Disruption Fund Alpha

Capturing the full innovation cycle

May 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

Software is eating the world. But is AI eating software? As the Q1 Software tug-of-war turns into a Q2 rout, we wonder. The last 6 weeks have seen the worst Software reporting season since 1Q22; the iShares Software index is now down -3.7% YTD, and -4.6% excluding Microsoft's +10.4% ytd return. The Cloud acceleration seen at the hyperscalers in 4Q23 and 1Q24 is not trickling down to the SaaS infrastructure and application vendors. Some companies like Cloudflare and Salesforce blame a slowing economy, while others like Snowflake and MongoDB are retooling their offerings and go-to-market strategies. We think both trends are happening. So while hyperscalers are spending in panic mode, the Software ecosystem is, paradoxically, in freeze mode. Despite massive capex on AI infrastructure, AI startups, and LLM training, coders and engineers have a hard time deciding on the right architecture for building AI into apps. What is the optimal Cloud vs On-Prem mix? Who controls the data feeding AI models? What is the pricing model? Does AI increase or reduce software moats? SaaS vendors appear increasingly beholden to letting the hyperscalers take the AI model risk, stripping them of much of their innovation initiative and exposing them to disruption risk by these same "suppliers". When they seek to build their own models, such as Snowflake and Tesla, the margin hit is inevitable; when they don't, like Adobe, they scramble for partnerships with brand dilution risk. Still, end user interest is extremely high. Boardroom priorities are entirely highjacked by AI, leading to a myriad of POCs, evaluations and trials. Everyone is experimenting, but this experimentation phase could last until year end. In this haze, the DF research team is sifting through the equity pullbacks, looking for signs of tangible adoption and real AI revenues. For now, all we see are giant budgets allocated to Nvidia GPUs, and lower Software stock prices. We don't expect them to go much lower now, as valuations are back to 5-year lows, but we are entering a new age for Software. AI brings extreme deflation to coding. Soon, "we will all be coders". Applications will be personalized, tailor-made and proliferate like never before. The SaaS/Cloud revolution is facing massive positive supply shock and a trillion-dollar "disruptor disrupted" dilemma.

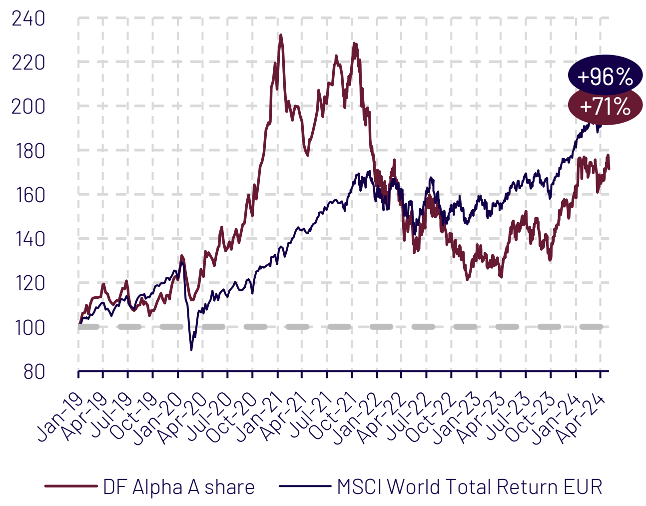
What is less ambiguous is the looming electrical power shortage this AI build-out is causing. The underinvestment in electrification worldwide cannot be overstated. US power "load growth" is expected to rise from 0.5x to 1.0x GDP growth. There is a 30GW electricity shortage for AI by 2030. And electricity doesn't come in an app store. Power generation is a deeply physical industry, with extremely slow schedules. So while data centers are sprouting like mushrooms, the mean "time to power" in the US (the time to connect DCs to the power grid) is 4.5 years, with some regions such as California reaching 10 years. Eternity in any business circle. And what's a GPU worth without electrons? A major power generation capex cycle is under way, also in panic mode. Utilities with available reserve margins are getting significant bids. In France, where nuclear generation has a high marginal reserve—assuming all repairs get completed by mid-2025—Microsoft and Amazon are already here. This month, Brookfield Renewable (with Microsoft funding) offered to buy the leading French renewable operator Neoen at 20x EV/Ebitda. In Texas, CoreWeave (Nvidia funded hyperscaler), has offered to buy out Bitcoin mining farm Core Scientific at 2x it's implied cost of electricity; in other words, access to electricity today is worth paying a 100% premium to its market price. Crypto mining companies signed many PPAs (power purchase agreements) with utilities over the last few years, and we expect many of them to see buying interest from hyperscalers. As discussed in previous monthlies, we believe AI will become a commodity, priced at its marginal cost of electricity. In short, access to power is gold, AI = Energy.

