22 July 2019

Dear Partners and Friends

The year to 30 June 2019 marks the Orsaro Global Fund's first full financial year in operation (the Fund was launched on 11 May 2018).

As has become common in recent years, the macro economic environment has been challenging, marked by extreme moves in interest rate expectations as well as a global trade war between the USA and China. Markets took fright in October 2018 after Fed Chairman Powell stated that US interest rates were a long way below normalised levels, with several rate hikes expected in the coming year.

The 10-year US Treasury yield spiked to over 3.1%, and the US consumer responded negatively to this and we saw pressure on economically sensitive areas like home and automotive sales. Investors, concerned that the Federal Reserve was being way too hawkish, began reducing exposure to risk assets and economically sensitive areas of the market. The fourth quarter was all about taking cover from the perceived oncoming "recession", leading to one of the worst December stock market performances since the Great Depression in the 1930's. Fear amongst stock market participants was made worse by slowing and shifting global trade in response to the 25% tariffs that President Trump instituted on a raft of products imported from China.

If the first half of the financial year to 31 December 2018 was all about interest rates and tight money, the second half of the year (January to June 2019) couldn't have been more different. In January 2019, Fed Chairman Powell did a 180-degree U-turn and announced that the monetary tightening policy had run its course. The trade war with China and to a lesser extent the European Union was impacting business confidence and slowing global growth had brought this tightening cycle to an abrupt end. The response from both the bond and equity markets was swift, with the 10-year US Treasury yield collapsing to around 2% and equity markets over the last two quarters having their best start to a year since the late 1990's.

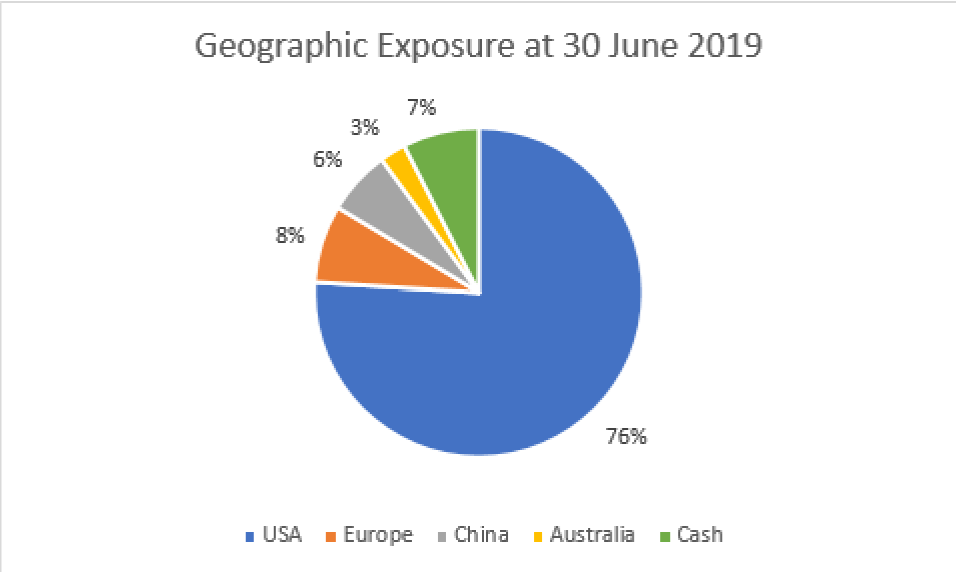
Whilst things were never quite as bad as what the markets had forecast late last year, things equally aren't as good now as what the markets are building into their expectations.

We detail this brief history lesson of what has transpired over the last year because we think it goes to the heart of how we run the Fund. Quite frankly, we are no good at forecasting these large macro-economic inflection points (neither do we think the market is that good at it either) and as Fund Managers we don't spend a lot of time debating or focusing on this. The essence of our investing process is to (1) find great businesses that are (2) reasonably valued and then (3) do nothing and hold them for long periods of time, to allow compounding to work its magic.

We used the dramatic overreaction in the December 2018 quarter to increase our weighting in quality companies where our conviction has grown over time, as well as initiating new positions in companies on our radar that were previously too expensive.

The other interesting aspect of the equity markets over the last year is the divergence between value/cyclical stocks which have kept getting cheaper, and growth stocks that have continued increase in value. We are very mindful not to get drawn into value traps in this environment and are equally disciplined to be patient in waiting for entry points when stocks that we like, are at valuations which don't allow us to earn an adequate risk adjusted return.

As at 30 June 2019, the Fund was 93% invested (with 7% cash exposure). The geographic split is shown in the chart below:



The table below illustrates the performance of the Fund at 30 June 2019 (net of fees) over various time periods versus the benchmark:

	June Quarter	Financial Year	Since Inception*
Orsaro Global Fund	5.4%	10.3%	14.6%
MSCI World Index	3.4%	4.3%	2.6%

**Inception date is 11 May 2018*

Unit Price @ 30 June 2019**	$1.1465

***Interim unit price which may be subject to change following tax review of the financial statements for FY19.*

Our top contributors to the Fund performance over the last year were positions in The Trade Desk, Walt Disney Company, Roku, HCA Healthcare and Mastercard. The top detractors were XPO Logistics, JD.com, 2U Inc, Fedex and Oil-Dri.

