

GCQ FLAGSHIP FUND | NZ PIE Units

MONTHLY PORTFOLIO & PERFORMANCE UPDATE

APRIL 2025



Returns	1 Month	3 Months	Since Inception (13 Dec 2024)
GCQ NZ PIE (NZD)¹	-0.5%	-5.7%	0.0%
MSCI World Index (NZD) ³	-3.6%	-8.4%	-3.6%
Outperformance	3.1%	2.7%	3.6%

Returns	1 Month	3 Months	6 Months	1 Year	2 Year (p.a.)	Since Inception (p.a.) (1 July 2022)
GCQ P Class (AUD)²	1.5%	-3.6%	14.4%	27.1%	28.0%	30.3%
MSCI World Index (AUD) ⁴	-1.5%	-6.4%	3.6%	13.8%	17.2%	18.6%
Outperformance	3.0%	2.8%	10.8%	13.3%	10.8%	11.7%

“No one ever went broke by taking a profit.”

- Jesse Livermore

The portfolio's net return for the month of April 2025 was **-0.5%**. This compares with the MSCI World Index (NZD) return of -3.6% for the month.

April saw significant volatility in global markets, with the MSCI World Index (NZD) down 10.9% at one point during the month in response to tariff headlines.

Given that we are unable to predict market downturns, we believe the best course of action is to always remain prepared.

Our checklist-driven approach has been fundamental to how we are navigating this turbulent period in markets. Our process has resulted in us owning a portfolio of companies that have been largely insulated from first-order tariff impacts. Approximately 90% of the portfolio is invested in services companies, with most of the remainder invested in super-luxury goods companies with extreme pricing power.

We have been pleased with the performance of our portfolio so far this year, with the GCQ Flagship Pie Class Fund outperforming the MSCI World Index (NZD) by +6.7% in the four months to April 2025. On the following pages, we discuss the key contributors to this outperformance – Richemont, Rightmove and Uber. We have also provided an overview of the quarterly earnings season that is nearing its conclusion, with most of our portfolio companies having seen no meaningful impact from tariffs.

Portfolio Overview as at 30 April 2025	Portfolio Weight
Hemnet	11%
rightmove	7%
Real estate advertising monopolies	18%
Alphabet	12%
Meta	2%
Global online advertising	14%
Uber	9%
airbnb	4%
Sharing economy	13%
RICHMONT	7%
HERMÈS	4%
Super-luxury goods	11%
VISA	6%
MasterCard	4%
Global consumer payments	10%
amazon.com	12%
Global cloud computing	12%
Money Forward	8%
free	1%
Cloud accounting software	9%
WD-40	2%
Branded consumer goods	2%
Other high-quality businesses	11%
Total long	100%
Shorts	(2%)
Net exposure	98%
Cash	2%
TOTAL	100%

1. Net performance figures are shown after all fees and expenses and assumes reinvestment of distributions.

Navigating market turbulence

"A smooth sea never made a skilled sailor"

- Franklin D. Roosevelt

Downturns in the stock market are inevitable. They are also difficult – if not impossible – to predict. While we can't predict them ahead of time, we can prepare for them.

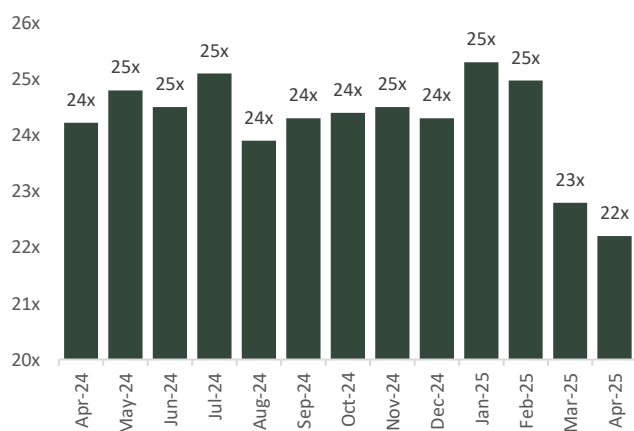
At GCQ, our formula for preparation is simple – we own a portfolio of companies operating in high quality industries, trading at attractive valuations, with little to no net debt.

