



Disruption Fund Alpha

Capturing the full innovation cycle

August
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

Volatility is back. We left July with a growth scare and entered August in a recessionary panic. Consumer fatigue, weak ISM Manufacturing orders, slowing US payrolls, and questions about the sustainability of AI related capex precipitated a major equity drawdown in the first days of the month. By August 5, with a massive margin call on Dollar-Yen in FX markets, the SP500 VIX volatility index reached 65, its highest reading since the Covid crash of March 2020. From their July peaks, the SP500 USD corrected -9.7%; Nasdaq Composite USD -15.8%, and MSCI World Total Return EUR -9.0%. The EURUSD also rallied most of the month, +3.5% MTD at one point on Aug 25. Cooler heads prevailed, thankfully, with softer UK and US CPIs, followed by strong US Retail Sales and an upward revisions to US Q2 GDP. Consumer Confidence measures also rebounded in late August, attributed by some to the momentum, or at least the novelty halo, of the Kamala Harris presidential campaign. Still, the overall strength of the US jobs market for all of 2024-to-date remains in question following the US Government's statistical revision of -800k jobs which apparently never happened. Altogether, technology stocks ended the month where they started, with the Nasdaq Composite closing the month +0.65%. But the worries about growth remain, offset only by the rising amplitude of the Fed easing cycle.

The AI supercycle narrative also survived the volatility. To start, there was Amazon's AWS reporting a revenue acceleration to +19%, its 3rd consecutive acceleration, and its highest growth rate since 4Q22; the stock sold off -10%, but only because of softness in Retail and the margin dilution from their satellite service roll-out. We also heard from TSMC's July update which continues to trend above plan, driven especially by Nvidia's Hopper, as well as Apple iPhones. This news prompted Nvidia's stock to rally fiercely into its August 28 report, with CEO Jensen clarifying the Blackwell delays as a 3-month issue, with Hopper easily making up for it. The rest of the AI ecosystem also supported the no-slowdown narrative, with Marvel and Dell both reporting strong AI related sales and raising margins. All in, the Morgan Stanley Cloud Capex Index is now trending +52% y/y vs 49% at the end of June. No slowdown here. As discussed in our July letter, we think AI capex is an arms race, an existential spend that the hyperscalers cannot afford to reduce even in a slowing economy. But it remains unclear whether AI-related stocks can carry the entire stock market in a macro slowdown.

The other debate is the Hardware vs Software tug of war. As mentioned, Hardware and Semiconductor fundamentals reaffirmed their strength this month, but their valuation relative to Software is now at 20-year highs. And while AI is a priority across boardrooms and strategic planners, Software fundamentals continue to churn through patchy growth and idiosyncratic challenges. Cybersecurity as a whole remains strong, with CyberArk, PaloAlto, SentinelOne and CrowdStrike beating expectations. But consumption-based companies were again mixed: MongoDB reaccelerated but from very muted expectations, Datadog remained on-budget, while Snowflake disappointed somewhat and Elastic significantly. The decoupling of software vendors and cloud hyperscalers is striking. The AI buildout is not causing a software recession but it is disrupting its ecosystem, for three, now familiar, reasons : 1/ AI remains superficial today, with application vendors recoding, retooling, repricing their offering to include critical features, especially data protection, thus elongating evaluations and delaying customer commitments; 2/ hyperscalers are bundling databases, search, DevOps and other features in their LLM offerings, challenging pure play vendors; 3/ the training of LLMs for unique data sets remains expensive and time consuming, hijacking resources from both software customers and vendors. We now expect the tug-of-war to continue until the end of the year, with major commitments probably in year-end budgets and early 2025.

For us, top August performers were Eli Lilly on very strong results from its obesity program; Adyen on a solid quarter and guidance maintained; Palantir and CyberArk both on strong results, and CrowdStrike on a rebound from its disastrous July crash. Weakness came from software vendors Confluent and Elastic as well as the unexpected corner of large caps, with Amazon weak on margin pressure, Alphabet reacting to its first-round loss in its antitrust lawsuit, and Micron on AI stress contagion.

