



Disruption Fund Alpha

Capturing the full innovation cycle

April
2024

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

Buckle up for AI air pockets. Investors like us have been overweight Hardware and Semiconductors for several months, and for good reason, as the AI arms race continues to unfold with fierce capex momentum. But this April, interest rate turbulence shook the market in a brutal reminder that inflation remains on an uncertain trajectory. We maintain our view that inflation will settle closer to 2.5% than the Fed or the ECB's 2.0% target, driven by deglobalization and decarbonization, as well as runaway deficit spending despite full employment. We have high hopes for AI productivity, but stubborn inflation and record debt levels are today's macro, while AI's macro magic is 2-3 years away. It's a narrow path for central banks to travel, especially in a US election year.

By mid-April, just as US 10-year yields spiked to 4.74%, Semiconductor powerhouses ASML, TSMC and Samsung delivered tepid guidance, as slowing consumer electronics dampened their AI optimism. Together with the 10-year spike, this Semi capex caution provoked a nasty drawdown across the Tech sector. The hyperscalers on the other hand, didn't disappoint: Microsoft, Amazon and Alphabet reported unambiguous acceleration in both their cloud revenues and their AI capex spending. Meta also raised their capex guidance by \$7b; even Tesla spent \$1b on Nvidia GPUs in Q1. Meanwhile, for the second quarter in a row, Software companies are not seeing much trickle-down activity from the hyperscalers. Across the AI theme, business momentum remains concentrated in the physical layer of Hardware and Semis, leading to a very crowded investor base. This combination creates volatility, but we still think it's the right place to be. Meanwhile Software continues to underwhelm despite an obvious role in the IT stack and reasonable valuations. The disconnect from the hyperscalers is temporary, and with a now rarefied investor base, we also think the current valuations are worth the wait. Four Software M&A transactions were either rumored in the press (Informatica and Hubspot) or announced (Hashicorp and Darktrace) so far in 2024, each of which highlighted cheap valuations (6x-8x ev/sales, low enough for LBOs). Meanwhile private companies such as Databricks, Stripe and Klarna are postponing their IPOs due to low public valuations. With this in mind, we choose to remain balanced with 25% in "crowded high momentum" Hardware & Semis, and 35% in "cheap in the doldrums" Software.

Looking further into the future, 2025 and beyond, by the time the dust settles on this Hardware/Software tug-of-war, we think Generative AI will be a commodity, priced by energy markets and highly deflationary. The winner-takes-all strategy bullhorned by Microsoft and OpenAI is likely to fail as their jealous neighbors, notably Meta and Tesla, scorch the earth with various forms of open-source and/or free LLM APIs for developers. Somewhere in the middle, Google and Amazon are betting the house on their hyperscaler businesses which, along with Microsoft's Azure, and perhaps Oracle, will own the infrastructure. Still, in time, we think general purpose AI chatbots will be "free", funded by the same consumer data collection model as Google and Instagram today. Software companies will rebuild their apps on top of SLMs (small language models), which consume far less data and power than the massive LLMs; SLMs are amenable to better levels of data protection, and have very specific vertical use cases (law, medicine, media...). These apps will be very valuable and charge good money. But as the underlying GenAI will be priced as a commodity and billed as a utility, cheap energy and cost control will be paramount. To illustrate, we estimate AI revenues at Microsoft (Azure + Copilots) will carry a 70% capex/sales ratio by FY29. Filling Azure's data centers with competitor apps could overwhelm Copilot pricing. We don't know yet who between hyperscalers and developers will come out on top, but we foresee an aggressive cost race, with hyperscalers running multiple LLMs and SLMs, multiple CPU and GPU families, and competing aggressively on database features, while merging observability and cybersecurity. Ultimately, we expect energy prices to differentiate price plans and to get there, we expect a boom in isolated grids and distributed (ie. decentralized) power generation. AI really is disruptive!

We made no changes to the portfolio, keeping it concentrated in Semis with the GPU and memory leaders; we also own the top four hyperscalers, and in selective database and data analytics leaders. In Cleantech we focus on industrial solar, energy storage and grid software. And in Healthcare, our core holdings remain in obesity.

