8 July 2020

Dear Partners and Friends

The year to 30 June 2020 marks the Orsaro Global Fund's second full financial year in operation. It is hard to fathom what has transpired over the last 5 months of the financial year. Many economies around the globe were humming along, with the world's biggest economy, the USA, particularly strong at the start of 2020. Then the Covid-19 pandemic gripped the globe, and everything changed. Global equity markets fell almost 40% in 12 trading days, and then despite all the negative predictions about further falls, proceeded to recover most of those losses by the end of June. The Nasdaq Composite Index, which is largely driven by technology companies, hit an all-time high in early June.

The Orsaro Global Fund returned 21.5% (after fees) for the Financial Year ending 30 June 2020. The table below illustrates the performance of the Fund to 30 June 2020 (after fees) over various time periods versus the benchmark:

	June Quarter	One Year	Since Inception*	Since Inception Annualised*
Orsaro Global Fund	17.3%	21.5%	39.1%	16.7% p.a.
MSCI World Index	18.8%	1.1%	3.7%	1.7% p.a.
MSCI World Index (AUD)**	5.6%	3.0%	12.9%	5.8% p.a.

**Inception date is 11 May 2018*
***Due to the impact of the movement in Australian Dollar versus the US Dollar, we have included the MSCI World Index benchmark in AUD. Going forward we will compare fund performance against the MSCI World Index in AUD (I.e. currency hedged).*

Unit Price @ 30 June 2020***	$1.3910

****Interim unit price which may be subject to change following tax review of the financial statements for FY20.*

As at 30 June 2020, the Fund was 87% invested, with 13% cash exposure. Our top contributors to Fund performance over the last year were positions in The Trade Desk, DocuSign, Teladoc Health, Nvidia and Apple. The top detractors were AMA Group, Wells Fargo, HCA Healthcare, The Walt Disney Co and Liberty Media Braves.

In the Appendix to this letter, we have included a summary of our investment thesis behind one of our top contributors – Docusign – and one of our top detractors - AMA Group.

As fund managers, it is important that we are never complacent, and we are always trying to learn from our experiences in investing. We have reflected on the last 12 months, and have summarised below 5 key lessons that we have learned over this period:

1. Do not try and time the market

It is a fool's game to try and time the market. No one could have predicted that the market would fall almost 40% in 12 trading days and then recover most of those losses within a few months. Investors that sold all their positions as the market fell significantly, would have missed out on the significant rebound that ensued. At Orsaro Global Fund, we believe it is important to stay invested, and focus on the businesses we invest in.

2. Do not fall in love with your investment thesis or companies

The Covid-19 pandemic forced us to re-think our investment thesis with a number of our companies. For example, we felt that the legalising of sports betting and the growth of live entertainment were two strong investment themes. We invested in MGM Resorts International which had a strong presence in gaming and entertainment in the USA (particularly Las Vegas), Macau and an opportunity for a new license in Osaka, Japan. However, all of that changed when the pandemic spread across the globe shutting down Macau and then Las Vegas. We felt the impact would be brutal in the short term to medium term, and it would take MGM many years for its business to recover. We therefore exited this position, and re-deployed our capital where we felt we could get a better return over the long-term.

3. Be able to think fast and slow

It takes time to formulate an investment thesis for the long-term and to identify great businesses that will be beneficiaries of secular tailwinds. Generally, the investment process is slow and thorough as you do the investment research required to gain conviction to invest.

However, when a black swan event like the Covid-19 pandemic hits, you need to be able to think and act fast. Fund managers were given a very short amount of time to react to what was unfolding. They needed to be swift in their decision to exit or reduce positions in airlines, cruiselines, travel agencies & other hard-hit industries. Similarly, it was important to quickly identify the trend of accelerated digital transformation as a result of the global lockdowns.

4. Leadership matters

One of the biggest lessons for us over this period, is that leadership matters. There were many examples of amazing leadership during this pandemic, and we have highlighted a couple of examples below:

a. *Nvidia's* CEO Jensen Huang is a visionary who has grown Nvidia from a small company he founded in 1993 to a US$235B world leader today. Nvidia chips now play a part in every aspect of our lives (it is worth watching Nvidia's "I am AI" video https://youtu.be/e2_hsjpTi4w0)

   When the Covid-19 pandemic hit, Nvidia stepped-up by taking the following steps to help the World and its employees:

   - Providing employees annual raises 6 months early;
   - Offering users free licences to Nvidia's genomics computing platform to help in the search for Covid-19 treatments; and
   - Partnering with companies to develop innovative technology for sterilising/cleaning, medicine delivery and patient monitoring.

