



# Disruption Fund Alpha

## Capturing the full innovation cycle

October  
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

Red October. A casual look over the shoulder on the past 3 months, the outside observer might see a mild correction, with Nasdaq Composite USD down -12.2%, Eurostoxx50 EUR -10% and MSCI World EUR -6.7%, nothing altogether too dramatic. But in our innovation neighborhood, where growth is of the essence, the damage is far worse, akin to the painful drawdowns of 2022. This October, global bond markets continued their historic sell-off, with quant funds and CTAs accentuating the pain, pushing US 10 year yields to a 5% peak on Oct 27, and bringing Growth stocks into indiscriminate selling and liquidation. Man vs machine. The theme of 2023 isn't just about AI taking over the world, but deep in the weeds of fund management, it's also about stock picking vs algorithmic factor investing. Quant Factor themes such as "Renewables", "Solar Energy", "Unprofitable Tech", "Cyclical Spending", "Non-Commercial Biotech", "Analog Semis", many at the heart of our investment universe, dropped precipitously and indiscriminately this month. The GS Non-Profitable Tech Index, a proxy for early-stage companies, lost -16.5%, bringing its 3 months selloff to -35%. Since July 31, the Invesco Solar Energy ETF, a proxy for Cleantech and the Decarbonization theme, lost -39%; the Global X Fintech ETF is down -26%; the S&P Biotech Index dropped -24%. In each instance, a third to a half of the 3 months drawdown happened in October. It's hard to overstate how punishing the markets have been since the summer. In this October weather, our DF Alpha was down -4.71% and DF Master -4.94%, bringing the 3 months performance for both funds to -13%, slightly below Nasdaq USD and a bit worse than MSCI World EUR. With our diversified exposure to primarily AI, Cloud, Semiconductors and BioPharma, and to a smaller extent Cleantech and Fintech, we think we fared relatively well, but where are we headed? Is the Fed done? Are we still in a Goldilocks scenario? Are these wild elevator rides behind us and can we hold long duration growth stocks without fear?

Yes, some bright lights are shining in this endless tunnel. The Oct 30<sup>th</sup> Fed meeting and the Nov 1<sup>st</sup> US Payrolls gave us the clearest sign yet that the Fed pivot is now. With debt sustainability stress, the bond market has finished the Fed's job: a credit and liquidity crunch, falling ISM surveys, weaker auto sales, housing, and even slowing employment. After a strong 4.6% in Q3, estimates for Q4 GDP in the US hover around 1%; Europe is possibly in a recession already; don't count on China for growth help. At some point next year, a return to negative real yields is likely, and this is our shining light. Negative real yields are the breeding ground for the Tech and Innovation sectors' excess returns. Right now, the liquidity crunch is still acute, and we hold mostly large caps and positive free cash flow companies, as well as 9% in cash and 5% in cash-like Splunk. But with the pivot we can focus on picking stocks again.

Another torchlight in this tunnel is the build-up of AI. Microsoft, Alphabet and Amazon each reported impressive quarterly performance in their core businesses of apps, advertising and retail, but the standout was their massive capex plans, single handedly spending \$42b in just three months, 20% more than the last peak in 4Q21. BoFA now estimates a further 22% annual increase in their 2024 capex to \$116b, and 2025 in the \$125b range; adding Apple, Meta, Tesla, Oracle and Alibaba to the mix, estimates rise to \$500b in Cloud capex by 2027. These budgets underpin our 57% allocation to the Cloud (26% Infrastructure Software, 17% Semis and 14% Software Apps). Goldman Sachs economists see AI adding 100bp to annual global GDP by 2030. MongoDB, Oracle and Snowflake remain key AI database building blocks for us. AMD confirmed its standing in the GPU race, reporting a surge in orders for their new AI GPUs; we now hold Nvidia and AMD in equal weightings. Google's Gemini chatbot release in Dec is expected to bring a positive rerating to the stock. In the BioPharma space, the obesity Kings Lilly and Novo remain the core holdings they have been all year; for CRISPR and Intellia the FDA's AdCom on Oct 31<sup>st</sup> was very supportive of gene therapies. In Cleantech, a sector we have been reducing all year, the interest rate punishment continues; government subsidies remain an integral part to the energy transition, and the fiscal crisis may cap the recovery. We still think silicon carbide semiconductors are a key technology for all electrification, but recent updates suggest September saw an abrupt drop in solar and wind projects. Tesla and Chinese auto makers are also experiencing an EV slowdown. In Fintech however, we have begun to rebuild, holding now both Adyen and PayPal.

