



# Disruption Fund Alpha

## Capturing the full innovation cycle

November  
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

Interest rates too can fall, and stocks can also rise. This November was marked by an abrupt reversal in long term interest rates, fresh confidence in a US soft landing and a Goldilocks equity rally. Quite reminiscent of the Dec'18-Jan'19 "taper tantrum", growth stocks in particular, recovered from their October drubbing, with Nasdaq Composite +10.9% in USD and +7.6% in EUR, while EuroStoxx50 rose +8.1% and MSCI World TTR EUR rose +6.0%; smaller caps still lagged, with Russell 2000 +9.0% in USD and +5.8% in EUR. Our own *Disruption Fund Master* rallied +12.8%, while *Disruption Fund Alpha* rose +12.6%, returning near their July highs. We were (too) early optimists over the summer, and we had to endure a brutal selloff this Fall, but the dominant macro storms really are receding. Inflation is drifting to the 2-2.5% range that central banks can live with. Since mid-month, futures markets are pricing YE24 Fed Funds to drop by -100bp to 4.5% and ECB rates by -150bp to 3%. Decarbonization and Deglobalization remain structurally inflationary, but for investors this rate cycle turn will free up liquidity, the magic ingredient to any bull market. It's been a roller coaster of a journey, but we think the market is healthy with a recovery on sound footing.

More than ever, data is the new oil. With this benign macro in the background, the power of Tech sector fundamentals is suddenly far more visible. In the Cloud in particular, growth has begun to reaccelerate. It was our thesis all along that the pressure of post-Covid Cloud optimizations (doing more with less) would give way to the AI build out. So, while many enterprises and consumer tech companies are still working through their Covid legacy Cloud deployments, the latest quarterly reports showed an inflection in data traffic and computing resource usage. The digital world was already data and computing intensive, but AI takes this voracity to a new level. AI is as expensive as it is powerful. While data center capex was recently projected by BofA at \$500b for 2027, the revisions keep rising at a jaw dropping pace. AMD this week raised their market estimate for inference and machine learning computing (ie. GPUs, CPUs, APUs, DPUs, TPUs!) from the \$150b they saw in August, to a new \$400b forecast, a 70% CAGR to 2027. Is Nvidia going to keep their 80% market share? We continue to hold both AMD and Nvidia and added Micron.

Oil is sold by the barrel; AI will be charged by the gallon. Or as the CEO of Snowflake describes it: "data is like gasoline at the pump, you pay for what you consume". Behind this quip lurks a new software paradigm: consumption models are winning. AI's data and compute intensity favors the software companies that were built specifically around data consumption rather than users and headcount. The cloud data hoarders Azure, AWS and Google Cloud of course built the Cloud economy on consumption, but a growing field of analytics, observability, cybersecurity and database companies are generating volume sensitive revenues. The hyperscalers' usage inflexion hinted at in October was widely confirmed in November by their ecosystem suppliers Snowflake, Zscaler, CrowdStrike, Datadog and others. While only an inflexion point, the impact was massive: these infrastructure software vendors reported the strongest rebound in data and compute consumption in over a year, not just "beating and raising" revenue outlooks, but raising FCF margins by orders of magnitude. There's big money in that Cloud. We anticipate this consumption surge is the harbinger of the future cloud economy, with the computing intensity of AI driving SaaS companies to introduce consumption pricing in all new workloads. Our portfolio holds MongoDB, Elastic and Snowflake specifically around this theme. In cybersecurity, the SEC's new sanctions regime for companies that suffer cyberattacks is also expected to create a supercycle of cloud migrations, notably in the SASE space; we added Zscaler to core holdings Palo Alto and CrowdStrike. These stocks have rallied extensively, but Rule of 40 metrics have also risen tremendously over a year, with our SaaS group moving from an average of 40 to 50+, with several in the 60s.

Elsewhere in the portfolio, the FDA's Adcom meeting for CRISPR Therapeutics expressed no new worries of off-target gene editing or any other safety issues. With this news and the UK approval on Nov 16, the stock rallied +72% this month. Looking back over 15 years, M&A valuations for late-stage pre-commercial Biotechs have been around 6-7x peak sales. In the last 3 months, four \$1b+ acquisitions were announced at similar metrics, yet still leading to 100%+ premia: Abbvie/Immunogen, Roche/Carmot, Lilly/Point Bio, BMS/Mirati. We think these transactions highlight that Biotech is cheap.

We are tech optimists. As we enter the final stretch of 2023, our optimism is at its highest. We expect VC liquidity to thaw, IPOs to return, and growth to surprise even us.