Portfolio construction for the GCQ Flagship Fund starts with our checklists. The **GCQ Industry Quality Checklist™** is critical in ensuring the quality of the portfolio is always high (i.e., attractive industry structures where the leading companies have pricing power). This is coupled with a disciplined valuation approach that sees us sell any company when its share price approaches 90% of what we think it is worth, ensuring we don't go into a downturn holding a portfolio of overvalued stocks.

Evidence of this valuation discipline can be seen in the earnings multiple of the GCQ portfolio. Despite the GCQ Flagship Fund Class P (feeder fund for our NZ Pie fund) delivering investor returns of +27% over the past twelve months, the forward earnings multiple of the portfolio has remained in a narrow band, and has recently become even more attractive. This reflects strong growth from portfolio companies coupled with active management of the portfolio – we have rotated away from companies that become close to fully priced and into opportunities which display material valuation upside.

For context, the portfolio's earnings multiple of 22x compares favourably to the S&P 500's earnings multiple of 21x. The companies in our portfolio are substantially higher quality than the average index constituent, with higher growth, higher margins, higher returns on capital and minimal debt.

GCQ Portfolio Forward Earnings Multiple



Our rules around selling have enhanced our returns over time. As an example, in late 2024 we trimmed our positions in Amazon and Alphabet as their share prices approached

90% of our valuation. This was a period of elevated activity in the GCQ Flagship Fund portfolio as we re-deployed capital into other high-quality businesses on our watchlist that were temporarily out of favour. What we did not foresee was the opportunity that would present itself in April 2025 to re-acquire positions in Amazon and Alphabet at prices which were up to 26% lower than what we sold them for just four months prior.

Key contributors to recent performance

In the four months to April 2025, the GCQ Flagship Fund outperformed the MSCI World (NZD) Index by +6.7% (the GCQ Flagship NZ Pie Fund was up 0.1% and the MSCI World (NZD) Index was down -6.6%).

Within our portfolio, three key stocks contributed to this outperformance. These companies were **Richemont**, **Rightmove**, and **Uber**.

We made Richemont (which owns the iconic, super-luxury jewellery brands Cartier and Van Cleef & Arpels) a 10% position in late-2023, on the back of concerns around a weakening consumer in the US and macroeconomic issues in China, which weighed on share prices of all luxury goods companies.

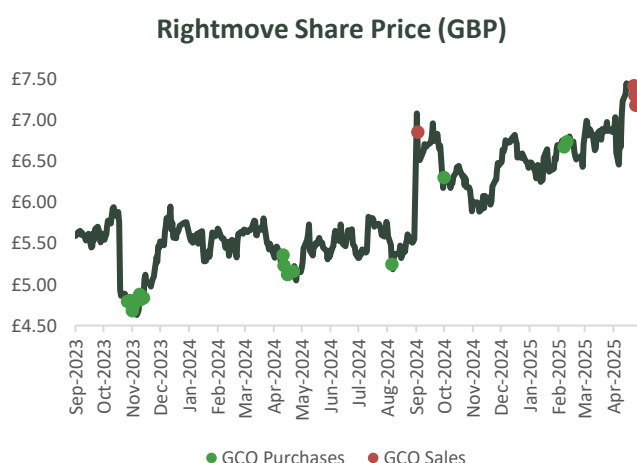
Our decision to allocate capital to Richemont was predicated on the view that its exposure to an ultra-wealthy client base would provide it with far greater earnings resilience as spending on luxury goods began to bifurcate between aspirational and super-luxury brands. We saw evidence of this in the December 2024 quarter, where Richemont's Cartier and Van Cleef & Arpels delivered revenue growth of +14% year-on-year, well ahead of analyst predictions for just +4% growth. Richemont's stock rallied c.+30% in the following weeks, and we took advantage of strong share price appreciation to trim our position from a weight of 13% to 7%.