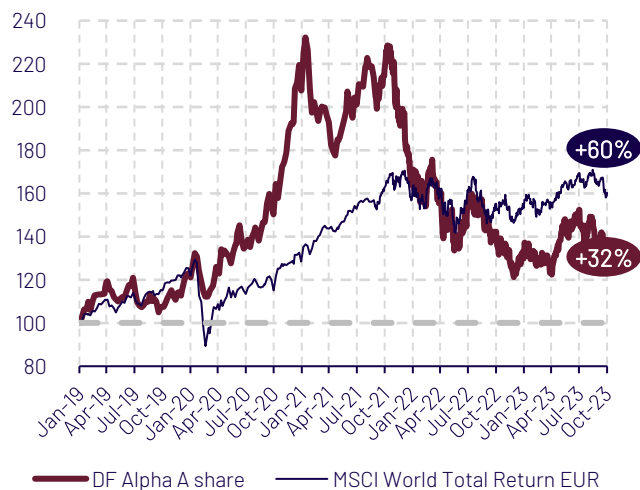
Data as of October 31st, 2023.

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](http://www.quadrillecapital.com). The KID must be made available to the investor prior to subscription.

### PERFORMANCE

	Since Inception*	YTD	Month October
Disruption Fund Alpha (A)	+31.8%	+7.71%	(4.71%)
MSCI World TR EUR	+60.3%	+8.93%	(2.74%)

### Disruption Fund Alpha\*\* performance since January 31<sup>st</sup>, 2019\*



### TOP 20 HOLDINGS OF DFM\*\*\*

Splunk Inc	5.01%	ASML Holding NV	4.07%
Adobe Inc	4.83%	Schlumberger Ltd	3.79%
MongoDB Inc	4.69%	Wise plc	3.79%
ServiceNow Inc	4.62%	Oracle Corp	3.52%
Alphabet Inc	4.50%	NVIDIA Corp	3.42%
Palo Alto Networks Inc	4.47%	SOITEC	3.37%
CrowdStrike Holdings Inc	4.41%	Advanced Micro Devices	3.26%
Eli Lilly & Co	4.40%	Snowflake Inc	2.96%
Amazon.com Inc	4.38%	Microsoft Corp	2.61%
Novo Nordisk A/S	4.35%	Adyen NV	2.13%

\*Disruption Fund Alpha performance since January 31<sup>st</sup>, 2019 (starting date of new investment strategy).

\*\*Disruption Fund Alpha FCP became a feeder fund of Disruption Fund Master on July 29<sup>th</sup>, 2022.

\*\*\*As % of NAV of Disruption Fund Master.



## 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

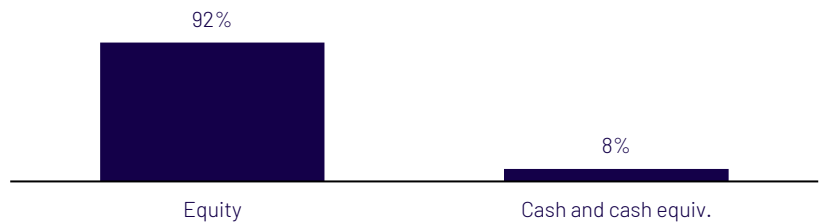
## RISK AND REWARD PROFILE

Lower risk Higher risk  
Typically lower rewards Typically higher rewards

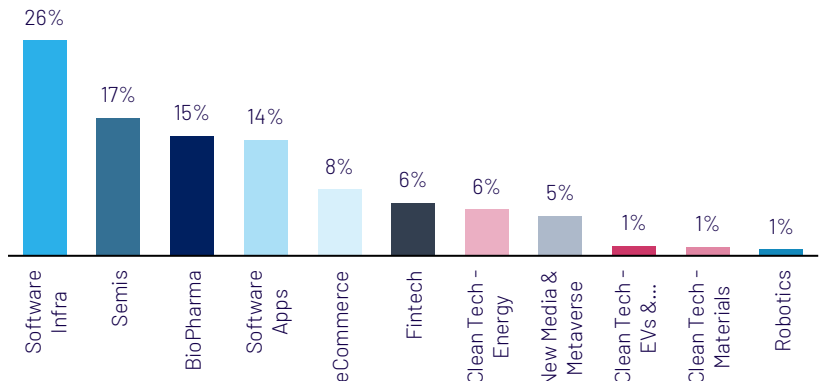


The Fund is ranked 5 on the synthetic risk indicator scale, which is based on the Fund's allocation to equity markets. The risk category shown is not guaranteed and may shift over time.

