Disruption Fund Alpha

Capturing the full innovation cycle

SFDR Art.8

February 2023

Disruption Fund Alpha is a feeder fund of Disruption Fund Master.

*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. The fund promotes ESG characteristics as defined by the SFDR Article 8.*

*Its **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

The song remains the same. Recession, what recession? Evidently, the post-Covid economy is different. More physical than digital, more experiential than consumable, and most surprisingly, far more resilient to high inflation and interest rates than previous cycles. Full employment everywhere (US January Payrolls were off the charts at 800k+; US & EU ISM employment surveys remain strong) is leaning against global central bank tightening. Despite higher rates, US bank lending is still expanding 11.5% as of Feb 15th, while EU lending is up 4.9% in Jan, both far faster than GDP, while at the same time US mortgage demand is now the lowest since April 1995. eCommerce and housing are sluggish, yet post-holiday travel. Autos and luxury are booming. Too hot or too cold? Neither jobs nor financial conditions seem to budge, with a strange form of Goldilocks growth now entering its second year.

Economists and strategists are still overwhelmingly bearish, modelling excess savings to run dry in the summer, and pushing the recession expectation further to the right: it's now expected to hit us in the 2nd half of 2023. And markets are listening. The Jan CPI and wage inflation uptick caused a fresh selloff early in Feb, shifting the narrative from peak interest rates to "higher for longer". Fed fund futures today are pricing a 5.5% peak rate in Sept'23, vs early Jan expectations for 4.90% in June'23. Fed and ECB speakers remain sanguine about their 2% mandates, but with this Goldilocks scenario, it is increasingly likely that they will have to drift higher: we think 3% is the new normal sometime in 2024. There is plenty of energy lost in this debate and on the impact of structurally higher rates on equity valuations, but midcap Software, Semis and Cleantech look attractive to us. Outside of eCommerce we see no weakness in the outlook.

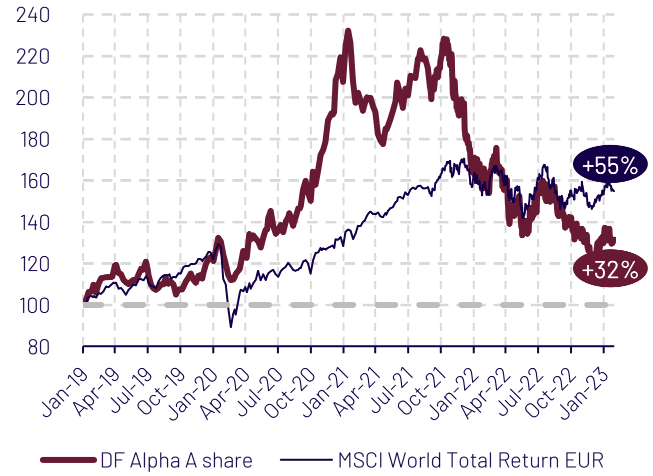
Our *Decarbonization*, *Deglobalization* and *Dehumanization (AI)* themes remain central to our strategy, with some early vindication this month. In the solar space, we reduced Enphase and added First Solar in order to raise our exposure to the US IRA; domestic manufacturing allows them to qualify instantly for both capex and installation subsidies, leading to record bookings and guidance for the year suggesting margin expansion of more than 20%. SolarEdge also reported very strong demand in Europe where we anticipate record installations of both solar and stationary batteries. Alfen saw a slowdown in EV chargers due to inventory destocking which we are monitoring. In Semiconductors, our focus on silicon carbide for electrification is looking prescient, with ASM Intl, Aehr, Aixtron and STMicro each reporting significant growth in this vertical. We view Tesla's attempt at reducing SiC content in their upcoming Model 2 as a TAM expanding opportunity for this critical material. In AI, the buzz caused by the release of ChatGPT reached a whirlwind phase in Feb, with AI being mentioned in every product announcement and conf call. We continue to hold AMD, while our Nvidia position remains small due to valuation. Our exposure to consumption-based databases and analytics software companies Snowflake, Datadog and Splunk remained volatile this month, with talk of bloated data centers and the need for Cloud optimization. Yet with one ChatGPT costing as much at 36 cents per query and requiring a 175 billion parameters search, there is little doubt that massive and scalable data lakes are on the rise, and data center interconnect speeds are under pressure to rise from 400GB to more than 1TB/sec. While Tech is still derating from the pandemic hypergrowth, it is also scrambling for the surge in generative AI. With a focus on what's ahead rather than what's behind us, we think data center capex will surprise higher and are adding to Software and Semi names on weakness.

Despite the flattish headlines, February was tricky, with record volumes in same-day-expiry options causing havoc in intraday equity market volatility. DF Alpha drifted -0.11% and DF Master -0.25%, while Nasdaq Composite (USD) receded -1.11%. Our top contributors were Palo Alto Networks, Airbnb, Tesla, Datadog and Splunk, while our heaviest ballasts were Quimica de Chile (lithium), Mobileye, Bloom Energy, BioNTech and Alphabet.

