Disruption Fund Master

Capturing the full innovation cycle

July 2024

*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

Do you run an arms race in a recession? This, in essence, is the trillion dollar question of today's equity markets. For the last 20 months, the AI arms race has driven 90% of US equity returns, powering the Magnificent 7, with Nvidia's +143% ytd return in the lead. Global AI infrastructure spend is set to reach $300b in 2024, rising to $600b in 2028, two thirds funded by Microsoft, Google, Meta and Amazon alone. With these hyper-rich hyperscalers driving the spend, all eyes were on their quarterly reports and guidance, and indeed each of them increased their capex budgets again this month. Yet the market took a beating. Not only have investors begun to ask about the true ROI of all this hardware, but the global economy is in a fresh macro growth scare. A slowdown is palpable, driven by consumer fatigue and post-Covid savings exhaustion. Falling auto sales, slowing travel, slumping luxury, the summer trend is for trading down everywhere. Digital advertising budgets, a reliable economic weathervane, are also slipping; while still strong at Google and Instagram, they are showing weakness at YouTube, Amazon, Pinterest and Snap. July ISM surveys in Europe and the US confirmed the June slowdown, and the US July employment report was decidedly weak. So while the Fed chose to pass on a July rate cut, bond markets decided otherwise, taking global yields to the Dec 2023 lows; Fed Fund futures now predict a 90% chance of a 50bp cut in Sept. Should we enter even a mild recession, what will happen to AI capex budgets? Have we passed "peak AI"? With Semiconductor stocks in a major correction, world markets are hanging on this.

The answer lies in game theory. The age of AI is often compared to the rise of the nuclear age, both because of the revolutionary nature of the technology and because of the game theory driving the incentive to buildup. In AI as with nuclear weapons, the goal is deterrence with overwhelming force, and the appropriate level of spending is determined by the highest spender. In this sense, the economic value of $4-5b AI data centers training foundation models is both an unknown and an afterthought. AI is a must-have for Microsoft, Amazon, Google and Meta, whatever the cost. It protects their existing businesses by building a moat against AI startups all the while preparing them to benefit from hosting the innovation of others. In the words of Sundar Pichai, CEO of Alphabet, this week: "in the deployment of GenAI capabilities, the risk of underinvesting is dramatically higher than overinvesting". We can quote Zuckerberg as well: "at this point i'd rather risk building capacity before it is needed rather than too late". We could quote from Seth Nadella, Andy Jassy and Elon Musk saying as much. In short, these CEOs are not blinking. AI is existential, period. There is thus no answer to this AI conundrum. We do not know the recession pain threshold of all this spending.

Our practical view, and the thinking behind our portfolio construction since June, is that 1/ only a major recession will slow AI spending, and 2/ green shoots of AI are sprouting in the app world, with tangible signs of revenue contribution (>5% of total app revenue) less than 6 months away. ServiceNow, for example, saw accelerating cRPO, a rare feat among its software peers, specifically calling out the role of its ProPlus AI add-in, and Intelligence Now platform; they should exit 2024 at 3-5% AI revenues. In CIO surveys, 20% of Microsoft's 400m Office365 accounts are trying CoPilot add-ins; we think 5% of accounts could upgrade to it by Dec 2024. Also, 50% of Microsoft GitHub accounts are building AI apps. Palantir is also showing very tangible growth acceleration in AI.

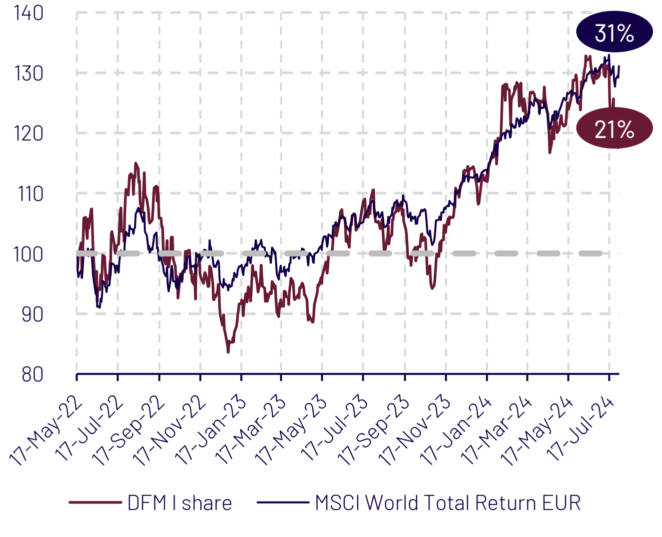
We started shifting our Hardware & Semis allocation to Software and Cleantech in June, and continued in July, with mixed results. The Biden/Harris hot swap in July helped us recover from the Trump triggered Cleantech sell-off in June, with Bloom Energy, Siemens Energy, Joby Aviation and Oklo becoming our top July contributors. But Semiconductors took a beating, led by Micron, ASML and ASM Intl, costing us -200bp. In Software, performance was rather mixed, with a solid quarter at ServiceNow overshadowed by CrowdStrike's disastrous system update on July 19, causing 8.5m Windows computers to crash; the stock, a top contributor for the year, also crashed -40%, costing us -140bp. Even our more defensive investments in Novo and Eli Lilly suffered pullbacks this month.

