7 October 2021

Dear Partners and Friends

Global markets were flat for the third quarter, with the MSCI World Index in US dollars down 0.4%. Fears over the collapse of a major Chinese property developer (Evergrande) resulted in a significant correction in the iron ore price, which drove weakness in the Australian dollar. The “weak” Australian dollar resulted in the MSCI World Index in AUD being up 3.9% for the quarter. Against this backdrop, the Orsaro Global Fund delivered a return of 2.3%* (after fees) for the quarter ending 30 September 2021. The Fund similarly benefitted from the Australian dollar weakness.

The table below illustrates the performance of the Fund to 30 September 2021* and over various time periods versus the benchmark:

	Sep Quarter	One Year	Since Inception Annualised**
Orsaro Global Fund*	2.3%	30.0%	22.3% p.a.
MSCI World Index (AUD)	3.9%	27.8%	14.0% p.a.

**Performance is after fees and with distributions re-invested*
***Inception date is 11 May 2018*

Unit Price @ 30 September 2021	$1.9651

The Top 5 contributors to performance for the quarter were GXO (spun out of XPO Logistics), Moderna, HCA, Netflix and Alphabet (Google). The Top 5 detractors from performance for the quarter were Roku, Peloton, Wynn Macau, Fastly and Tencent.

As we enter the start of the fourth quarter, the market is currently “climbing a wall of worry”. Some of the negatives that investors around the globe are being confronted with include:

- the highest inflation in over a decade (and well above the Federal Reserve’s 2% target), with increasing signs that many of the components of inflation are not merely “transitory” but actually remarkably sticky;
- decelerating economic growth led by rising interest rates (10-year USA bond yield increased markedly in Q3) and severe supply chain and logistics bottlenecks;
- The Federal Reserve in response to persistently high inflation and robust economic growth is flagging they will soon commence “tapering” of their bond purchases;

- the looming debt ceiling debate in the USA with the Biden administration attempting to pass multi-billion dollar spending programs funded by taxation hikes;
- Chinese Government policy reviews industry by industry that have resulted in severe sectoral corrections (online education, gaming, fintech companies, gambling and real estate) with concerns over the investability of the country as well as the knock-on growth impacts; and
- Re-opening delays caused by the Covid-19 Delta variant.

These combined worries resulted in significant underperformance of many high growth stocks, and on the back of some substantial corrections we cautiously added to some of our existing portfolio holdings, and also established “starter” positions in certain high growth companies that had been on our watchlist for some time. We look forward to updating investors on these new holdings as we increase our conviction in these companies.

Whilst we tend to shut out the short-term ‘noise’ of the market, the Chinese Government policy reviews do concern us. The Chinese Government appears to be driving a “common prosperity” policy which is designed to ensure broadening economic participation and stability amongst the masses. Our interpretation of this, is that there will be continued pressure on the ability of the large technology companies to operate freely and create significant value for their shareholders. Given this and the general “known unknowns” of investing in China, we decided early in the quarter to exit our holdings in both Alibaba and Tencent (total portfolio exposure of approx. 4%).

We have, however, held onto our indirect exposure to companies that will benefit from increased disposable income and strong growth amongst the emerging middle-class consumers (e.g. Estee Lauder, Pernod Ricard, etc.)

Finally, we used part of the proceeds from the sales of Alibaba and Tencent to establish a new position in Netflix which had experienced some short-term underperformance after posting disappointing global subscriber growth numbers. We regarded this as a short-term setback, lapping strong Covid-19 induced subscriber growth from a year ago, and which did not reflect the health of the franchise. Netflix is in our opinion a dominant global streaming platform which has both pricing power and good long-term growth prospects, and which we felt was available at an attractive valuation.

As ultra-long term investors, we believe there are numerous positive factors which are driving our decision making at a portfolio management level, including:

1. consumer balance sheets appear to be in reasonable health;
2. employment markets remain strong, with job openings outstripping labour availability;
3. strong pent-up demand for travel, experiences, and social connections; and
4. vaccination rates gathering pace in many parts of the world, leading to a decline in hospitalisations.

We have cautiously built up the cash position in the Fund to approximately 15%, and we thus feel we are well placed to deal with the market volatility and to deploy cash opportunistically.

As a reminder, Orsaro Capital has taken over as the trustee of the Fund with effect from 1 October 2021. If any investors wish to make additional investments, please note that the bank details for the Fund's application account with Macquarie Bank have changed, so please contact us for the new bank details.

We would once again like to thank all of our investors for your support. Your trust in us and our investment philosophy gives us the ability to focus on the long term, which we believe should enable us to generate market beating returns over the ultra-long term.

If you have any queries, please do not hesitate to contact us.

Kind Regards

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

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