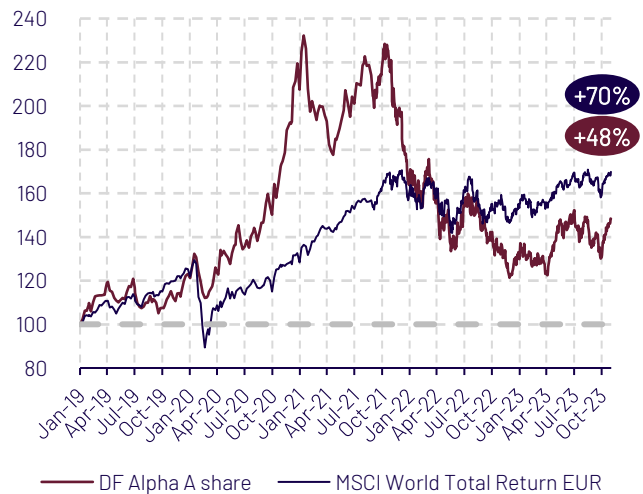
Data as of November 30th, 2023.

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 Nov.
Disruption Fund Alpha (A)	+48.3%	+21.2%	+12.6%
MSCI World TR EUR	+69.9%	+15.4%	+5.96%

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



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

MongoDB Inc	4.86%	Microsoft Corp	3.69%
Amazon.com Inc	4.83%	Micron Technology Inc	3.63%
Adobe Inc	4.76%	Advanced Micro Devices	3.54%
ServiceNow Inc	4.67%	Shopify Inc	3.54%
Palo Alto Networks Inc	4.66%	SOITEC	3.54%
NVIDIA Corp	4.28%	Snowflake Inc	3.29%
Alphabet Inc	4.13%	CrowdStrike Holdings Inc	3.14%
ASML Holding NV	3.97%	SAP SE	3.09%
Novo Nordisk A/S	3.96%	Wise plc	2.89%
Elastic NV	3.91%	Eli Lilly & Co	2.88%

\*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.



## 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

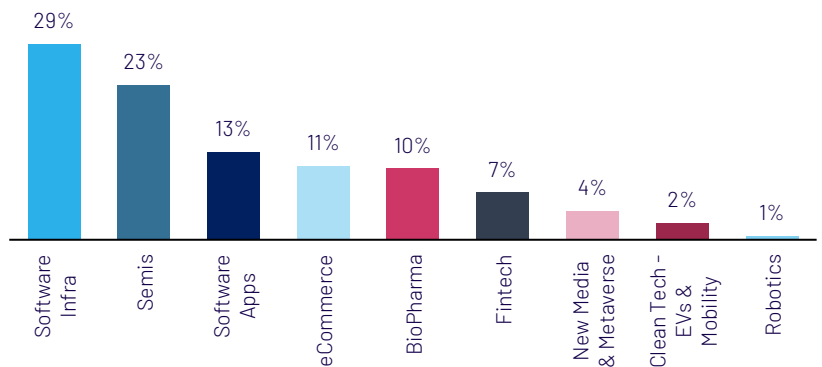


The Fund is ranked 5 on the synthetic risk indicator scale, which is based on the Fund's allocation to equity markets. The risk category shown is not guaranteed and may shift over time.