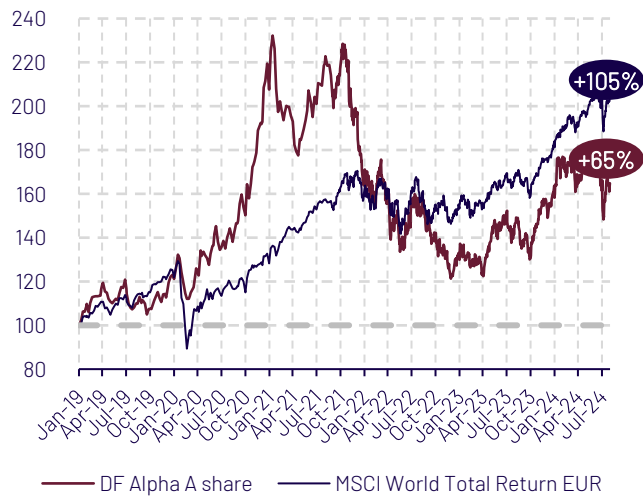
Data as of August 30, 2024.

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 August
Disruption Fund Alpha (A)	+64.9%	+5.43%	(0.75%)
MSCI World TR EUR	+105%	+16.5%	+0.34%

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



TOP 20 HOLDINGS OF DFM***

NVIDIA Corp	5.13%	CyberArk Software Ltd	3.51%
KLA Corp	4.46%	Broadcom inc	3.50%
Apple Inc	4.36%	ASM International NV	3.45%
Novo Nordisk A/S	4.17%	First Solar Inc	3.34%
ServiceNow Inc	4.09%	Wise plc	3.28%
Datadog Inc	4.03%	Teck Resources Ltd	3.26%
Amazon.com Inc	4.02%	Palantir Technologies Inc	3.00%
Intuitive Surgical Inc	4.02%	Adyen NV	2.60%
Micron Technology Inc	3.93%	MongoDB Inc	2.57%
Eli Lilly & Co	3.76%	Zscaler Inc	2.51%

*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 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

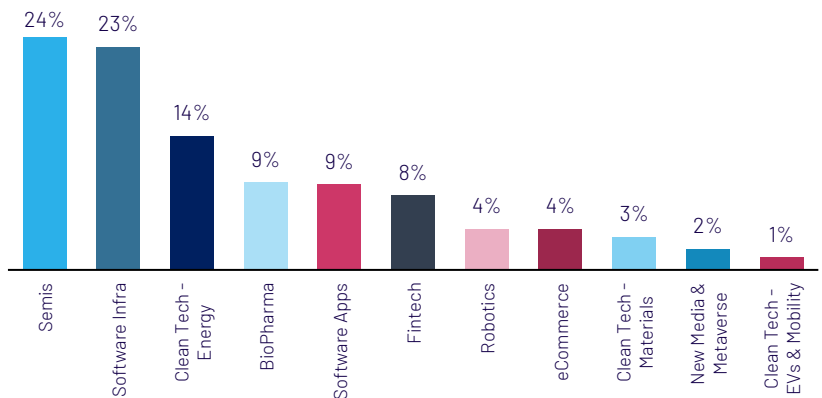


The Fund is ranked 5 on the synthetic risk indicator scale, which is based on the Fund's allocation to equity markets. The risk category shown is not guaranteed and may shift over time.