PERFORMANCE

	Since Inception*	YTD	Month February
Disruption Fund Alpha (A)	+31.5%	+7.48%	(0.11%)
MSCI World TR EUR	+54.8%	+5.17%	(0.05%)

*Disruption Fund Alpha** performance since January 31st, 2019**



TOP 20 HOLDINGS OF DFM***

SolarEdge Technologies Inc	4.84%	*Wise plc*	3.12%
Airbnb Inc	4.75%	*ASM International NV*	3.04%
KLA Corp	3.85%	*Splunk Inc*	3.01%
Tesla Inc	3.48%	*SOITEC*	2.78%
Advanced Micro Devices Inc	3.32%	*Crowdstrike Holdings Inc*	2.75%
STMicroelectronics NV	3.26%	*Aixtron SE*	2.61%
Schlumberger Ltd	3.24%	*Block Inc*	2.59%
Palo Alto Networks Inc	3.19%	*Aehr Test System*	2.48%
ASML Holding NV	3.14%	*Adyen NV*	2.41%
Novo Nordisk A/S	3.14%	*BioNTech SE ADR*	2.41%

**Disruption Fund Alpha performance since January 31st, 2019 (starting date of new investment strategy).*
***Disruption Fund Alpha FCP became a feeder fund of Disruption Fund Master on July 29th, 2022.*
****As % of NAV of Disruption Fund Master.*

Data as of February 28th, 2023.
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 Alpha 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 Alpha
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FUND CHARACTERISTICS

About the fund

Headquarters	Paris
Fund manager	Quadrille Capital SAS
Legal structure	FCP UCITS - Feeder
SFDR Classification	Art. 8

Practical Information

Currency	EUR
ISIN code - B share	FR0012770162
Ref. index	MSCI World Total Return EUR
Valuation frequency	Daily
Cut off time	9am (D-1 valuation day)

Investor Information

Recommended investment period	5 years
Minimum investment	€100,000

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 – B SHARE

Max. subscription/redemption fees	3.2%
Management fees	1.5%
Performance fees	15%*

**above reference index*

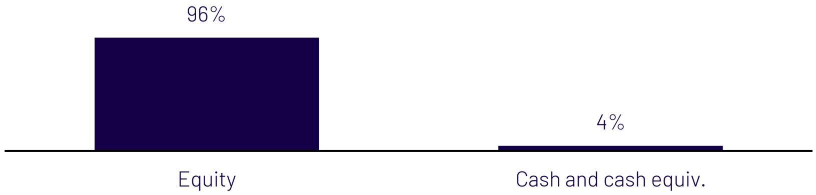
RISK AND REWARD PROFILE

Lower risk	*Higher risk*
Typically lower rewards	*Typically higher rewards*

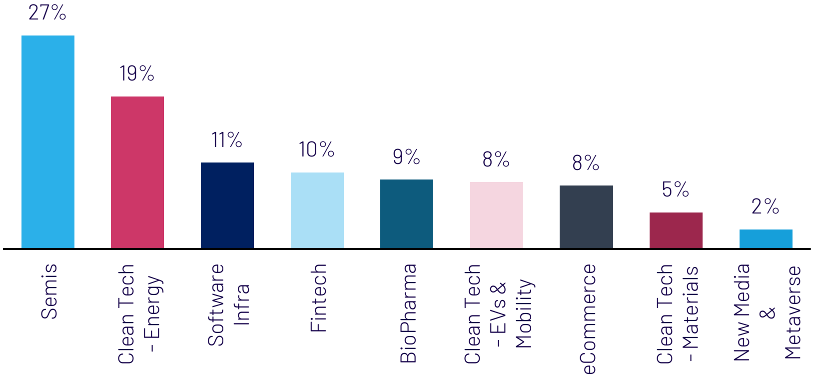
1	2	3	4	**5**	6	7

The Fund is ranked 5 on the synthetic risk 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.

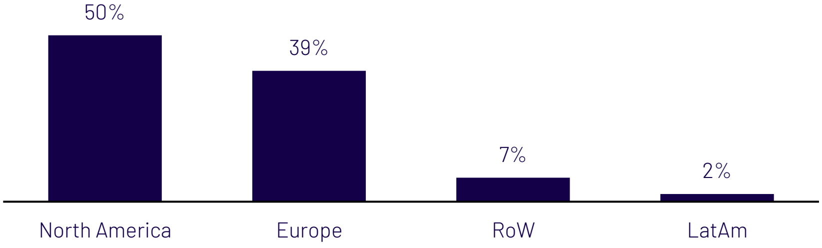
ASSET ALLOCATION*



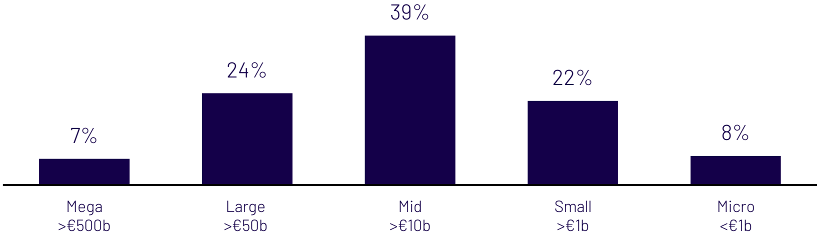
SECTOR ALLOCATION**



GEOGRAPHIC ALLOCATION**



CAPITALISATION ALLOCATION**



RISK MEASURES

Period: 31/01/2019 - 28/02/2023	
Sharpe Ratio	0.29
Max Drawdown	(47.8%)
Annualized Volatility	24.2%

**As % of NAV of Disruption Fund Master.*
***As % of equity holdings of Disruption Fund Master.*

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