



# Disruption Fund Master

## Capturing the full innovation cycle

November  
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

Green shoots in December? The inflation panic of 2022 is gradually receding, helped by the Nov 10th US CPI release finally showing a crack, slipping to 7.7%, down from the 9.1% June peak, and the first reading below 8% since February. Nasdaq was +7% in one day, while US 10-year yields quickly dropped from a 4.50% high to a more palatable 3.50% at month end, offering significant relief to equities. Yet on Dec 2nd the US Payroll report showed wage inflation annualizing at 7.2%, the highest since January, brutally dimming the CPI halo. On balance we still think the Fed pivot has begun, even if a rate hike plateau doesn't equate with rate cuts. We are optimistic that wages are adjusting to the post pandemic inflation bump but we also see many surveys showing long term inflation expectations remain well anchored below 3%, suggesting limited risk of a structural price/wage spiral. Also, deep discounting during a global wave of Black Friday shopping has kept a lid on retail prices and reduced inventories. Finally, China reopening could act as a growth handoff from a colling US and an already cold Europe without pressuring commodities higher as its real estate sector remains in intensive care. We think markets are correct to foresee disinflation with the worst yield curve inversion in the US and Europe since 1980. But we are not counting on either Western or Eastern consumers in 2023. The three pillars of our outlook for 2023 are focused on capex, notably **decarbonization** with Cleantech, **deglobalization** with both Cleantech and Semiconductor onshoring, and so-called **"dehumanization"** with AI and Cloud software. Each theme is a strategic sovereignty imperative for America, Europe and China. We focus on high margin subsegments of solar, batteries, electricity load balancing, semiconductors, semi fab equipment, cloud infrastructure and cybersecurity. These are volatile sectors and our Nov performance was quite bifurcated with idiosyncratic winners and losers. Below are some highlights.

*SolarEdge, Enphase and SMA Solar* reported stellar quarters, with accelerating growth in Europe. Top performer this month, SEDG is solving its China supply chain woes, having now launched Mexican production and plans for onshoring to the US funded by the IRA; its EU sales of batteries were up 60%; Nov updates suggest the trend is continuing. *Alfen*, the Dutch leader in EV charging and stationary batteries saw 180% growth in charger sales; they also saw a tangible uptick in battery sales; the stock was hurt by "conservative" guidance of 40% growth for 2023; we support the mgmt and see their 50% market share in Holland being replicated in Belgium, Germany and France within 3-5 years. *Semis* contributed positively too in Nov, driven by the Fed pivot narrative as well as strategic onshoring via both the US and EU CHIPS Acts; we think these Gvt policies will support capex even in a downturn; *Soitec, STMicro, ASM Intl, ASML, KLA Corp, AMD and Aehr Systems*, all contributed positively.

Cloud software and cybersecurity were more mixed as SMBs reduced spending while hyperscale capex continues. *CrowdStrike* and *Palo Alto Networks*, leaders in cloud-native cybersecurity, reported a solid quarter with rising margins but pointed to lengthening sales cycles; PANW reacted well, but CRWD dropped -20% on Nov 30. *Splunk*, global leader in machine-to-machine data logs saw a surge in on-premise license sales, a great validation of their strategic value, but also a sign that some expensive cloud migrations are being delayed; SPLK rose +15% on Dec 1. Across software, we see a VC funding squeeze allowing category leaders to grow market share on smaller marketing spend, as well as to make cheap bolt-on acquisitions. Due to rising margins, our Rule-of-40 scores on *Palo Alto Networks, CrowdStrike* and *Splunk* actually rose this month.

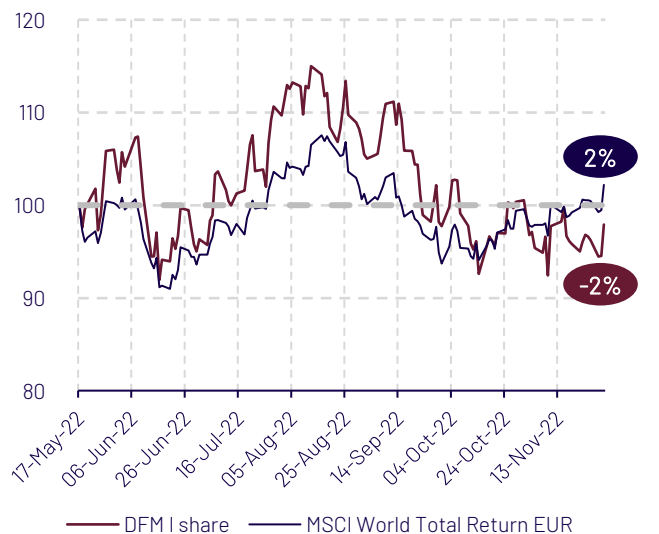
At the crossroads of Energy and Cleantech sits *Chart Industries*, a world leader in cryogenic compressor technology for LNG, O2, H2 and CO2, enjoying 80% US market share at a time of exceptional demand. On Nov 9, *Chart* announced a deal to buy their UK-based competitor *Howden*, raising its debt/ebitda ratio to 4x. The stock lost -40% in three days. Compression technology is one of the highest margin niches in the energy transition roadmap, but markets have little appetite for leverage. We like the deal and find the synergies credible; we expect the equity value to recover once the debt is secured and the deal closes.