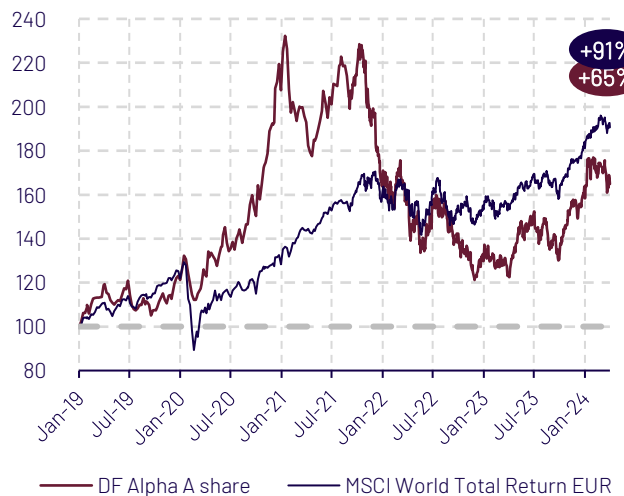
Data as of April 30th, 2024.

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.

PERFORMANCE

	Since Inception*	YTD	Month April
Disruption Fund Alpha (A)	+64.8%	+5.39%	(4.74%)
MSCI World TR EUR	+90.7%	+8.31%	(2.72%)

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



TOP 20 HOLDINGS OF DFM***

Broadcom inc	6.19%	Amazon.com Inc	3.51%
NVIDIA Corp	5.41%	ServiceNow Inc	3.48%
Novo Nordisk A/S	4.54%	Eli Lilly & Co	3.46%
Micron Technology Inc	4.53%	Global-e Online Ltd	3.36%
Wise plc	4.39%	ASM International NV	3.35%
Alphabet Inc	4.08%	Palantir Technologies Inc	3.30%
ASML Holding NV	3.90%	Airbnb Inc	3.28%
CrowdStrike Holdings Inc	3.67%	First Solar Inc	3.09%
MongoDB Inc	3.66%	Adyen NV	3.03%
Datadog Inc	3.62%	Cloudflare Inc	2.96%

*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 31st, 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

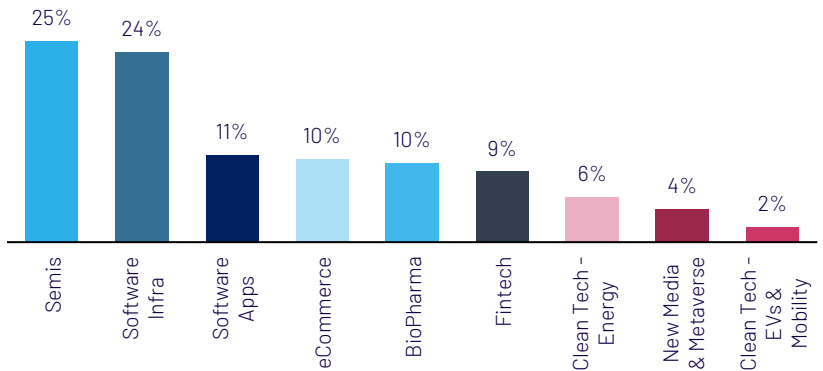


The Fund is ranked 5 on the synthetic risk indicator scale, which is based on the Fund's allocation to equity markets. The risk category shown is not guaranteed and may shift over time.

