Disruption Fund Master

Capturing the full innovation cycle

September 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

We were nervous about September, and a reality check it was. After the European gas and utility panic in August came a stubborn US CPI, an unanimously hawkish Fed, a UK Gilt panic, a global US dollar funding crunch, and a US 10 year bond yield spike to 4%, the highest level in 14 years. Russian gas to Europe is almost entirely cut off, and despite the inflation challenge and the need for monetary tightening, government are also intervening in power markets (EU), oil markets (US) and long-term bonds (UK and Japan). Jerome Powell wants to crack US wage inflation, but global partners in Europe and Asia are reeling from the rising dollar (trade weighted dollar +22% y/y on Sept 28), draining liquidity from commerce and markets to the point of prompting a funding panic at Credit Suisse and Deutsche Bank. Yield curve control is lurking. The adage "markets stop panicking when central banks panic" may turn out prescient. With hawks firmly in charge at the Fed, it is increasingly palpable that the slowdown is here, and the pivot not too far away, perhaps in late Dec or Jan, when y/y inflation data faces easier comparisons.

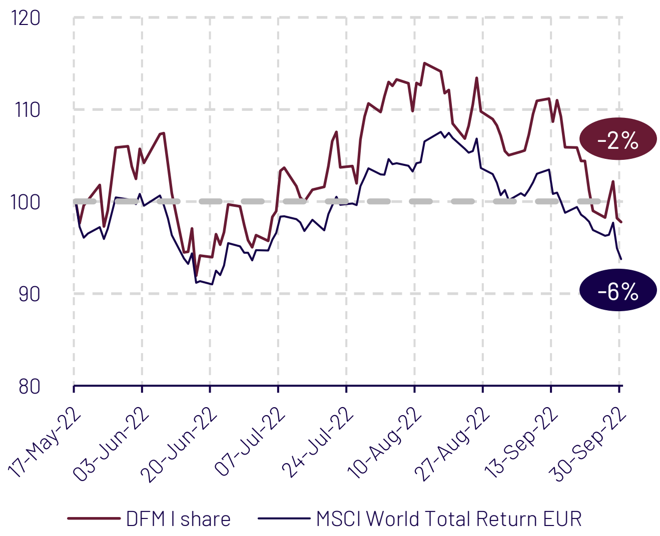
Inflation inflection? July and August already saw bulging retail inventories and e-commerce fatigue. In Sept, FedEx warned of a recession, Micron drastically reduced their DRAM and NAND flash demand outlook, Nike announced plans to liquidate US inventory, and container shipping rates have now dropped 60% ytd. Supply chain tightness is easing, with positive deflationary impact. Elsewhere, shelter and rent (33% of the US CPI) has begun falling in 8 of the top 10 US metropolitan areas (source: Zillow). US 30 year mortgage rates reached 6.8% this month vs 3.0% a year ago; similar 2x mortgage rate moves are observable in the UK and Europe. Even the oil price is lower, providing a temporary relief during China's Covid policy prolongation and the US release of strategic oil reserves. The list goes on, yet bears control the narrative. At the Sept 30th option and futures expiry, Put option open interest stood at an all-time high and net long equity futures positions at a 10 year low, while the combined drawdowns in equity and fixed income are 2x higher in dollar terms than during the 2008-09 crisis (source: BofA, Cantor).

While the DFA feeder fund was hedged for most of the month, DFM was not, but careful stock picking focused on Clean Tech helped outperform. As Nasdaq and other major indexes ended the month and the quarter at their June lows and below, DFM slid -8.75% vs Nasdaq Composite -10.5% and MSCI World EUR -6.90%. Going into the October reporting season, we expect a wave of negative earnings revisions, but we also think they are priced in, while market positioning (very low hedge fund leverage; high put/call ratio; high retail and institutional cash balances) favors a rebound. We also remind investors that tech sub-sectors such as Software, E-commerce, Semiconductors, Biotech and New Media were trading at 5 to 12 year valuation lows in mid June and are doing so again now. Our own top allocations remain Clean Tech, including energy related at 23% (Enphase, Solar Edge, Schlumberger, Chart Ind, Stem), commodity related at 12% (Quimica Chile, Cameco, MP Materials), and e-mobility, reduced from 10% to 5% (Alfen, Rivian; sold Li Auto) as we temporarily anticipate slower auto sales. Software has been increased to 18% to take advantage of valuations (Zscaler and Adobe added, joining CrowdStrike, Snowflake, Datadog, and Palo Alto). Semiconductor exposure remains unchanged (KLA Corp, STMicro, SOITEC). Airbnb and Wise remain our best convictions in Consumer and Fintech.