As at 30 June 2019 our top 5 positions in the Fund were The Trade Desk (6%), Walt Disney Company (6%), Facebook (5%), HCA Healthcare (4%) and Alphabet/Google (4%). We have included a brief summary as to our investment thesis behind each one of these top conviction ideas in the Appendix to this letter.

To all our Investors, we are sincerely appreciative of the trust that you have placed in us. We absolutely love what we do and look forward to managing the Orsaro Global Fund for decades to come.

Kind Regards

Gavin, Marc and Richard
Fund Managers of the Orsaro Global Fund

Appendix – Top Holdings Commentary

The Trade Desk

The Trade Desk (TTD) is a stock we have held in the Fund since inception, and we have presented and spoken about this company on multiple occasions. TTD is one of the pioneers of programmatic advertising, and offers a cloud-based platform for advertisers (predominantly through their advertising agencies) to buy digital advertising inventory. TTD is led by Jeff Green, who is a founder of the business, along with the CTO, Dave Pickles. We flew to New York in March 2019 to attend the TTD Investor Day, and a subsequent small group meeting with Jeff. Jeff is a visionary leader, with a laser focus on the long-term opportunity. The business benefits from a number of tailwinds, including the shift to programmatic/digital, growth in connected TV/audio, and the emerging middle-class consumer, hence despite its significant outperformance to date, we continue to see a substantial long-term opportunity for TTD.

Walt Disney Company

The Walt Disney Company (Disney) has been a high conviction position in the Fund since inception. Disney is the content king, with brands like Pixar, Marvel, Star Wars (to name but a few) feeding into their world class theme parks where they can charge a premium to visit lands like the recently opened Star Wars Galaxy's Edge. The recently completed acquisition of Fox adds even more content, which they can leverage off with names like Avatar and X-men, as well as a global audience through services like HotStar in India. If you add in merchandising, vacations clubs, cruise ships and the soon to be launched Disney+ streaming service (with estimates as high as 130 million subscribers by 2024), we can see Disney delivering market beating returns for years to come.

Facebook

We initiated a position in Facebook in the December 2018 quarter, after a massive fall in the share price from a high of $218 to a low of $123. Facebook was hit by a perfect storm of factors including privacy breaches, higher capex and operating expenditure warnings to cope with this, and of course the overall market downturn in the December quarter. We spent a considerable amount of time analysing the business and debating the long-term opportunity. We decided to initiate a position in Facebook given the risk/reward trade-off that was presented. Facebook was trading at discount to the S&P 500 average price to earnings multiple, was still growing its revenue at 25-30% per annum, had a clean balance sheet with $41 billion in cash, and had the optionality to further monetise Instagram, and using WhatsApp to facilitate payments in emerging markets such as India.

In the December quarter, Facebook grew its revenue 25%, which was followed by 26% growth in the March quarter. As our conviction grew, we continued to increase our position in Facebook. Overall, we were able to build a 5% weighting as at 30 June 2019 at an average purchase price under $160. We believe there is huge optionality outside of Facebook’s core business, with projects including Instagram Checkout, WhatsApp payments, Calibra (Facebook’s initiative to monetise digital currency via Libra).

HCA Healthcare

HCA Healthcare is one of the largest listed hospital operators in the USA, with exposure to growing major urban metropolitan areas across the country. An ageing demographic and high barriers to entry (via hospital beds required to be licensed in each state) is leading to volume growth, which coupled with pricing power and operating leverage enables the company to grow earnings and generate substantial free cash flow. The company has ample opportunity to reinvest these cash flows as it expands capacity, invests behind new service lines and drives technological improvements. Substantial free cash flow has allowed the company to buy back north of 25% of its shares since its IPO in 2011. The pace of M&A has also picked up as the company recently expanded geographically into new States and via purchasing health care systems from not for profit organisations. At 12.7x one-year forward earnings estimates, we feel the political risks in terms of 'Medicare for All' are factored into the share price.

Alphabet / Google

Alphabet is the holding company for Google, as well as several other businesses. We initiated a position in Alphabet at inception of the Fund and have increased the Fund's weighting as we have gained greater conviction about Alphabet's long-term prospects. Alphabet's core business is via its subsidiary Google. Google is an amazing business which has over 1 billion users in each of 7 products, namely: Google Search, Chrome, Gmail, Maps, YouTube, G-suite and Drive. With the continued shift to digital and increased mobile usage globally, Google still has a significant opportunity to grow its core business for years to come. In addition, Google has optionality with Google Cloud Platform and Google hardware such as Pixel, Nest home automation products, Chromecast, Google Home, etc.

There is also substantial opportunity in the other Alphabet subsidiaries such as Waymo - the leader in self driving cars, Verily – the Life Sciences arm of Alphabet, Capital G – the growth equity unit with investments in companies such as Crowdstrike, Snap, Airbnb, Stripe, Lyft, and many others. Alphabet also has many other promising subsidiary companies.

The big question mark about Alphabet is the regulatory risk, with a potential anti-trust investigation by the Department of Justice (DoJ). We have analysed and debated this at length and we believe the risk/reward trade-off is in our favour, given its attractive valuation, expected revenue growth of 15-20% over the next few years, strong balance sheet with over $100 billion in cash, huge optionality with Youtube, Google Cloud Platform, Waymo, and others. Even if the DoJ took the unexpected step of breaking up Alphabet, we believe the sum of the parts is worth substantially more than Alphabet's current market capitalisation.

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Some numerical figures in this publication have been subject to rounding adjustments.