The AI tsunami has hit a major air pocket this July, but we do not foresee spending cuts. Our focus today is on the macro economy and the slowdown affecting the more traditional sectors of Tech. We have added to Alphabet and Apple, moving up in market caps, while our eyes are on Software company reports expected throughout August.

PERFORMANCE

	Since Inception*	YTD	Month July
Disruption Fund Master (I)	+21.1%	+6.68%	(6.17%)
MSCI World TR EUR	+31.1%	+16.1%	+0.79%

Disruption Fund Master performance since May 17th, 2022



TOP 20 HOLDINGS**

Alphabet Inc	5.19%	Teck Resources Ltd	3.34%
Amazon.com Inc	4.74%	Wise plc	3.29%
Novo Nordisk A/S	4.59%	Elastic NV	3.26%
Broadcom inc	4.51%	First Solar Inc	3.21%
Datadog Inc	4.09%	Eli Lilly & Co	3.19%
NVIDIA Corp	4.03%	ASML Holding NV	3.04%
ServiceNow Inc	3.95%	Micron Technology Inc	3.02%
ASM International NV	3.54%	Palantir Technologies Inc	2.96%
Apple Inc	3.44%	Bloom Energy Corp	2.80%
KLA Corp	3.40%	Confluent Inc	2.75%

**Disruption Fund Master performance since May 17th, 2022.*
***As % of NAV.*

Data as of July 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 Master 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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FUND CHARACTERISTICS

About the fund

Headquarters	Paris
Fund manager	Quadrille Capital SAS
Legal structure	FCP UCITS
SFDR Classification	Art. 8

Practical Information

Currency	EUR
ISIN code - I share	FR0014007W31
Ref. index	MSCI World Total Return EUR
Valuation frequency	Daily
Cut off time	10am (D-1 valuation day)

Investor Information

Recommended investment period	5 years
Minimum investment	€1,000,000

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 – I SHARE

Max. subscription/redemption fees	0%
Management fees	1.5%
Performance fees	0%

RISK AND REWARD PROFILE

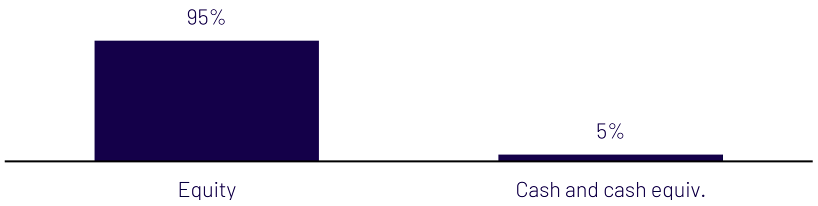
Lower risk — *Higher risk*

Typically lower rewards — *Typically higher rewards*

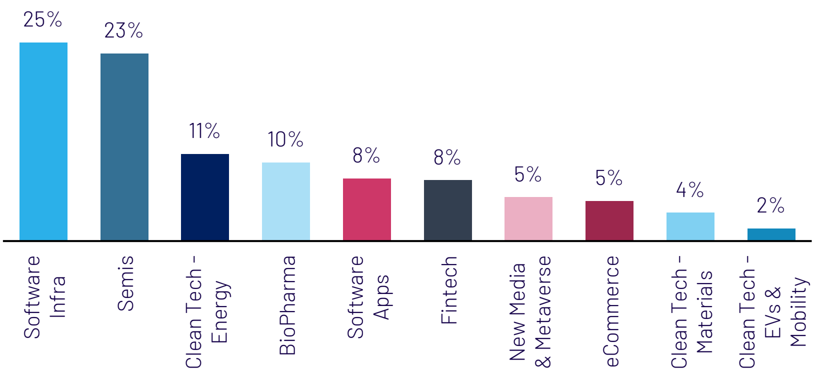
1 2 3 4 **5** 6 7

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.

