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Disruption Fund Alpha

Capturing the full innovation cycle

September 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

We are not bond investors, but this September we might just as well have been. Indeed, bonds can sometimes be just as volatile as stocks, and when they are, nothing else matters, including Tech. This month, global bond markets have pushed US yields to their highest level since 2007, the same nerve-racking levels that preceded the GFC crash of 2008, and German Bunds are trading at levels last seen during the Greek default of 2011. The wall of worry is high. And while we firmly believe that the Covid bond and equity bubbles are fully deflated, and that US interest rate markets at 2x inflation expectations are "back to normal", the continued bear market in bonds is now threatening bank, insurance and pension fund balance sheets with accounting losses of epic proportions. Three years ago in Dec 2020, $18 trillion in bonds (27% of all investment grade debt) traded at negative yields; today every bond market is trading at crisis levels. Colossal unmarked losses are piling up in held-to-maturity portfolios. BofA Research writes that this is the worst US bond market performance since… 1787. Can you never say never?

We focus on Tech. Where this bond mess leads us, is a familiar bearish place. Consumer, corporate, private equity and government borrowers are facing a liquidity crunch. Most likely, yield curve control and a return to QE lurk on the horizon, but we are guessing and there is little to win in this policy debate. What matters to us Tech and Innovation investors is that bond market stress is obfuscating the extraordinary innovation we are witnessing in AI, software coding, advanced materials, quantum computing, genomics and more. The correlation of technology equities to bonds is back to its extreme level of May-Oct'22 and weighing heavily on our portfolio. Still, our working assumption is that 1/ interest rate policy in the US and EU is now very restrictive and at its peak, and 2/ innovation always finds a buyer. We keep our eye on the prize. Tech equities bottomed in Oct'22 and have rallied since, driven especially by the Deep Tech revolution. AI, Cloud capex and Semiconductors remain the core of our portfolio. We wouldn't want to invest anywhere else. And in fact, hardly anything else is performing. As of Sept 29, the SP500 YTD performance without the *Magnificent* 7 (Apple, Microsoft, Alphabet, Meta, Tesla, Nvidia and Amazon) is a paltry 4%, and the Russell 2000 performance turned negative on Oct 2 (both indices in USD). Despite gyrations in volatility, and near collapse in Cleantech valuations, the forces behind innovation will outlive this liquidity crunch. We expect the Nasdaq Composite and our own Disruption Fund to continue performing in the face of such desertification of liquidity.

We don't build our portfolio around interest rates, but we do pay attention to the balance between *Consumer Tech* (e-commerce, apps, fintech, autos) where we are cautious, and *Deep Tech* (cloud, semis, quantum, batteries, cloud), where we are most overweight. Consumer fatigue, with rising borrower delinquencies in housing, autos, student loans and across revolving credit have led us to significantly reduce our consumer exposure by selling Airbnb and On Holdings. We added instead to CrowdStrike, ASML and SLB.

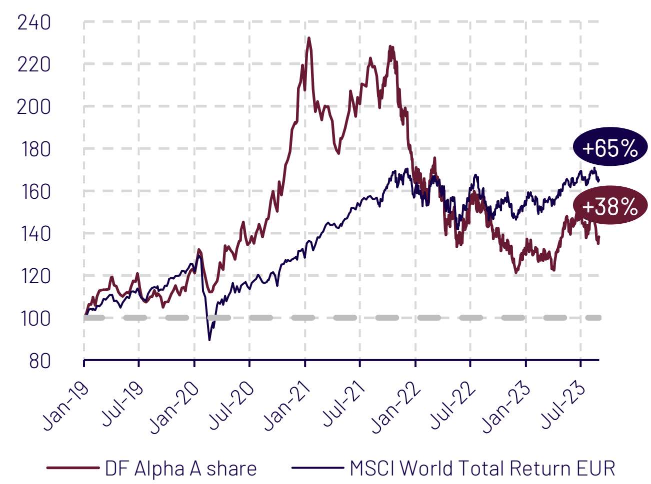
This month, our *DF Alpha fund* was down -5.47% and *DF Master* retreated -5.73%, both in EUR, while Nasdaq Composite dropped -5.81% in USD and -3.40% in EUR. The EuroStoxx50 EUR fell -2.85% and our benchmark MSCI World TR EUR fell -1.91%. Our top contributors were Splunk, acquired by Cisco Systems for close to $30b; Wise, the UK Fintech on the back of rising rates boosting their margins; cybersecurity leader CrowdStrike on the back of a very solid quarter; Airbnb, following its SP500 index inclusion, and Visa, mostly due to defensive characteristics in the broader weakness. Our bigger challenges were the longest duration DCFs in the portfolio, notably Archer Aviation, First Solar, IonQ, and Wolfspeed. Cleantech in general and to a lesser degree semiconductors, remains highly sensitive to the bond market crisis.