PERFORMANCE

	Since Inception*	Month Sept
Disruption Fund Master (I)	(2.24%)	(8.75%)
MSCI World TR EUR	(6.28%)	(6.90%)

Disruption Fund Master performance since May 17th, 2022*



TOP 20 HOLDINGS**

Enphase Energy Inc	*4.37%*	*Crowdstrike Holdings Inc*	*3.23%*
Cameco Corp.	*4.22%*	*BioNTech SE ADR*	*3.09%*
Airbnb Inc	*4.19%*	*Snowflake Inc*	*3.09%*
Schlumberger Ltd	*4.15%*	*CRISPR Therapeutics AG*	*3.09%*
KLA Corp	*4.12%*	*Datadog Inc*	*3.02%*
Quimica y Minera de Chile S	*4.05%*	*ASML Holding NV*	*2.97%*
Wise plc	*3.87%*	*Alphabet Inc*	*2.95%*
SolarEdge Technologies Inc	*3.67%*	*Intellia Therapeutics Inc*	*2.84%*
Palo Alto Networks Inc	*3.35%*	*Stem Inc*	*2.73%*
Alfen Beheer BV	*3.30%*	*Chart industries Inc*	*2.68%*

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

Data as of September 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. 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

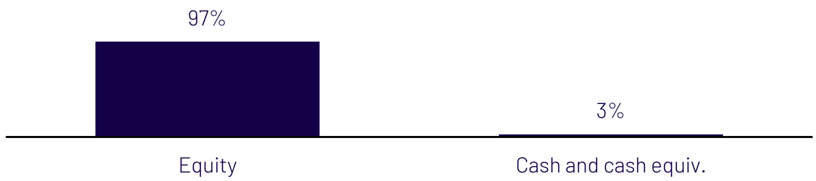
Lower risk — *Higher risk*

Typically lower rewards — *Typically higher rewards*

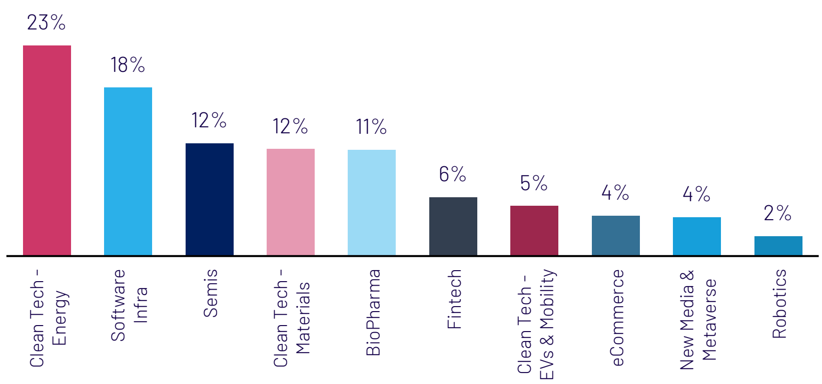
1 | 2 | 3 | 4 | 5 | **6** | 7

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.

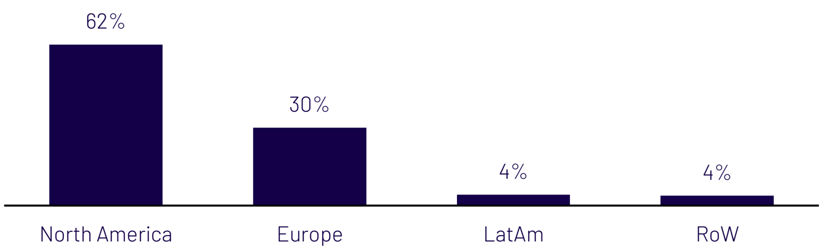
ASSET ALLOCATION



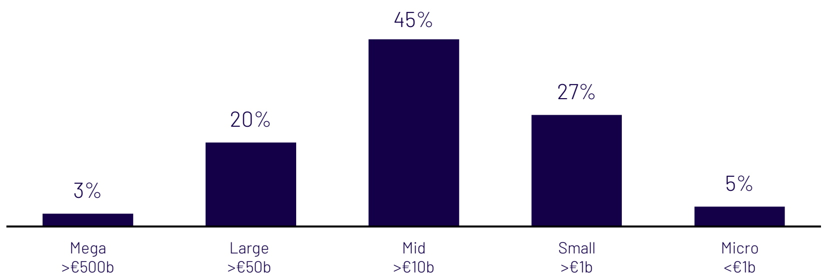
SECTOR ALLOCATION*



GEOGRAPHIC ALLOCATION*



CAPITALISATION ALLOCATION*



RISK MEASURES

Period: 17/05/2022 - 30/09/2022	
Sharpe Ratio	(0.17)
Max Drawdown	(15.0%)
Annualized Volatility	35.7%

**As % of equity holdings.*

Data as of September 30th, 2022

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