Disruption Fund Master

Capturing the full innovation cycle

October 2022

*Disruption Fund Master is a **multi-cap fund** investing in global equities focusing on **high growth disruptive** businesses in technology, healthcare, energy, mobility and consumer sectors.*

*Our **unique VC-derived** approach identifies disruption themes early, with a focus on tipping points in adoption and growth acceleration.*

*Disruption Fund Master is actively managed with a priority for speed and nimbleness, and mindful of volatility. The fund targets a **20% compound return**, long-only, unlevered, with a **five-year horizon**.*

COMMENTS FROM THE PORTFOLIO MANAGER

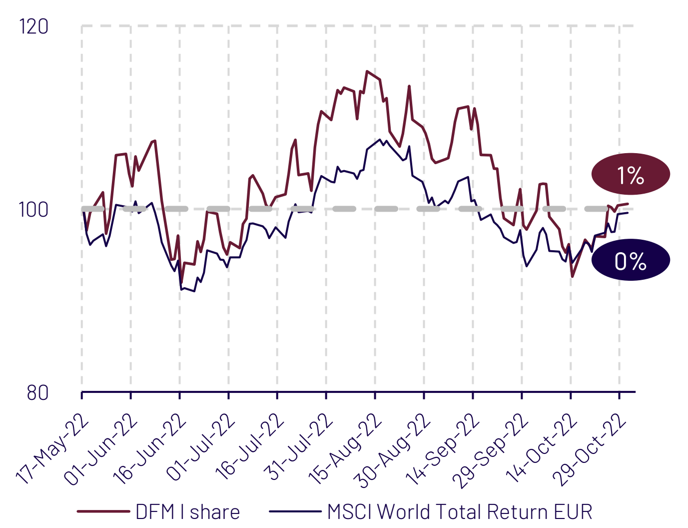
Pivot is the word. Jay Powell, will he or won't he? Don't ask the data. At best it's confusing, and for the most part it's worse. Higher inflation, flattish growth, and strong employment. Inflation, via the US CPI ex-food and energy, accelerated further in Sept from 6.3% to 6.6%, as did wages, sending markets on a diving test to new lows on Oct 13, leaving the Nasdaq Composite down -37.8% from its peak in Nov 2021 (intraday peak/trough). Ensued a fresh breakout in US 10-year yields, reaching a new cycle high of 4.33% on Oct 23 (up 5x y/y), with 30-year US mortgage rates ending the month above 7% (up 2x y/y). Yet somehow equities began to price in a pivot. Nasdaq rallied +11.1% even as rates kept rising, recovering all the early Oct losses. Crazier still, China's Golden Dragons stock index made a 10 year low on Oct 24, -80% from its Feb 2021 high, then rallied +33% in 9 days. In China too, a pivot is lurking. Globally, consumer categories related to pandemic over-ordering—home improvement, electronics, apparel—continue to destock inventories. October manufacturing new orders are below inventory drawdowns, including now in semiconductors. One month after FedEx, shipping giant Maersk said on Nov 3 that a global recession is already here. With USD 12-month Libor now at 5.66%, and credit markets offering plenty of 6%+ paper, Oct marked the lowest debt and equity issuance level in over 10 years. Yet, while buying durable "stuff" is on hold, consumer spending on "experiences" is still booming. Airlines, hotels and restaurants, cultural venues are packed. Oct volume trends at Visa cards were +11% y/y and guided to remain there through 2023, about 45% above 2019. A stark contrast to Amazon's zero growth outlook for Q4 online stores. The overall earnings period was challenging for the very largest Tech companies: Alphabet, Microsoft, Amazon, Tesla, Meta, Snap, Intel to name a few, but banks and oil companies managed to pick up the slack. Revenge of the physical. The resulting SP500 earnings revisions in Oct were -4% for Q4 and -3.5% for FY23; a deterioration from Sept, but a far cry from the -15% modelled by the BofA Strategy team, to name just one. In short, growth is stalling but not enough for layoffs, spending remains alive, and earnings are somewhat resilient. We're slowing too slowly for the Fed. We're still betting on a Dec pivot, but forgive the markets for being schizophrenic.

Disruption too can be physical. Two years ago, Mark Zuckerberg's $40b metaverse would have been full of roaming avatars; today it's empty, people are outside. Two years ago as well, oil traded below zero, prompting oil companies to cut capex massively; this year Exxon will reap $58b in windfall profits. Amazon doubled warehousing capacity in 2021; now it's bloated with inventories. Despite slowing revenues, hypercale cloud providers will spend nearly $100b on capex in 2023. To spend or not to spend. We think the digital pause is temporary and we expect to revisit e-commerce early in 2023. But today's crisis is energy. Exxon's profits reflect the collateral scarcity of decarbonization and war. Shale energy killed the first Clean Tech wave of 2000, but we think the second wave is real, buttressed by the US Inflation Reduction Act, and the need for energy independence. Our 40%+ allocation in Clean Tech has been volatile but remains our highest conviction weighting. In Oct, DF Alpha was flattish -0.74% vs Nasdaq Comp +3.94% (USD) +2.92% (EUR). Our unhedged DF Master was up +2.84%. The hedges that helped us in September held us back in October. Clean Tech held all our winners: Core Lab, Schlumberger, Chart, Alfen and Enphase, while Software was the biggest drag, as a slowdown at both Azure and AWS cascaded further into SaaS valuations.