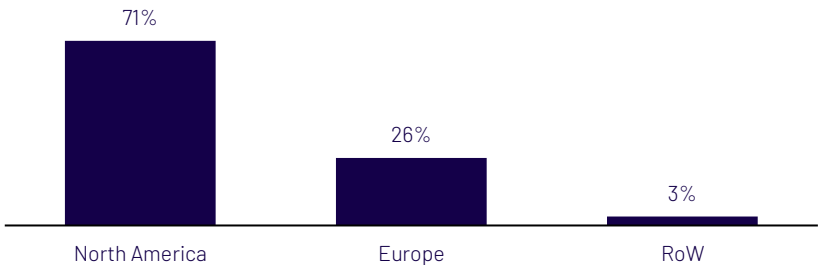
ASSET ALLOCATION*



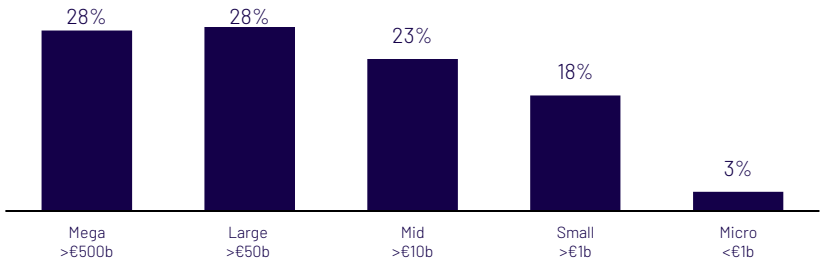
SECTOR ALLOCATION**



GEOGRAPHIC ALLOCATION**



CAPITALISATION ALLOCATION**



RISK MEASURES

*As % of NAV of Disruption Fund Master.

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

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ESG CHARACTERISTICS

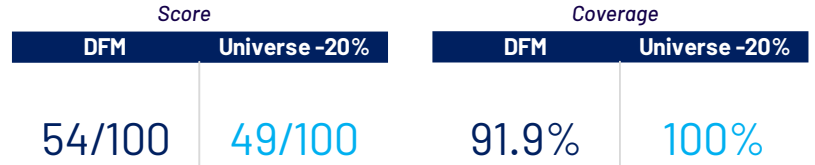
About the fund

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

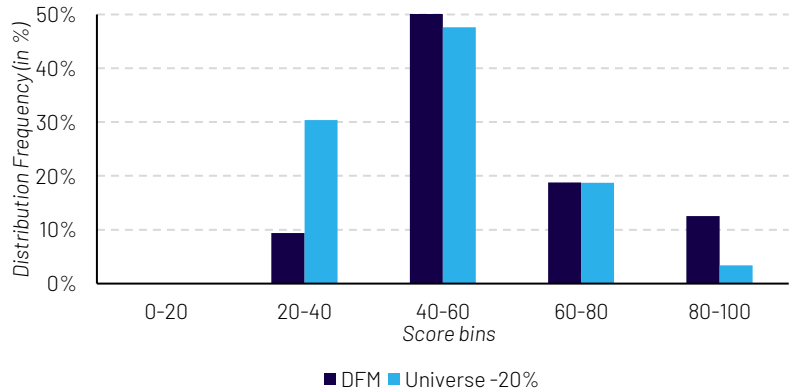
The fund seeks to select issuers that combines growth potential, profitability and ESG characteristics. A methodology has been developed to capture ESG opportunities and manage related risks: it systematically integrates sustainability criterias in its investment approach through a proprietary ESG analysis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

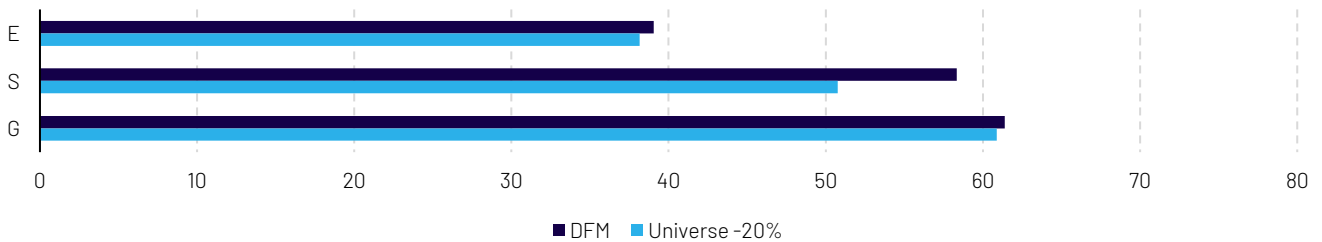
TOP 5 ESG SCORES*

Company Name	Score	% of NAV
ASML Holding NV	82	3.90%
Joby Aviation Inc	81	1.27%
NVIDIA Corp	81	5.41%
SMA Solar Technology AG	76	1.32%
salesforce.com Inc	73	1.62%

BOTTOM 5 ESG SCORES*

Company Name	Score	% of NAV
Micron Technology Inc	31	4.53%
Palantir Technologies Inc	33	3.30%
Datadog Inc	40	3.62%
Alphabet Inc	40	4.08%
Broadcom inc	41	6.19%

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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