Richemont Share Price (CHF)

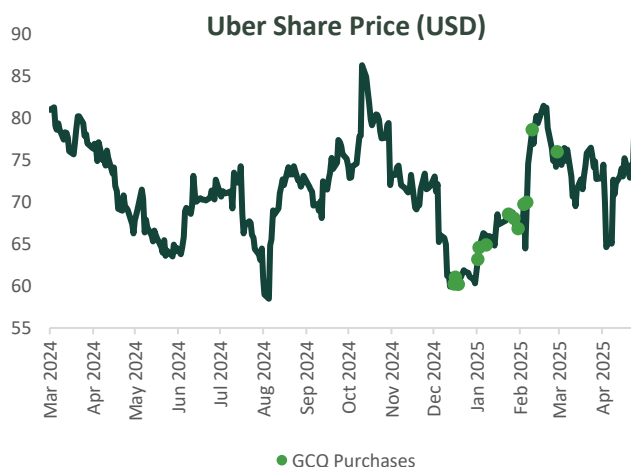


Richemont's share price subsequently traded down c.-20% in response to the imposition of tariffs on European goods by the US. We used this opportunity to increase our position in the company. We continue to see meaningful upside to Richemont's valuation, with the stock trading at just ~17x forward earnings ex-cash, but you should expect us to continue to be nimble in managing position sizes over time. We discuss our investment thesis for Richemont in more detail in the [September 2023](#) monthly update.

Rightmove – the UK’s dominant property portal – has also meaningfully contributed to outperformance in the early months of 2025. We made Rightmove a c.7% position in late-2023, when the stock was trading at its lowest multiple in over a decade on concerns that OnTheMarket – the UK’s distant #3 property portal, which had recently been acquired by US-listed CoStar Group – would take market share from Rightmove after announcing aggressive investments in sales and marketing. We viewed these concerns as overplayed. We are yet to see a dominant property portal lose its market position in a developed market, and we used Rightmove’s sell-off as an opportunity to grow our investment. We held the majority of our position through REA Group’s unsuccessful attempt to acquire the company, based on our view that the REA offer meaningfully undervalued Rightmove. The resulting spotlight on Rightmove, which we view as one of the UK’s best businesses, saw the share price appreciate c.+20% since the withdrawal of REA’s offer in early-October 2024. More recently, we have trimmed our position in Rightmove, and have used the proceeds to add to our position in Hemnet – Sweden’s monopoly property portal – where we see significantly more valuation upside. We discuss our investment thesis for Rightmove in more detail in our [November 2023](#) monthly update.



Uber, a recent addition to the portfolio, has also contributed to returns, with its share price up c.+42% in the year-to-date. Uber – the world’s dominant ride-hailing network – continues to exhibit strong operational performance, in-line with our investment thesis. In the most recent quarter, the company generated gross bookings growth of +18% year-on-year in constant currency terms, and adjusted EBITDA growth of +35% year-on-year. We initiated our position in Uber in late 2024 – after the share price had decreased c.-30% in a short period – and quickly scaled the position to a c.9% weight. At the time, the market was concerned that Waymo (the autonomous vehicle technology manufacturer majority-owned by Alphabet) would establish a competing network, disintermediating Uber. We believed these concerns were inflated because Uber’s network effects – built city-by-city across more than 10,000 cities – are very hard to displace. Uber currently trades at only c.25x forward earnings, while growing revenues and earnings (in percentage terms) in the mid-teens and mid-30s, respectively. We believe the stock has the potential to double over the next three years.



We discuss our investment thesis for Uber in more detail in our [February 2025](#) monthly update.

First Quarter Earnings Season

This quarter’s earnings season saw investor eyes focused on the implications of President Trump’s ‘Liberation Day’ tariffs, announced on April 2nd, for the global economy and company earnings.

It is worth noting our portfolio is well insulated from the first order impacts of tariffs as c.87% of our portfolio is invested in companies which provide services, rather than goods. The remaining c.13% of the portfolio largely consists of our investment in super-luxury goods companies Richemont and Hermes. These super-luxury goods companies can pass the cost impost of tariffs onto their wealthy end-customers due to their substantial pricing power.