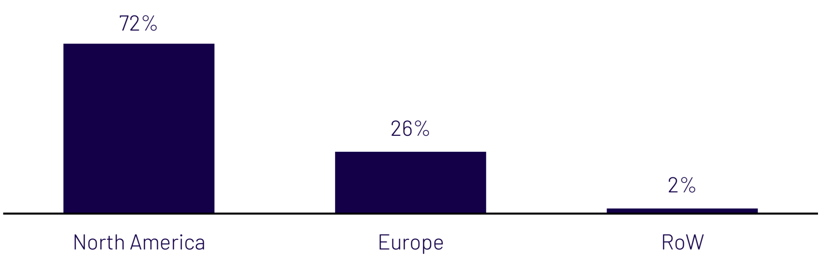
ASSET ALLOCATION



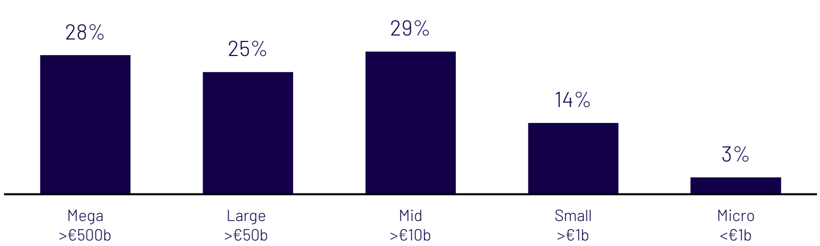
SECTOR ALLOCATION*



GEOGRAPHIC ALLOCATION*



CAPITALISATION ALLOCATION*



RISK MEASURES

Period: 17/05/2022 - 31/07/2024	
Sharpe Ratio	0.35
Max Drawdown	(27.3%)
Annualized Volatility	25.2%

**As % of equity holdings.*

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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

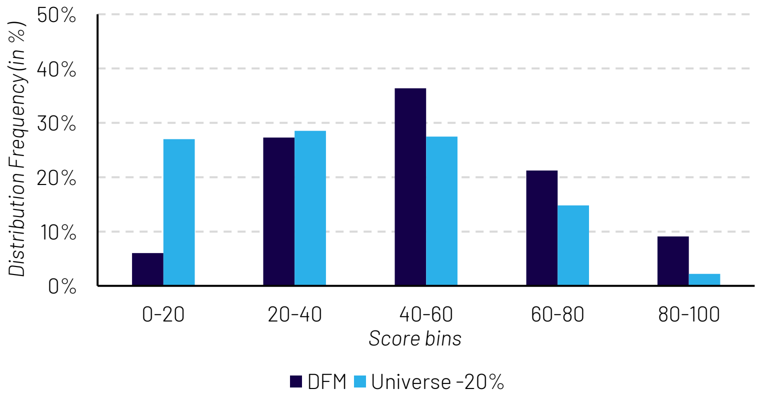
The fund seeks to select issuers that combines growth potential, profitability and ESG characteristics. A methodology has been developed to capture ESG opportunities and manage related risks: it systematically integrates sustainability criterias in its investment approcah through a proprietary ESG analysis 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%
45/100	37/100	94.9%	100%

Note: DFM's score is calculated using a weighted average. Coverage of DFM only includes issuers with a score as a % of 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.

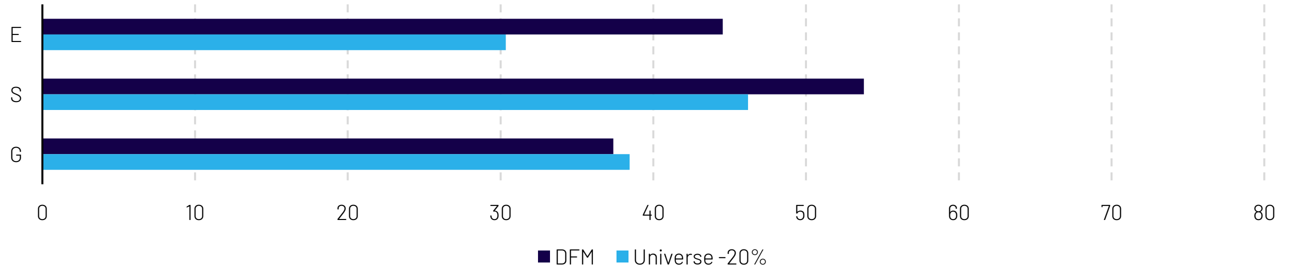
TOP 5 ESG SCORES*

Company Name	Score	% of NAV
ASML Holding NV	84	3.04%
Joby Aviation Inc	81	1.48%
ASM International NV	75	3.54%
Teck Resources Ltd	75	3.37%
Micron Technology Inc	62	3.02%

BOTTOM 5 ESG SCORES*

Company Name	Score	% of NAV
Fluence Energy inc	17	2.71%
Crowdstrike Holdings Inc	20	2.55%
Confluent Inc	25	2.75%
Datadog Inc	27	4.09%
Palantir Technologies Inc	27	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 worst ESG scores. 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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