EUR/USD also hurt DFM by -380bp. These unique situations and market reactions are typical of the current environment, and we strive to remain patient while the inflation conundrum sorts itself out.

### PERFORMANCE

	Since Inception*	Month Nov.
Disruption Fund Master (I)	(2.08%)	(2.60%)
MSCI World TR EUR	+2.22%	+2.66%

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



### TOP 20 HOLDINGS\*\*

<i>KLA Corp</i>	4.56%	<i>ASML Holding NV</i>	2.87%
<i>SolarEdge Technologies Inc</i>	4.49%	<i>Wise plc</i>	2.87%
<i>Enphase Energy Inc</i>	4.25%	<i>Chart industries Inc</i>	2.84%
<i>BioNtech SE ADR</i>	3.96%	<i>Block Inc</i>	2.81%
<i>Airbnb Inc</i>	3.86%	<i>Quimica y Minera de Chile</i>	2.71%
<i>SOITEC</i>	3.41%	<i>Novo Nordisk A/S</i>	2.66%
<i>Advanced Micro Devices Inc</i>	3.22%	<i>Splunk Inc</i>	2.61%
<i>Schlumberger Ltd</i>	3.08%	<i>Amazon.com Inc</i>	2.56%
<i>Aehr Test System</i>	3.02%	<i>Stem Inc</i>	2.53%
<i>Alfen Beheer BV</i>	2.97%	<i>Intellia Therapeutics Inc</i>	2.47%

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

\*\*As % of NAV.

Data as of November 30th, 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](http://www.quadrillecapital.com). The KIID must be made available to the investor prior to subscription.

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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%

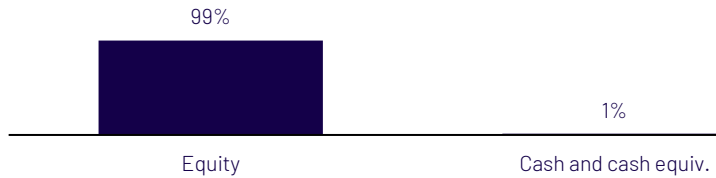
## RISK AND REWARD PROFILE

Lower risk Higher risk  
Typically lower rewards Typically higher rewards

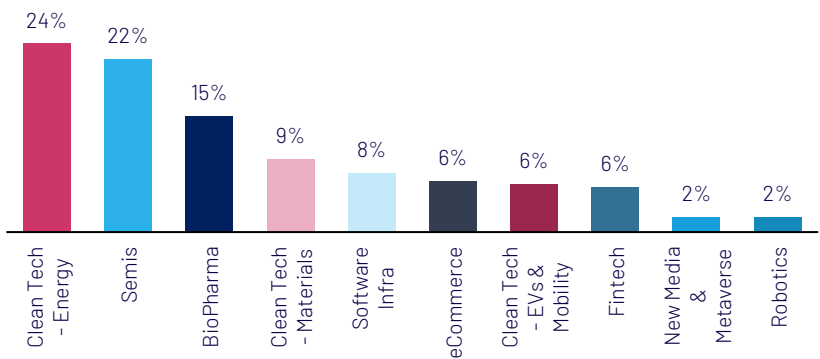


The Fund is ranked 6 on the synthetic risk and reward indicator scale, which is based on the Fund's allocation to equity markets. The risk category shown is not guaranteed and may shift over time.

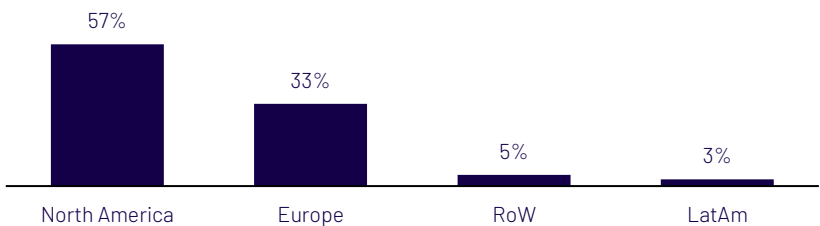
## ASSET ALLOCATION



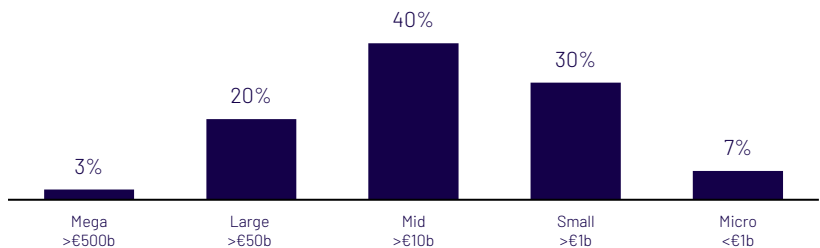
## SECTOR ALLOCATION\*



## GEOGRAPHIC ALLOCATION\*



## CAPITALISATION ALLOCATION\*



## RISK MEASURES

Period: 17/05/2022 - 30/11/2022

Sharpe Ratio	(0.13)
Max Drawdown	(19.7%)
Annualized Volatility	34.7%

\*As % of equity holdings.

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