Most of our portfolio companies have now reported their first quarter earnings. The two broad themes which have emerged are 1) global economic activity remains resilient; and 2) the high-quality businesses within the GCQ Flagship Fund continue to generate strong results, in line with our investment theses. We have observed that several companies which do not pass our checklists, such as Procter & Gamble, Kering and Ford, have either withdrawn or downgraded their earnings guidance in response to the tariff announcements.

Consumer spending remains resilient

Within our portfolio, Visa and Mastercard provide the best gauge of overall consumer health. Their card networks sit at the centre of the consumer payments ecosystem, which provides an unmatched real-time data feed on consumer spending globally.

Both payment networks delivered solid results, with Visa and Mastercard delivering constant currency revenue growth of +11% year-on-year and +17% year-on-year, respectively.

Of note, both Visa and Mastercard continue to see resilient consumer spending, particularly among affluent consumers. Overall cross-border trends (including travel and e-commerce) remain strong. Cross-border travel is seeing moderation in select markets, but the overall level of growth was above the pre-COVID trend.

In its earnings call, Visa CEO Ryan McInerney said:

“Focusing on the U.S., in Q2 and through April 21, we have not seen any signs of overall consumer spending weakening. While spending growth differs among consumer spend bands, with the most affluent growing the fastest, all spend bands remain resilient and consistent with past quarters.”

Mastercard CEO Michael Miebach echoed this sentiment:

“The headline is that our business remains strong and consumer spending remains healthy.”

Digital advertising expenditure continued to demonstrate strong growth

Alphabet and Meta – which between them split the vast majority of global digital advertising dollars – delivered strong results, beating consensus expectations and growing revenues +14% year-on-year and +19% year-on-year respectively, in constant currency terms.

Growth was broad-based by sector, with financial services (particularly insurance) and e-commerce being the key contributors to growth for Google Search and Meta’s family of apps (Facebook, Instagram, WhatsApp and Messenger), respectively.

Alphabet and Meta continue to find cost efficiencies and demonstrate the high incremental margin nature of their business models with both companies delivering operating profit growth of +20% year-on-year and +27% year-on-year respectively – outstripping their growth in revenues.

We continue to believe that Alphabet and Meta are beneficiaries of the growth in Artificial Intelligence (AI), though they are often overlooked in this regard in favour of companies such as Nvidia.

Meta’s Mark Zuckerberg (CEO) articulated that his company’s investments in AI – which are growing user engagement and advertiser return on investment – will continue to drive growth in advertising expenditure’s share of global GDP. The vast majority of those incremental dollars are likely to accrue to Meta.

Alphabet reiterated that it continues to monetise ‘AI Overviews’ at the same rate as traditional Google AdWords. This is meaningful given ‘AI Overviews’ now has 1.5 billion monthly active users globally, and indicates that Alphabet’s economics remain consistent, even as the format of search results changes. While we are pleased with Google’s progress to date in transitioning to ‘AI-infused’ search we are cognisant that revolutionary technological shifts can lead to disruption of the incumbent. We remain vigilant on monitoring this risk of a ‘Kodak’ moment through application of our **GCQ Industry Quality Checklist™**, with there being a specific question which focuses the investment team’s time and attention on this core issue.

Amazon continues to benefit from the secular shift to cloud computing

Amazon delivered a strong set of results with group revenues growing +10% year-on-year in constant currency terms. AWS remained a beneficiary of the secular shift to cloud computing, growing revenues +17% year-on-year.

Amazon continues to drive solid margin expansion (+c.180bps year-on-year to 12.5% at the group level) through continuing to lower cost-to-serve in its retail business and benefiting from greater operating leverage in AWS.

Revenue guidance for the quarter ending June 2025 was in-line with consensus expectations with management noting they hadn’t observed *“any attenuation of demand”* in response to the imposition of tariffs.

Current state of play

While we expect the market to remain volatile, we believe the tariff driven market sell-off was an excellent opportunity for long-term investors to buy world-class companies operating in high-quality industries (monopolies, duopolies and oligopolies) at very attractive prices. Market corrections are never pleasant, but the earnings power of companies in high-quality industries remain resilient and continue to power on.

All of the GCQ Flagship Fund’s monthly updates are now available on our [website](#).

“Be fearful when others are greedy and greedy when others are fearful.”

- Warren Buffett

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