Disruption Fund is one of the four pillars of the Quadrille Capital funds, working exclusively on Tech in both listed and private markets. With our VC and Growth Equity colleagues across the hall, the data has been very consistent through every cycle. Companies that can deliver outsized growth and profits continue to attract funding at valuations that are in line with 15 year averages even excluding the excesses of 2020-21. Bonds can shake us, but innovation trends are greater than they have ever been.

PERFORMANCE

	Since Inception*	YTD	Month Sept
Disruption Fund Alpha (A)	+38.3%	+13.0%	(5.47%)
MSCI World TR EUR	+64.8%	+12.0%	(1.91%)

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



TOP 20 HOLDINGS OF DFM***

Alphabet Inc	4.46%	Novo Nordisk A/S	3.58%
MongoDB Inc	4.42%	NVIDIA Corp	3.43%
Splunk Inc	4.36%	Aehr Test System	3.41%
Palo Alto Networks Inc	4.05%	Oracle Corp	3.39%
Eli Lilly & Co	4.01%	Tesla Inc	3.20%
Amazon.com Inc	3.93%	Advanced Micro Devices I	3.20%
Crowdstrike Holdings Inc	3.92%	ASM International NV	3.14%
ASML Holding NV	3.78%	First Solar Inc	3.03%
Schlumberger Ltd	3.73%	Snowflake Inc	2.99%
Wise plc	3.69%	Celsius Holdings Inc	2.93%

**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 September 29th, 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 KIDs (key information documents) and prospectus available on www.quadrillecapital.com. The KID must be made available to the investor prior to subscription.

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16, Place de la Madeleine, 75008 Paris
Phone: + 33 (0)1 79 74 23 40

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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

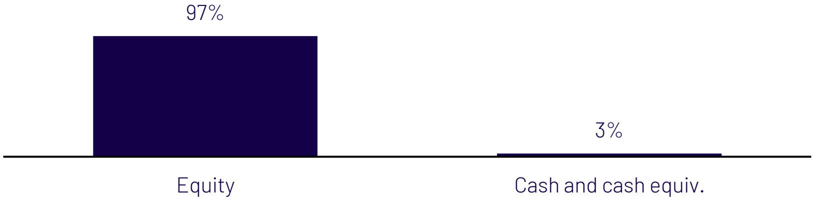
Lower risk — *Higher risk*

Typically lower rewards — *Typically higher rewards*

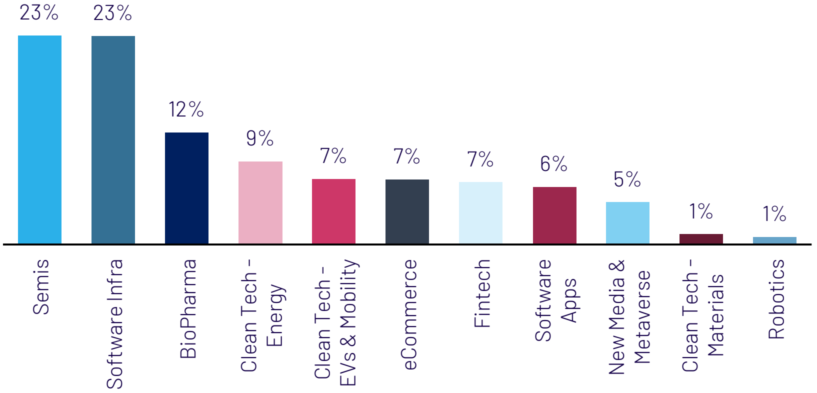
1	2	3	4	**5**	6	7

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.

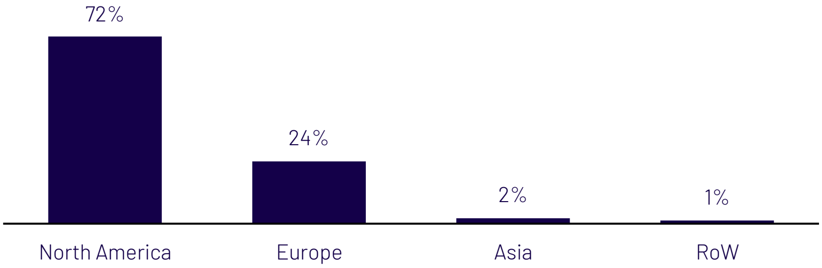
ASSET ALLOCATION*



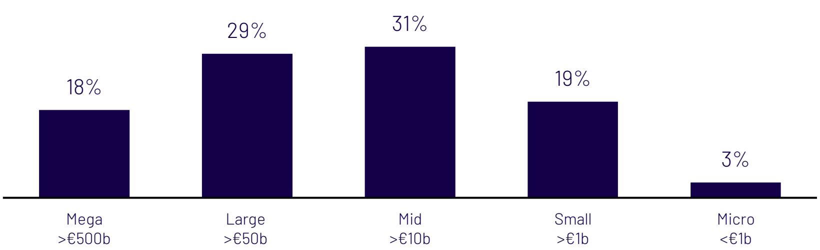
SECTOR ALLOCATION**



GEOGRAPHIC ALLOCATION**



CAPITALISATION ALLOCATION**



RISK MEASURES

Period: 31/01/2019 - 29/09/2023	
Sharpe Ratio	0.30
Max Drawdown	(47.8%)
Annualized Volatility	23.7%