We thus see a major renewables resurgence and have positioned the fund accordingly with 23% in Cleantech (industrial scale batteries, solar, wind, and isolated grids). Semiconductors remain at 25%, while Software (apps, cybersecurity and infrastructure) has now fallen back to 22%. Less visible but no less promising are small positions in quantum computing, psychedelic drug clinical trials, electric airplanes and copper mining. For the month, our top contributors, after Nvidia, were indeed in Cleantech, notably First Solar, Bloom Energy, Oklo, and Fluence. Without surprise, our challenges were in Software, notably MongoDB, Cloudflare, Confluent and Datadog.

PERFORMANCE

	Since Inception*	YTD	Month May
Disruption Fund Alpha (A)	+71.4%	+9.61%	+4.01%
MSCI World TR EUR	+96.2%	+11.4%	+2.89%

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



TOP 20 HOLDINGS OF DFM***

NVIDIA Corp	6.49%	*ServiceNow Inc*	3.66%
Micron Technology Inc	5.03%	*ASM International NV*	3.46%
Novo Nordisk A/S	4.48%	*Amazon.com Inc*	3.34%
Alphabet Inc	4.09%	*Wise plc*	3.19%
Broadcom inc	4.09%	*Eli Lilly & Co*	3.11%
ASML Holding NV	3.92%	*Teck Resources Ltd*	3.08%
Bloom Energy Corp	3.87%	*Adyen NV*	3.05%
Fluence Energy inc	3.87%	*Datadog Inc*	3.00%
First Solar Inc	3.86%	*Palantir Technologies Inc*	2.92%
Crowdstrike Holdings Inc	3.72%	*Airbnb Inc*	2.83%

**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.*

Data as of May 31st, 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.

Disruption Fund Alpha

Capturing the full innovation cycle

May 2024

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 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*

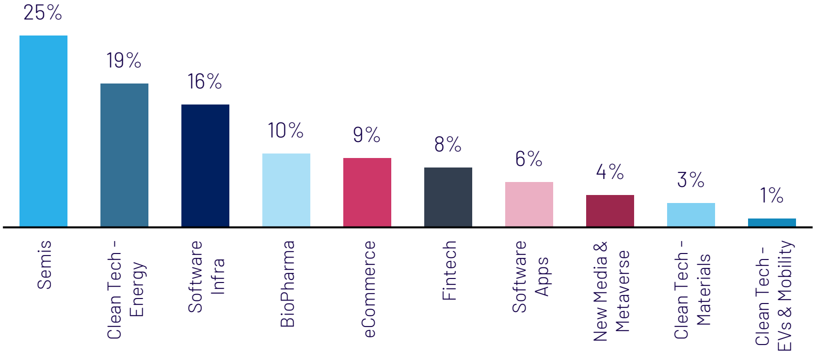
Typically lower rewards — *Typically higher rewards*

1	2	3	4	**5**	6	7

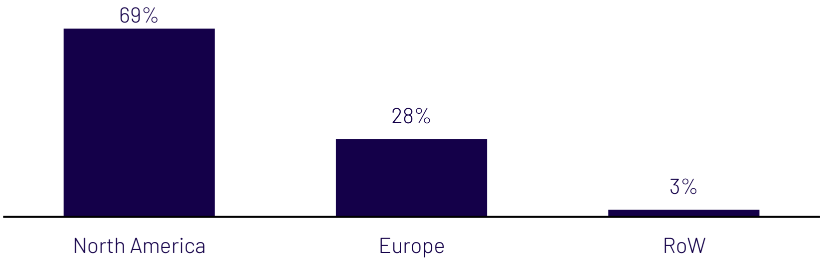
The Fund is ranked 5 on the synthetic risk indicator scale, which is based on the Fund's allocation to equity markets. The risk category shown is not guaranteed and may shift over time.