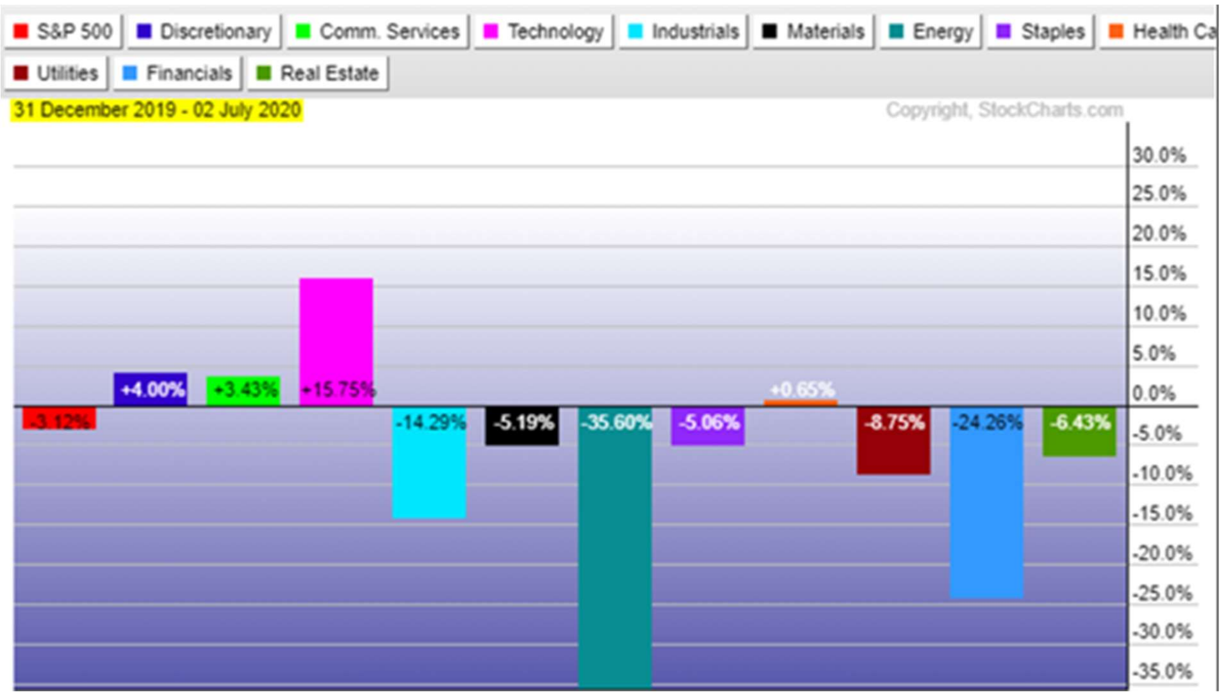
b. *McDonalds* saw first-hand in January the impact of the pandemic with their business in China. They quickly developed a plan in China that they applied to the rest of their global system which focussed on the customer, the restaurant and the community. Their actions included:

   - Changing operations of restaurants with increased hygiene;
   - Offering contactless delivery;
   - Helping the community by providing meals to healthcare workers;
   - Offering franchisees rent deferrals, and
   - Providing employees of franchised and corporate-owned stores with 2 weeks paid leave where impacted by the virus.

5. Respect the market

Markets are efficient, so it is important to respect the market, and not believe that we are smarter than the market. Whilst the market has recovered significantly from the lows reached in March 2020, there is a significant bifurcation of returns between companies in different sectors as evidenced by the chart below:

S&P 500 YTD Sector Performance



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We believe that with these 5 lessons learned, we are better long-term investors today.

Thank you to all our investors for your long-term oriented mindset. We believe this has enabled us as fund managers to focus on our ultra-long-term investment strategy.

If you have any queries, or would like to catch-up for a coffee, please do not hesitate to contact us.

Kind Regards

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

Appendix – Company Summaries

DocuSign

One of our long-term investment themes is "Digital Transformation", and DocuSign is a company which fits perfectly into this theme. Many of our investors will know of DocuSign, as it has essentially become a verb for electronic signature. Since its inception in 2003, DocuSign pioneered the development of e-signature and has grown to become the leading e-signature company globally.