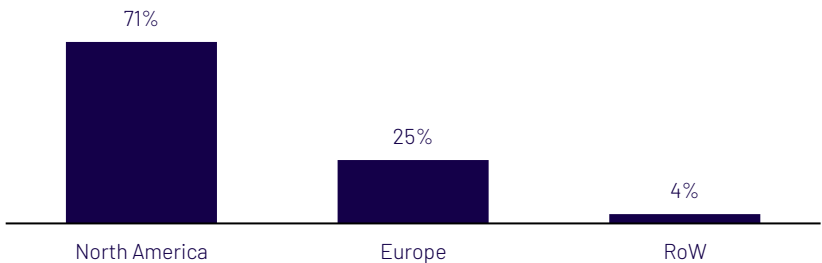
ASSET ALLOCATION*



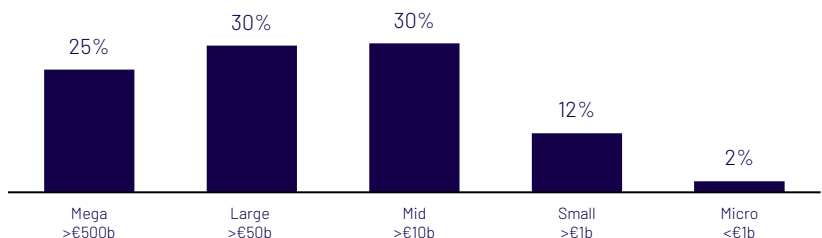
SECTOR ALLOCATION**



GEOGRAPHIC ALLOCATION**



CAPITALISATION ALLOCATION**



RISK MEASURES

Period: 31/01/2019 - 30/08/2024

Sharpe Ratio	0.40
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

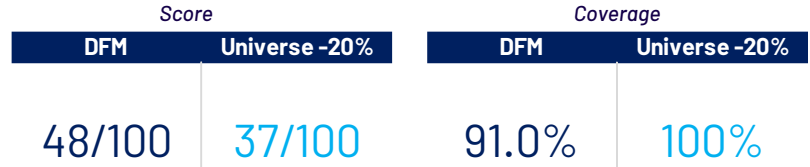
About the fund

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

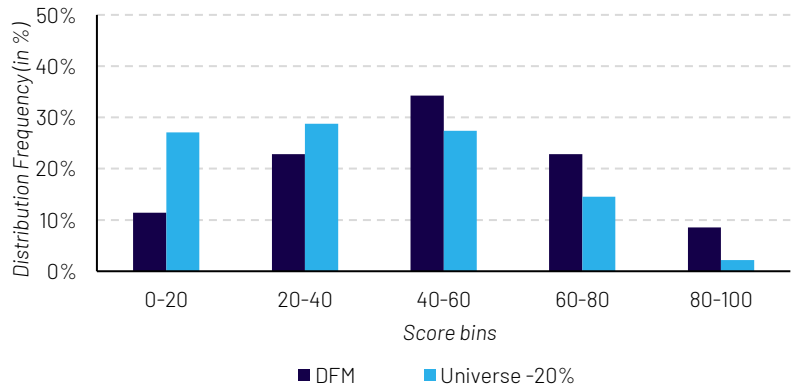
The fund seeks to select issuers that combines growth potential, profitability and ESG characteristics. A methodology has been developed to capture ESG opportunities and manage related risks: it systematically integrates sustainability criterias in its investment approach through a proprietary ESG analysis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

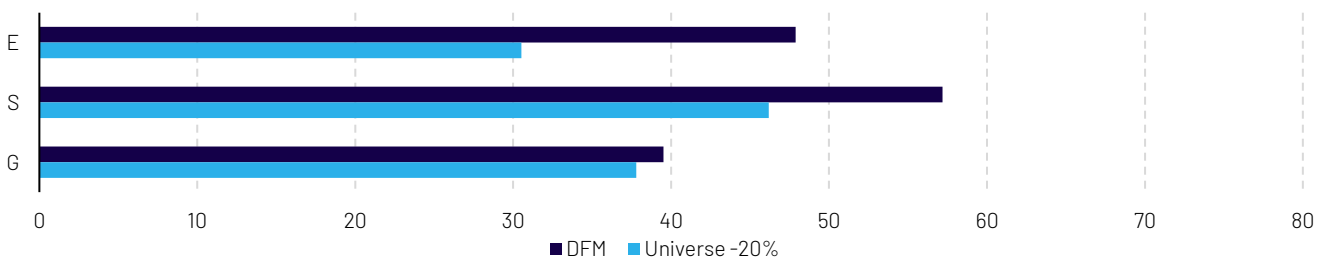
TOP 5 ESG SCORES*

Company Name	Score	% of NAV
ASML Holding NV	84	1.95%
Joby Aviation Inc	81	1.22%
Intuitive Surgical Inc	76	4.02%
ASM International NV	75	3.45%
Teck Resources Ltd	75	3.26%

BOTTOM 5 ESG SCORES*

Company Name	Score	% of NAV
lonq Inc	0	0.61%
Fluence Energy inc	17	1.85%
CrowdStrike Holdings Inc	19	1.51%
Confluent Inc	25	1.16%
Datadog Inc	25	4.03%

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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