ASSET ALLOCATION*

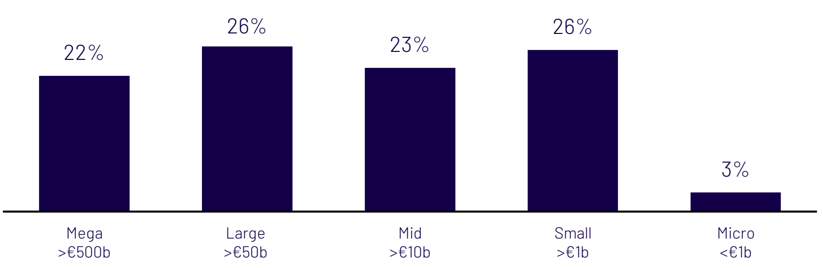
SECTOR ALLOCATION**



GEOGRAPHIC ALLOCATION**



CAPITALISATION ALLOCATION**



RISK MEASURES

Period: 31/01/2019 - 31/05/2024	
Sharpe Ratio	0.46
Max Drawdown	(47.8%)
Annualized Volatility	23.3%

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

Data as of May 31st, 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.

Disruption Fund Master — 16, Place de la Madeleine, 75008 Paris, France — tel: + 33 1 79 74 23 40

Disruption Fund Alpha

Capturing the full innovation cycle

May 2024

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

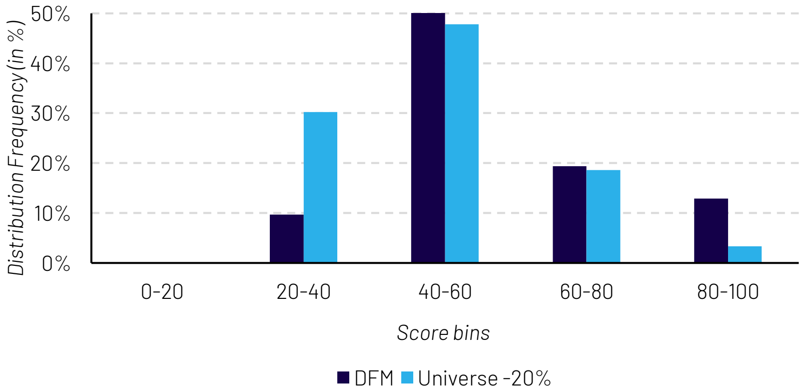
The fund seeks to select issuers that combines growth potential, profitability and ESG characteristics. A methodology has been developed to capture ESG opportunities and manage related risks: it systematically integrates sustainability criterias in its investment approcah through a proprietary ESG analysis 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%
54/100	49/100	90.0%	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.

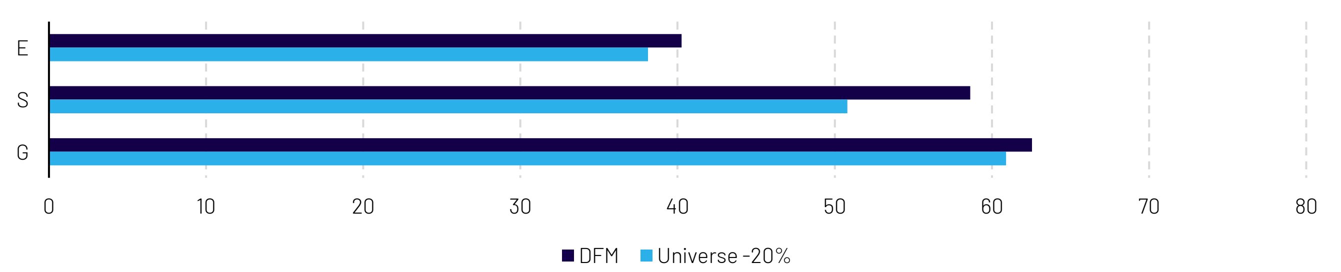
TOP 5 ESG SCORES*

Company Name	Score	% of NAV
ASML Holding NV	82	3.92%
Joby Aviation Inc	81	1.15%
NVIDIA Corp	81	6.49%
SMA Solar Technology AG	76	2.79%
Teck Resources Ltd	75	3.08%

BOTTOM 5 ESG SCORES*

Company Name	Score	% of NAV
Micron Technology Inc	31	5.03%
Palantir Technologies Inc	33	2.92%
Datadog Inc	40	3.00%
Alphabet Inc	40	4.09%
Fluence Energy inc	41	3.87%

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.

Data as of May 31st, 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.