For example, when you sign a new agreement with Vodafone, the e-signature process is via DocuSign, or your accountant may use DocuSign when they send you accounts / tax returns to sign electronically. DocuSign has made inroads into the e-signature process for many industries globally including real estate, banking, insurance, financial services, legal and many others. DocuSign also has integrations with some of the leading platforms in the world including Salesforce, Google, Microsoft, SAP, Oracle, Workday, etc.

As of 30 April 2020, DocuSign had 661,000 paying customers, of which 89,000 were commercial & enterprise customers, representing 49% year over year growth in these valuable customers. DocuSign believes that the Total Addressable Market (TAM) globally for e-signature is $26 billion.

In addition, DocuSign launched the DocuSign Agreement Cloud product in March 2019 to digitally transform how companies prepare, sign, act on and manage agreements. They believe that with this new product, their TAM expands to over $50 billion. As digital agreements become integrated into enterprise workflows and online marketplaces, DocuSign is well positioned to meet this demand.

The Covid-19 pandemic has accelerated digital transformation with many CEOs saying they are seeing 5-10 years of transformation happen in a few months. DocuSign is one of those companies benefitting from this accelerated digital transformation. This was illustrated when DocuSign reported its first quarter results on 4 June 2020, stating that its Billings grew 59% year over year. That is highest level of billings growth since the company IPO'd in 2018.

With total subscription revenue for the upcoming financial year forecast to be $1.245 billion (at the midpoint of company guidance), we believe DocuSign has a long runway ahead as it expands globally both in e-signature and the DocuSign Agreement Cloud.

AMA Group

Australian-listed vehicle panel repair company AMA Group was our worst performer for the year, detracting 1.6% from the Fund's performance. Our thesis in buying the company, was that this was a small company consolidating a fragmented industry, which would result in a large market share opportunity in an attractive "recession proof" industry, with the ability to use scale to improve operating margins. We also liked that the company was transitioning from a loosely run, unstructured, owner-managed business to a more disciplined institutional business model, with improved corporate governance and backed by stronger management and the Board, with "skin in the game". The company also had a large opportunity to significantly enhance its strategic position in the market if it could acquire insurer, Suncorp's Capital Smart vehicle panel repair business at a reasonable price.

With investing however, it all comes down to management and execution, and unfortunately management took its eye off the ball in the last year. In an effort to acquire assets on the cheap which were in non-core areas (parts and accessories), it spent time and effort on attempting to acquire a business in our view to boost earnings i.e. we disagreed with the industrial logic of acquiring more "light manufacturing" assets. Luckily for the company it got outbid, as it would never have had the balance sheet strength to do this acquisition and bid for Capital Smart (1st strike against management). Whilst it paid a full price for Capital Smart, this was a key strategic asset. However, it was disappointing that during this acquisition process, it was slow to adjust its agreed pricing of repairs with insurers (2nd strike) to the changing reality that costs were rising as the Australian car park fleet moved to more SUV's with new vehicle technologies (i.e. advanced driving assistance systems like sensors). Outside of management's control, it was also hit with much warmer/dry weather which equates to less accidents. The final tale of woe was that having taken on leverage to acquire Capital Smart, Covid-19 struck, and with shelter at home orders, the number of vehicles on the roads (and hence accidents) collapsed as employees worked from home. So that is all a history lesson now, and with the stock declining from our entry price of 88c to a low of 15c in March, we had to make a call on a way forward. As fund managers, we don't want to compound the problem by selling out right at the bottom, so we just sat tight on our position, believing that the company would be a survivor.

We give management some credit in that during the crisis they met with their bank lenders, and were able to get a relaxation on their loan covenants, which has allowed the company to survive this turbulent period. We also give them credit for taking aggressive action on reigning in costs and not giving in to institutional pressure to raise equity and dilute existing shareholders. In addition, management re-negotiated its contracts with the insurers to adjust repair pricing to reflect the higher cost of repairs. One of the consequences of the Covid-19 pandemic is that consumers are fearful of mass public transport, and thus we are seeing a return of cars to the road as employees prefer to drive to their places of work to stay safe. We feel that volumes will return to AMA Group, and together with synergies from the Capital Smart acquisition, and improved pricing, the outlook for earnings and cash flow in the 2021 financial year and beyond are improved. The company is inexpensive at around 10x normalised earnings (FY22). Whilst we have some key question marks against current management, we feel the company has bought itself some more time to demonstrate it can improve execution, so for the time being, we remain committed to this long position (at the time of writing the stock has recovered to 65c).

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