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

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ESG CHARACTERISTICS

About the fund

SFDR Classification	Art. 8
ISR Label	No
Impact strategy	No
Principle Adverse Impact Indicators (PAI)	No
Taxonomy Alignment	0%
Exclusion policy	Yes
Vote policy	Yes
Constrained universe	Yes

Fund's ESG Strategy

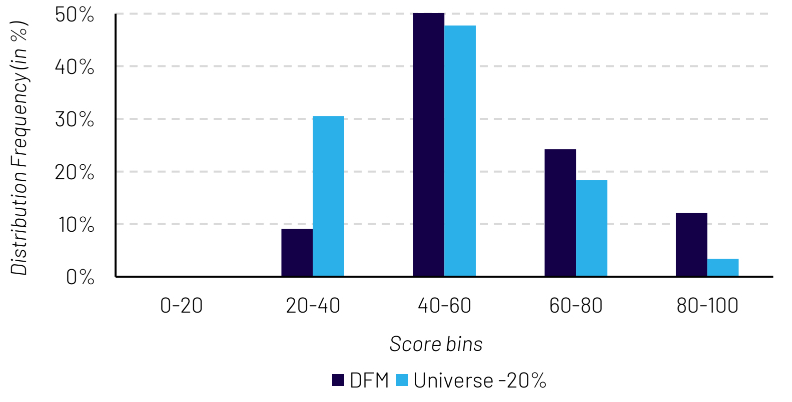
The fund seeks to select issuers that combines growth potential, profitability and ESG characteristics. A methodology has been developed to capture ESG opportunities and manage related risks: it systematically integrates sustainability criterias in its investment approcah through a proprietary ESG analysis matrix to ensure the fund only invests in companies whose solutions are adressing sustainability standards and goals. Finally, the fund exercises active ownership through sustainability-based voting and engagement.

ESG SCORE AND COVERAGE*

Score		Coverage	
DFM	Universe -20%	DFM	Universe -20%
56/100	49/100	90.6%	100%

Note: DFM's score is calculated using a weighted average. Coverage of DFM only includes issuers with a score as a % of DFM's NAV. The fund's objective is to consistently keep it's score above the universe score.

ESG SCORE FREQUENCY DISTRIBUTION*



Note: The score frequency distribution calculated above compares frequency of score ranges (bins). The fund aims to keep (best effort basis) a negatively skewed distribution relative to the constrained universe.

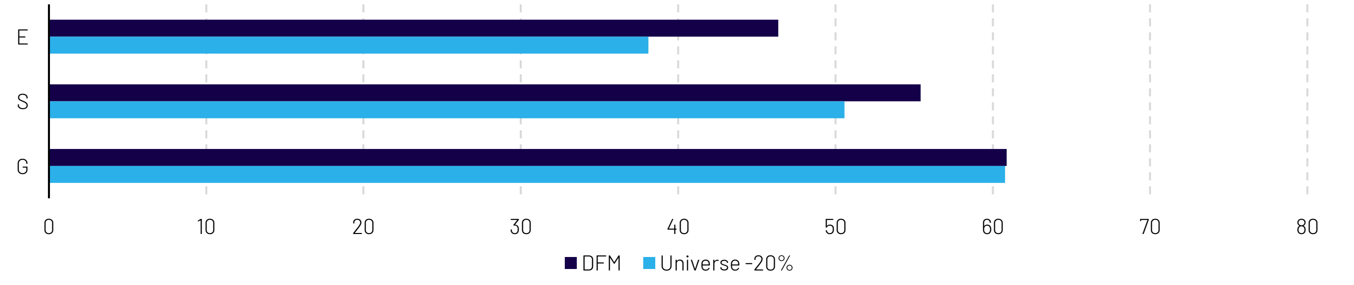
TOP 5 ESG SCORES*

Company Name	Score	% of NAV
Carbios	90	1.06%
ASML Holding NV	82	3.78%
NVIDIA Corp	81	3.43%
Palo Alto Networks Inc	80	4.05%
Splunk Inc	72	4.36%

BOTTOM 5 ESG SCORES*

Company Name	Score	% of NAV
Li Auto Inc	31	2.09%
Tesla Inc	35	3.20%
Alphabet Inc	40	4.46%
Wise plc	44	3.69%
MongoDB Inc	45	4.42%

ESG AVERAGE SCORE PER PILLAR*



**The Quadrille Capital's rating scale ranks issuers from 0 to 100, with 0 being the worst issuers and 100 the best. "Universe -20%" corresponds to a constrained universe excluding 20% of the worse ESG scores. ESG data illustrated above relates to the Disruption Fund Master fund ("DFM") holdings. The ESG methodology is detailed in the fund's prospectus and on Quadrille Capital's website (https://www.quadrillecapital.com/our-impact).*
Source: Sustainalytics.

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