PERFORMANCE

	Since Inception*	Month October
Disruption Fund Master (I)	+0.53%	+2.84%
MSCI World TR EUR	(0.43%)	+6.24%

*Disruption Fund Master performance since May 17th, 2022**



TOP 20 HOLDINGS**

Enphase Energy Inc	4.66%	Palo Alto Networks Inc	3.38%
KLA Corp	4.15%	STMicroelectronics NV	3.16%
Airbnb Inc	4.11%	Chart industries Inc	3.12%
Wise plc	3.87%	Crowdstrike Holdings Inc	3.04%
Alfen Beheer BV	3.64%	Rivian Automotive Inc	3.01%
Cameco Corp.	3.64%	Splunk Inc	2.84%
Tesla Inc	3.64%	Snowflake Inc	2.81%
SolarEdge Technologies Inc	3.52%	SOITEC	2.81%
Schlumberger Ltd	3.42%	Amazon.com Inc	2.76%
BioNTech SE ADR	3.40%	Stem Inc	2.68%

**Disruption Fund Master performance since May 17th, 2022.*
***As % of NAV.*

Data as of October 31st, 2022
Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Performance target is based on market assumptions taken by the fund management company and under no circumstances constitute a promise of return or performance. The risks, fees and recommended investment period for Disruption Fund Master are detailed in the KIIDs (key investor information documents) and prospectus available on www.quadrillecapital.com. The KIID must be made available to the investor prior to subscription.

Disruption Fund Master
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FUND CHARACTERISTICS

About the fund

Headquarters	Paris
Fund manager	Quadrille Capital SAS
Legal structure	FCP UCITS - Master

Practical Information

Currency	EUR
ISIN code - I share	FR0014007W31
Ref. index	MSCI World Total Return EUR
Valuation frequency	Daily
Cut off time	10am (D-1 valuation day)

Investor Information

Recommended investment period	5 years
Minimum investment	€1,000,000

PORTFOLIO MANAGER

Jean-Edwin Rhea

- 20-year experience of equity capital markets in tech and healthcare
- MBA from HEC Paris and Columbia University and BA in Anthropology from Princeton University

FEES AND EXPENSES – I SHARE

Max. subscription/redemption fees	0%
Management fees	1.5%
Performance fees	0%

RISK AND REWARD PROFILE

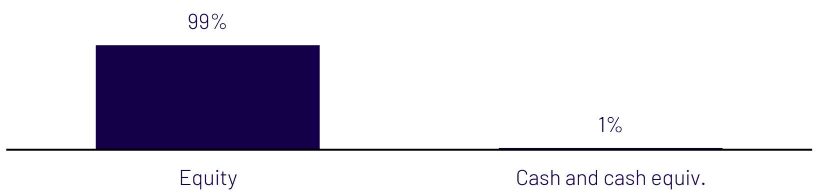
Lower risk *Higher risk*

Typically lower rewards *Typically higher rewards*

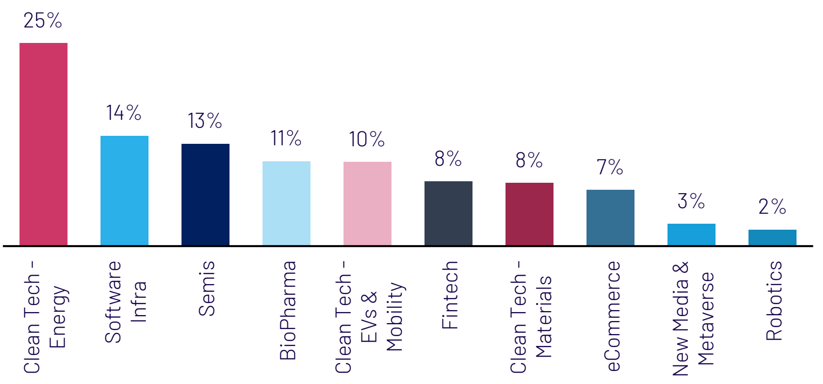
1 2 3 4 5 **6** 7

The Fund is ranked 6 on the synthetic risk and reward indicator scale, which is based on the Fund's allocation to equity markets. The risk category shown is not guaranteed and may shift over time.

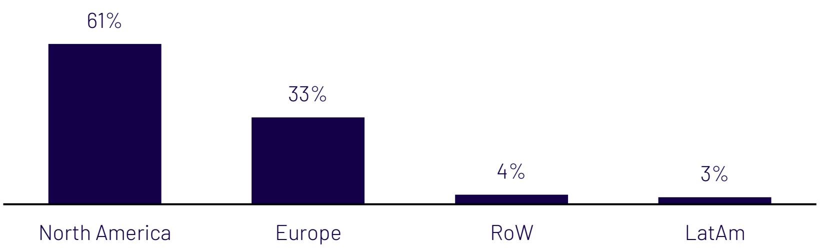
ASSET ALLOCATION



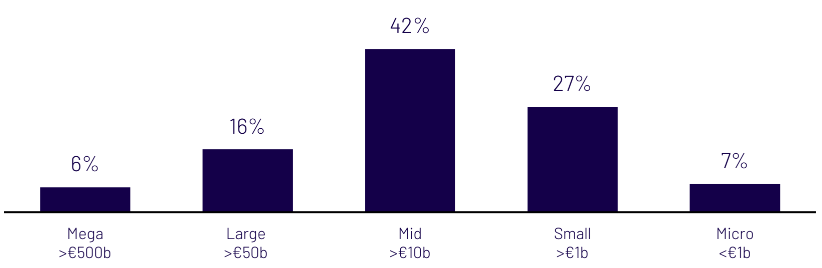
SECTOR ALLOCATION*



GEOGRAPHIC ALLOCATION*



CAPITALISATION ALLOCATION*



RISK MEASURES

Period: 17/05/2022 - 31/10/2022	
Sharpe Ratio	0.03
Max Drawdown	(19.5%)
Annualized Volatility	34.6%

*As % of equity holdings.

Data as of October 31st, 2022

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