8 July 2022

Dear Partners and Friends

It is an understatement to say this has been a volatile year for equities, and the Orsaro Global Fund. Apart from holding predominantly cash, the last 6 months has been a brutal start to 2022 for all asset classes, be it equities (S&P 500 Index: -21%, Nasdaq Composite Index: –30%), bonds as measured by the S&P 30- year Treasury Index: -24% and cryptocurrencies as measured by Bitcoin: –59%. In fact, this is the worst start to a year for equities since 1970, when the S&P500 also fell 21% in the first half of the calendar year.

As managers of the Orsaro Global Fund, we are focused on what is within our control, and so with no leverage in the Fund, we are able to stick to our long-term investment process of being invested in quality companies, with solid balance sheets, that are well managed and who will emerge from this downturn stronger than before. Every few years, stock markets have a period where companies can do no right. Fortunately, history shows that these events do not last for long periods. For prudent, long-term investors, bear markets are opportunities, and we believe that the Fund's portfolio of companies are well positioned to outperform over the next 5 years.

The Orsaro Global Fund had had a negative return of –25.8%* (after fees) for the quarter ending 30 June 2022. The table below illustrates the performance of the Fund to 30 June 2022* and over various time periods versus the benchmark:

	June Quarter	One Year	Since Inception Annualised**
Orsaro Global Fund*	-25.8%	-37.0%	4.9% p.a.
MSCI World Index (AUD)	-8.5%	-6.5%	8.5% p.a.

**Performance is after fees and with distributions re-invested*

***Inception date is 11 May 2018*

Unit Price @ 30 June 2022*	$1.2112

**Interim unit price and hence performance figures may be subject to change following tax review of the financial statements for FY22.*

The current market downturn, which has been particularly severe for growth-oriented funds, has essentially taken away all of the Fund's "post covid recovery" gains made during the 2021 financial year as seen in the table below:

Financial Year Ending	OGF Return	MSCI World Index (AUD)
30 June 2018	4.1%*	0.2%
30 June 2019	10.3%	12.0%
30 June 2020	21.5%	4.8%
30 June 2021	38.9%	27.5%
30 June 2022	-37.0%	-6.5%

**period from inception of Fund on 11 May 2018*

The June quarter saw a continuation of the recent trends of elevated inflation, rising interest rates, commodity and supply chain shocks from the war in Ukraine and lockdowns due to Covid outbreaks in China. Markets have been characterised by panic, highlighted by a 7-day period in June where the S&P 500 Index lost 12%.

Despite the fact that earnings for the S&P 500 have risen year to date (led by the energy, materials and banking sectors) markets have disconnected from current "optimistic" earnings assumptions, believing that analysts are way behind the curve in downgrading earnings estimates.

The USA CPI inflation measure for May 2022 came in at a worse than expected 8.6% dashing "hopes" that CPI had peaked in the short run, and thus the expectation is for the USA Federal Reserve to be more aggressive in hiking interest rates. Markets are starting to price in a worst-case scenario that the Fed will hike rates "till it breaks the system", resulting in a recession in 2023 (there is an ongoing debate as to whether this will be a mild or a deep recession). With consumer balance sheets still strong post the pandemic government stimulus programs, consumers will in the short-term dig into these savings, such that the speed of the economic contraction may be slowed somewhat, limiting the depth of the oncoming recession.

So what does one do in the face of this onslaught of negative news? It's easy to say one is a long-term investor, but much more difficult in practice to have the patience and mental fortitude to sit through these nasty downturns. We like how Warren Buffett put it at the depths of the last recession during the Global Financial Crisis, where on 16 October 2008 he was quoted as saying "in the near term, unemployment will rise, business activity will falter and headlines will continue to be scary. So …... I've been buying American stocks". It's worth noting Buffett was early with stocks falling another 27% to hit its low on 6 March 2009.

Many of the contra indicators are starting to move in the right direction – to pick just a few of these, the recent Merrill Lynch (ML) fund manager survey shows investors now are nearing the most underweight equities since the Covid-19 shock of March 2020, and the GFC low of March 2009., The ML bull/bear indicator is at zero which is extreme bearishness from a sentiment perspective. None of this means that shares can't fall further, but certainly there is a lot of fear and "stomach churning" out there.

After not having travelled due to the pandemic for the last 3 years, we recently took the opportunity to travel to the USA to meet with several portfolio companies as well as attend the William Blair conference which showcased over 300 US companies. A brief summary of our trip is as follows:

At the **William Blair conference in Chicago** held in person during June, the 3 of us managed to listen (via 6 different companies presenting simultaneously in each timeslot) to over 100 companies present, including 2 of our portfolio companies, Unity and Mastercard. We were also able to attend small group breakout sessions for those companies that were "interesting" to us and where we wanted to learn more about them, and where we could ask questions of and interact with/meet management.

We are excited to have come away with a list of approximately 10 companies across various sectors which warrant us doing more work over the next few months. We also attended industry/sector presentations from William Blair analysts around the conference, and identified some key themes, one of which (where we are looking to increase our work/exposure) is the trend of USA companies onshoring/near shoring i.e. bringing back manufacturing and supply chains to the USA, so as to avoid future pandemic related lockdowns in Asia, possible geopolitical shocks (e.g. could China invade Taiwan), and lengthy supply chains as goods are manufactured in the East and shipped to the West.

We also travelled to Ventura, just outside **Los Angeles** to meet with the CEO and Head of Investor Relations at our long-held portfolio company, **The Trade Desk**. We continue to be immensely impressed with this visionary management team in terms of (1) how well placed they are to execute on the global connected television advertising opportunity, and (2) how early it is in the migration to all forms of advertising moving 100% to programmatic, and (3) how large this global market is. Whilst companies like Google and Meta (Facebook) dominate advertising within their own "walled gardens", in connected TV, there are no big players that dominate this space. It also seems highly likely that during a downturn, the likes of Meta and YouTube (within Google) could be far more receptive to receiving advertising dollars from enterprises via The Trade Desk.

Finally, our trip took us to **Nashville Tennessee** to visit with the management of portfolio company, **Ryman Hospitality, a position we initiated during the covid-sell off in 2020**. We met with the President of the company as well as the Senior VP of Corporate Finance. We gained substantial insight into the Hospitality division and how Group meetings are returning in numbers post not having gathered for the last few years due to the pandemic. Companies are finding the return on investment of having these in person events is exceeding their expectations – you cannot make these human connections over Zoom.

We also got more details of their plans for the Entertainment division and how their new partners Atairos/NBC Universal can add value to this segment. We also had an extensive tour of their Nashville properties: (1) we stayed at The Gaylord Opryland Nashville which is a 3000-room hotel, getting a tour of the facilities including the Convention Centre spaces with the Marriott GM. This is an immensely complex business to run, and we felt the moat surrounding this business is deeper than we had anticipated. (2) We also were shown all their downtown entertainment assets – including the Ryman Auditorium, The Grand Old Opry, The Wild Horse Saloon and Ole Red Nashville and Ole Red at BNA Nashville airport (we happened to be in Nashville together with a few hundred thousand tourists for the CMA/Country Music Fest, and these venues were “rocking”). We ended off our trip going to a live show at The Grand Ole Opry where we saw the food and beverage and merchandise sales at full throttle. We drew the following two conclusions: (i) country music/live entertainment in the USA is thriving; and (ii) the covid pandemic appears to be over with almost no mask wearing at this event or in the Nashville airport.

Once again, we would like to thank all of our investors for your support. 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

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