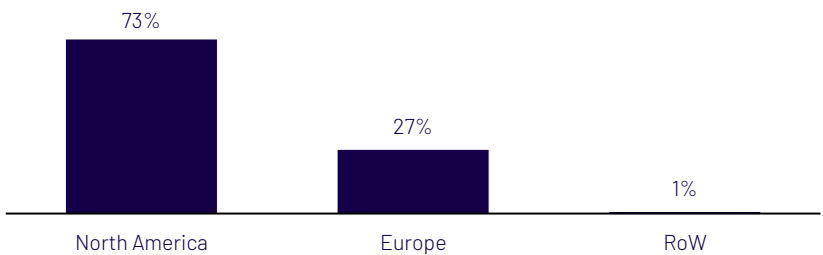
## ASSET ALLOCATION\*



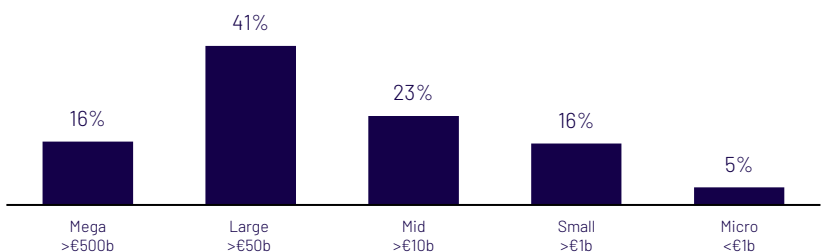
## SECTOR ALLOCATION\*\*



## GEOGRAPHIC ALLOCATION\*\*



## CAPITALISATION ALLOCATION\*\*



## RISK MEASURES

Period: 31/01/2019 - 31/10/2023

Sharpe Ratio	0.25
Max Drawdown	(47.8%)
Annualized Volatility	23.6%

\*As % of NAV of Disruption Fund Master.

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

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## ESG CHARACTERISTICS

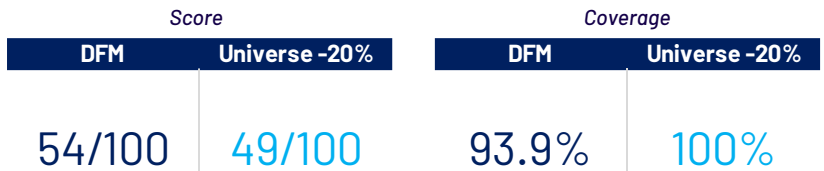
### About the fund

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

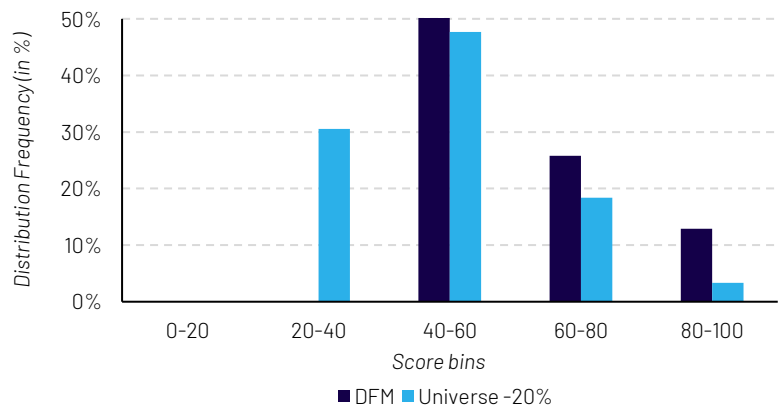
The fund seeks to select issuers that combines growth potential, profitability and ESG characteristics. A methodology has been developed to capture ESG opportunities and manage related risks: it systematically integrates sustainability criterias in its investment approach through a proprietary ESG analysis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

## ESG SCORE AND COVERAGE\*



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 its 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.

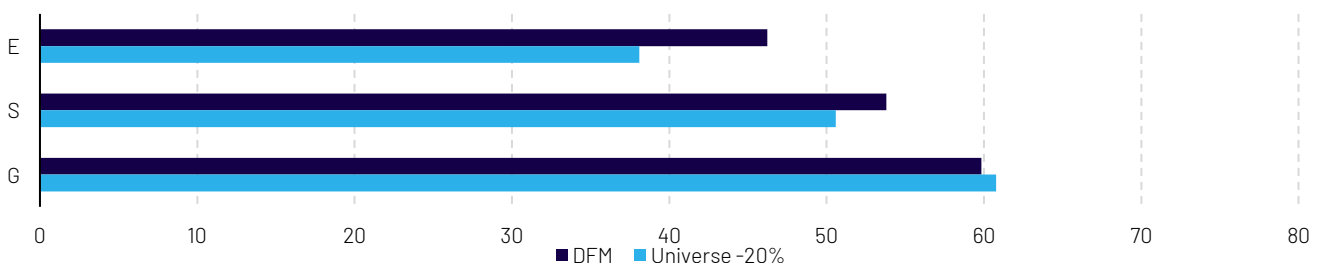
## TOP 5 ESG SCORES\*

Company Name	Score	% of NAV
Carbios	90	0.99%
ASML Holding NV	82	4.07%
NVIDIA Corp	81	3.42%
Palo Alto Networks Inc	80	4.46%
Splunk Inc	72	5.01%

## BOTTOM 5 ESG SCORES\*

Company Name	Score	% of NAV
Alphabet Inc	40	4.50%
Wise plc	44	3.79%
MongoDB Inc	45	4.69%
Schlumberger Ltd	49	3.79%
Snowflake Inc	49	2.96%

## 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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