

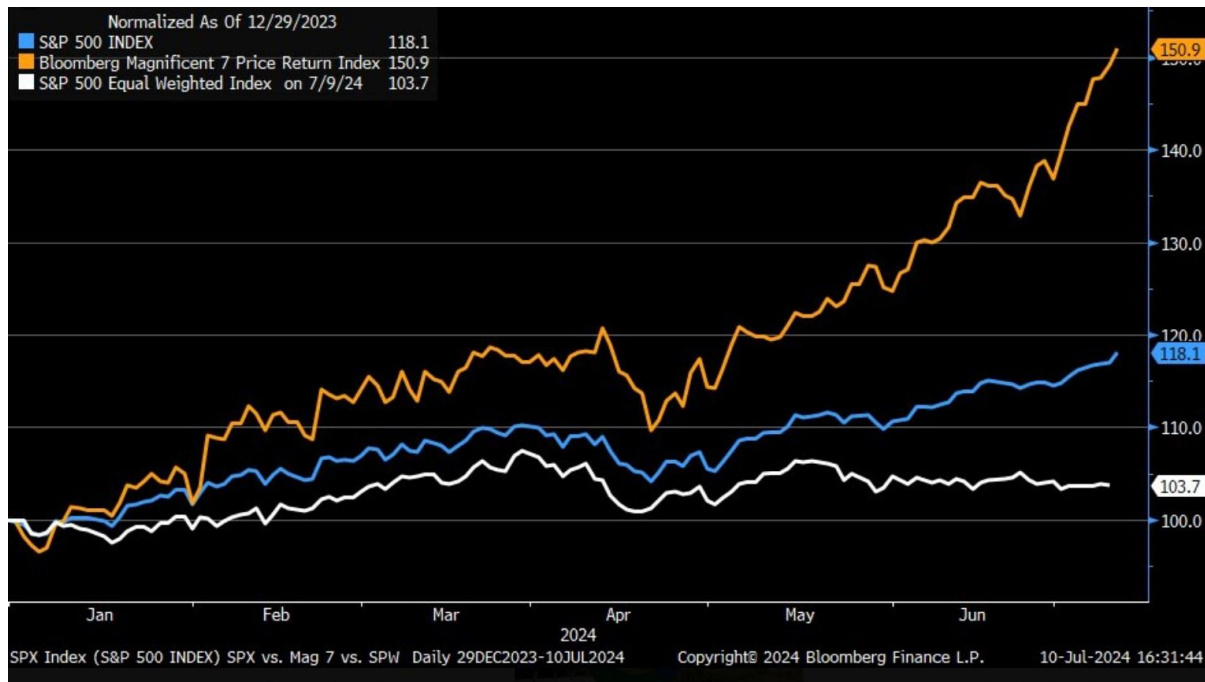


16 July 2024

Dear Investors

During the quarter ending 30 June 2024, the MSCI World Index was essentially flat, rising 0.3% in Australian dollars. The performance of the Index continues to be dominated by a select few companies, which are mostly exposed to the artificial intelligence/technology themes (by way of example, semi-conductor stock Nvidia, which is powering many of the initial AI workloads, is up 149% year to date, and the Technology sector is up 28% in 2024). Over 60% of the S&P500 return in 2024 to date has been made up of the share price moves in Nvidia and the other tech giants (Apple, Amazon, Meta and Microsoft). Everything outside of technology and the GLP1 drug companies (weight loss drugs), continues to lag the performance of the market, with 40% of S&P500 stocks down year to date.

The below chart from Bloomberg illustrates this divergence in performance over the last 6 months between the Magnificent 7 (yellow line), the S&P500 Index (blue line) and the S&P 500 Equal Weighted Index (white line).



The Orsaro Global Fund was down 6.2% during the June quarter, as a result of its reduced technology weighting within the Fund, and more exposure to a wider group of industries. Whilst to date we have been early on our “broadening out” theme, whereby we have cut back on the exposure to the Magnificent 7 stocks, we remain committed to this strategy as patient investors, as we feel the valuations outside of the Magnificent 7 stocks are reasonable given where we are in the economic cycle.

As the US Federal Reserve begins to eventually cut interest rates, we are of the view that market breadth will improve, which should prove beneficial for many of the companies we hold within the portfolio. The market is now forecasting greater than an 80% probability of the first interest rate cut taking place in September 2024. Despite core inflation not being at the 2% level (core PCE is at 2.6%), it feels like the Federal Reserve is starting to express concerns on the slowdown currently underway in the economy, as reflected in an increasing unemployment rate (now at 4.1%). Given the long lead time with which the monetary policy transmission mechanism works, it seems appropriate to start the rate cutting cycle to prevent real rates from being overly restrictive.

Many of the companies we own had positive results released during the quarter, but that did not stop their share prices from falling, and underperforming the market as large fund managers were forced to sell almost everything beyond the top few Mega Cap tech stocks, in an attempt to keep up with the Index. As market breadth improves, we believe that share prices of many of the companies we own will track their strong business performance and/or improved earnings.

The table below illustrates the performance of the Fund to 30 June 2024 over various time periods and versus the benchmark:

	June Quarter	One Year	Since Inception Annualised**
Orsaro Global Fund*	-6.2%	9.3%	9.0% p.a.
MSCI World Index (AUD)	0.3%	19.8%	12.4% p.a.

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

*\*\*Inception date is 11 May 2018*

Unit Price @ 30 June 2024	\$1.6830
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The Top 5 contributors to Fund performance during the June quarter were: The Trade Desk, Amazon, RXO, Netflix and Bank of America.

The Top 5 detractors from performance during the quarter were: The Walt Disney Company, Flywire, DraftKings, Estee Lauder Companies and Ryman Hospitality Properties.

Our top 10 positions in the Fund (in alphabetic order) as of 30 June 2024 were as follows:

<b>Company</b>
Amazon
Bank of America
DraftKings
GXO
HCA Healthcare
Mastercard
Ryman Hospitality Properties
The Trade Desk
The Walt Disney Company
Wells Fargo

In late May, we travelled to the USA on a research trip visiting portfolio and potential investment companies. We met with companies in Seattle, Boston, Indianapolis and Chicago. In addition, we also attended the William Blair Growth Conference in Chicago, where over 200 companies presented under one roof in the space of 3 days. In addition to the theme of automation being pervasive across most companies we met with, the other major thematic to emerge was the vast amount of activity underway across both the residential and non-residential/ commercial/infrastructure space in the USA.

We met with numerous companies that are players in one or more verticals within this large and growing industry such as Lennox International, NVent Electric, Trex, Pool Corporation, Watsco, SiteOne Landscape Supply, Generac, A.O. Smith, Tetra Tech, Beacon Roofing Supply, SPX and others. Our aim was to learn as much as possible about this large industrial end market.

Via our recent Teams calls and one-on-one interactions with investors, we have highlighted that we are in the process of allocating funds to participate directly in this large growing market via QXO, which is Brad Jacob's latest listed roll-up company playing directly in the Building Products Distribution industry. We have followed Brad and his team since the Fund's inception via holdings in the XO group of companies – XPO Logistics, GXO and RXO and his track record of value creation for shareholders to date has been exceptional. We are delighted to participate as long-term investors in backing Brad and his team in this exciting new venture. We expect to close this transaction towards the end of July. We will of course keep our investors updated on the progress of QXO in the months, quarters and years to come.

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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