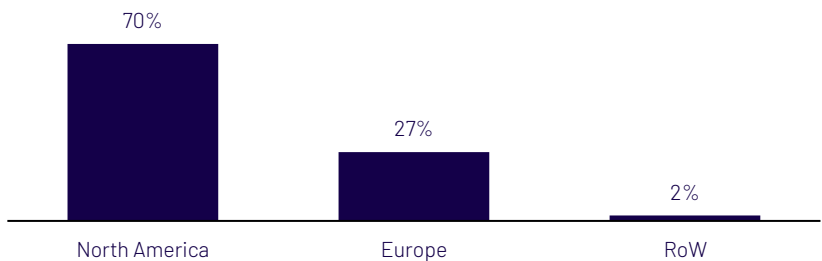
## ASSET ALLOCATION\*



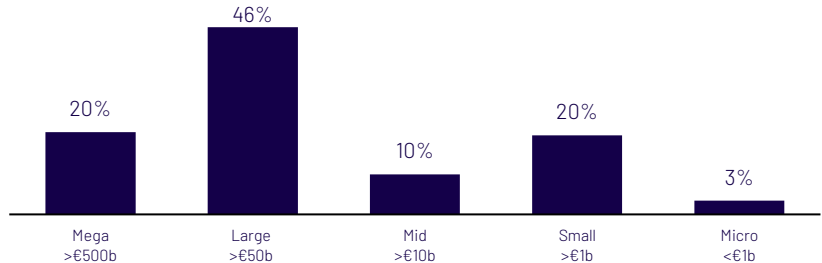
## SECTOR ALLOCATION\*\*



## GEOGRAPHIC ALLOCATION\*\*



## CAPITALISATION ALLOCATION\*\*



## RISK MEASURES

Period: 31/01/2019 - 30/11/2023

Sharpe Ratio	0.36
Max Drawdown	(47.8%)
Annualized Volatility	23.5%

\*As % of NAV of Disruption Fund Master.

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

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## ESG CHARACTERISTICS

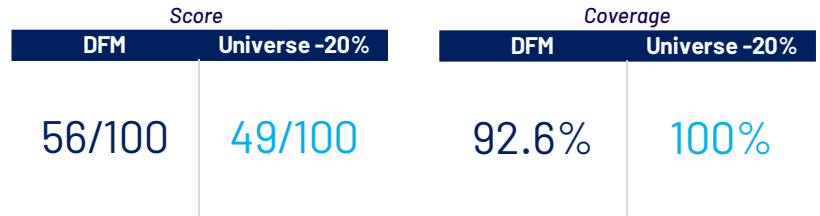
### About the fund

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

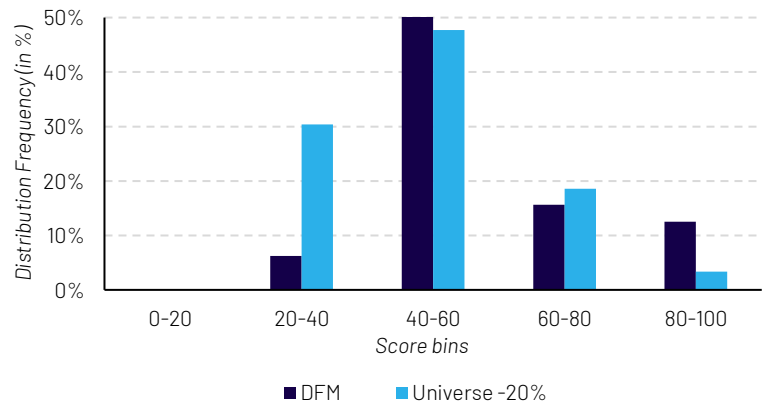
The fund seeks to select issuers that combines growth potential, profitability and ESG characteristics. A methodology has been developed to capture ESG opportunities and manage related risks: it systematically integrates sustainability criterias in its investment approach through a proprietary ESG analysis 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.

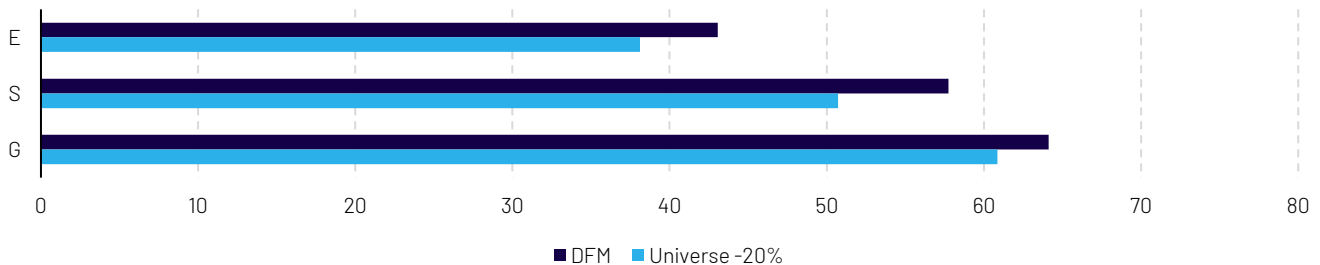
## TOP 5 ESG SCORES\*

Company Name	Score	% of NAV
ASML Holding NV	82	3.96%
Joby Aviation Inc	81	0.63%
NVIDIA Corp	81	4.18%
Palo Alto Networks Inc	80	4.56%
SAP SE	70	3.03%

## BOTTOM 5 ESG SCORES\*

Company Name	Score	% of NAV
Micron Technology Inc	31	3.54%
Alphabet Inc	40	4.01%
Wise plc	44	2.86%
MongoDB Inc	45	4.96%
Snowflake Inc	49	3.18%

## 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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