in December. There was substantial volatility in global markets as a new mutant strain of COVID-19 (Omicron) spread rapidly across the globe with many countries reporting record case numbers. Omicron's mutation of the spike protein allows it to infect human cells more efficiently making the strain highly transmissible. However, it is between 50% and 70% less likely to need hospitalisation compared to the Delta strain according to Britain's public health agency. The US Federal Reserve (Fed) announced that it will double the pace at which it tapers its bond purchase program by reducing purchases by US$30 billion every month and signalled three potential interest rate hikes in 2022. These policy moves were in response to growing concern around inflation as November Consumer Price Index (CPI) data increased 6.8% from a year earlier, currently at its highest level in 39 years. US Fed Chairman Jerome Powell reiterated that inflation is well above the Fed's target of 2% and is less transitory than previously thought. The hawkish monetary stance led to widespread selling in high growth stocks, hitting technology related stocks hard.

The Orca Global Fund (Fund) returned 4.4%[1] in December (inclusive of the 3.6004 December 31 cent per unit distribution), outperforming the Index by 2.6%. Fund performance was positively impacted by revaluations in private holdings and pharmaceutical companies Novartis and AbbVie. **Novartis** (+7.7%) rose as it announced a US$15 billion buyback program, highlighting confidence within the company's growth pipeline. Novartis also sold its US$20.7 billion stake in healthcare company Roche. **Abbvie** (+14.6%) rose on value buying and the approval by the FDA of Rinvoq as a treatment for adults with psoriatic arthritis.

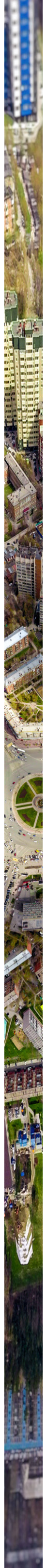
Major detractors of performance were **Orsted** (-3.1%), **Teladoc** (-11.5%) and **Amazon** (-7.2%). Orsted and Teladoc declined due to bearish sentiment prevalent in renewable energy stocks and health information technology stocks respectively. Amazon declined along with other large cap technology related stocks, triggered by the Fed's hawkish pivot.

PORTFOLIO MANAGERS

Ted Alexander
Portfolio Manager

Kunal Valia
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]
$1.9365	$98.0 million	3.2%	14.5%

FUND PERFORMANCE[1]

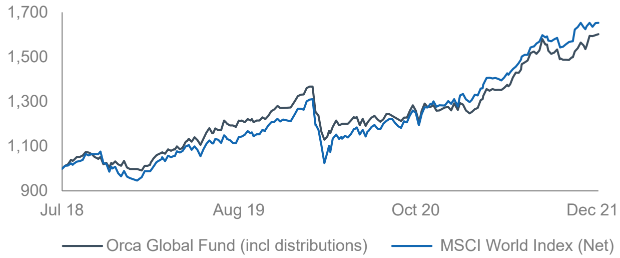
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
Orca Global Fund	4.4%	7.5%	10.9%	25.8%	12.1%	17.1%	14.5%
MSCI World Index (Net, AUD)	1.8%	6.8%	11.0%	28.8%	16.7%	20.4%	15.5%
Excess Return	2.6%	0.7%	-0.1%	-3.0%	-4.6%	-3.3%	-1.0%

Note: Numbers may not sum due to rounding.

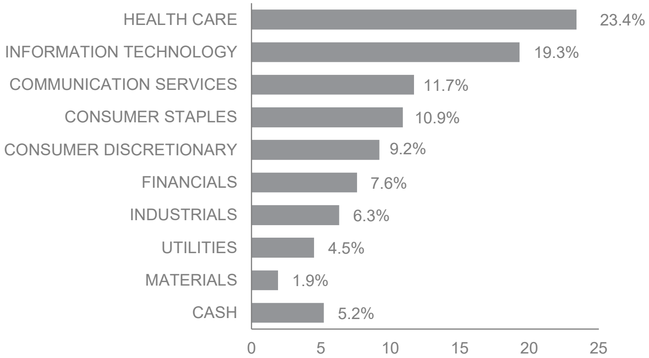
TOP 10 PORTFOLIO HOLDINGS

Alphabet Inc	Microsoft Corp
AstraZeneca PLC	Novartis AG
Dollar General Corp	Orsted AS
Merck & Co Inc	Royal Bank of Canada
Meta Platforms Inc	Unilever PLC

PERFORMANCE CHART[1]

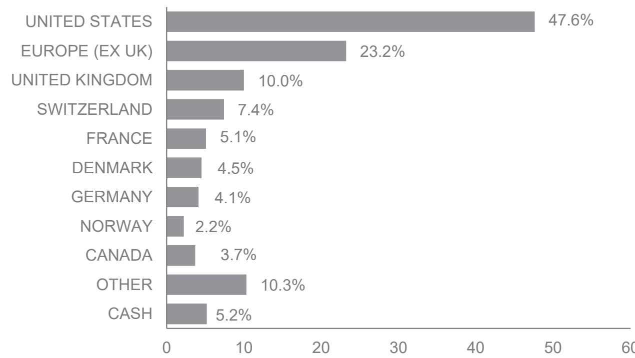


SECTOR EXPOSURE



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 31 December 2021, collectively manage over $733 million of funds.

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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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