GCQ FLAGSHIP FUND | NZ PIE Units

MONTHLY PORTFOLIO & PERFORMANCE UPDATE

May 2025

GCQ
GLOBAL CONCENTRATED QUALITY

Returns	1 Month	3 Months	Since Inception (13 Dec 2024)
GCQ NZ PIE (NZD)[1]	**3.2%**	**-3.4%**	**3.1%**
MSCI World Index (NZD)[3]	5.4%	-4.1%	-1.3%
Outperformance	**-2.2%**	**0.7%**	**4.4%**

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]	**3.2%**	**-0.7%**	**13.8%**	**28.7%**	**26.9%**	**30.7%**
MSCI World Index (AUD)[4]	5.4%	-1.4%	3.8%	17.5%	19.6%	20.1%
Outperformance	**-2.2%**	**0.7%**	**10.1%**	**11.2%**	**7.3%**	**10.6%**

"If you wait for problems to disappear before investing in stocks, you'll never commit – or earn – a penny."

- Ralph Wanger

The portfolio's net return for the month of May 2025 was **+3.2%**. This compares with the MSCI World Index (NZD) return of +5.4% for the month.

This brings the net return since inception (13 Dec 2024) to **+3.1%**, while the MSCI World Index (NZD) has returned -1.3% over the same period.

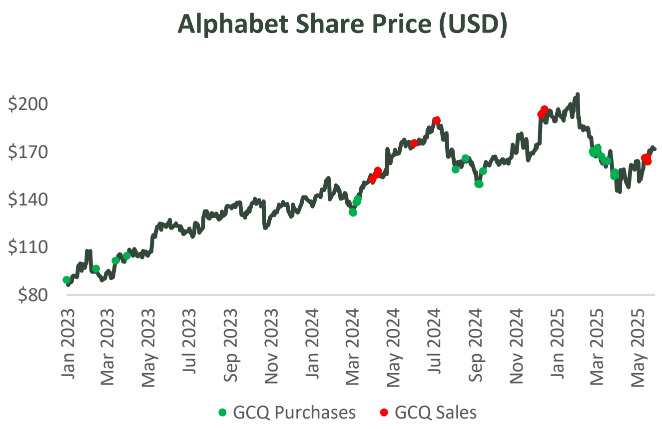
At GCQ, our checklist-driven approach is fundamental to how we are navigating this turbulent period in markets. Our process has resulted in us owning a portfolio of companies that are largely insulated from first-order tariff impacts, with the result that our returns have shown less volatility than the broader market in recent months. 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.

On the following pages, we discuss our recent decision to trim the Fund's position in **Alphabet** (the parent company of Google). We also provide an update on our investment in **Uber**, a key contributor to GCQ's outperformance in the calendar year-to-date.

Portfolio Overview as at 31 May 2025	Portfolio Weight
Hemnet	11%
rightmove	6%
Real estate advertising monopolies	**17%**
Uber	9%
airbnb	4%
Sharing economy	**13%**
amazon.com	13%
Global cloud computing	**13%**
Alphabet	8%
Meta	3%
Global online advertising	**11%**
RICHEMONT	7%
HERMÈS	4%
Super-luxury goods	**11%**
VISA	6%
	4%
Global consumer payments	**10%**
Money Forward	8%
freee	1%
Cloud accounting software	**9%**
WD-40 COMPANY	2%
Branded consumer goods	**2%**
Other high-quality businesses	**14%**
Total long	**100%**
Shorts	**(1%)**
Net exposure	**99%**
Cash	**1%**
TOTAL	**100%**

[1&2] Net performance figures are shown after all fees and expenses and assumes reinvestment of distributions. Past performance is not a reliable indicator of future results. Figures over one year have been annualised. [3&4] See MSCI Disclaimer on Page 5.

Alphabet



We recently discussed our investment in **Alphabet** (the parent company of Google) in our portfolio update in March 2025.

We believe Google Search is one of the world's best businesses, and despite the market's concerns about emerging Artificial Intelligence (AI) alternatives like ChatGPT, Google is answering an ever-increasing number of queries. Meanwhile, the number of daily active users on Google's apps continues to grow.

To date, we have seen Google continue to grow alongside AI applications like ChatGPT – with Google's integrated solution, AI Overviews, driving incremental search queries. Counter to the popular narrative that Google is currently losing the AI race, Google's "AI Overviews" is currently the world's most popular Generative AI tool with 1.5 billion users, several times the size of ChatGPT.

Google also continues to benefit from meaningful distribution advantages, being the front door to the internet on nearly all phones and computers. Google has also released AI Mode in the U.S., which more deeply integrates artificial intelligence within search results.

However, there is no question that the nature of search is shifting more rapidly today than before the recent technological breakthroughs in artificial intelligence. While the market for search is growing, we have become less certain that Google will retain its near-monopoly position in this market, particularly as AI chatbots like ChatGPT take mindshare.

We believe Alphabet's current valuation reflects many of the market's concerns, with Alphabet's core business – Google Search, YouTube, and Google Network – trading at only ~11x forward earnings. If Google can maintain its dominance, we will look back at current prices and think the stock was incredibly cheap!

Following the release of several new features at Google's annual developer conference in May 2025, Alphabet's share price has staged a rebound from recent lows. We took advantage of the share price strength to trim our position from 12% in April to 8% for portfolio risk management purposes.

As we have discussed in previous portfolio updates, the **GCQ Industry Quality Checklist™** includes a question designed to avoid investment in an industry facing technological disruption; something we describe as a "Kodak Moment." These moments are notoriously hard to pick. Before the dawn of the internet, it would have been almost impossible to predict the eventual decline in Yellow Pages directories, the go-to source of commercial information in the days of print advertising. However, disruption tends to occur slowly, and then all at once. Now, twenty years after most of us got our first home internet connection, our prior reliance on the Yellow Pages is nothing but a distant memory.

Google's dominance in search is a situation we are watching very closely. We will continue to be nimble in managing the position size, which is something that we believe highlights the importance of active management.

Attribution

From inception to May 2025, the GCQ Flagship NZ PIE outperformed the MSCI World Index (NZD) by **+4.4%** (the GCQ Flagship NZ PIE was up **+3.1%** while the MSCI World Index (NZD) was down **-1.3%**).

Pleasingly, attribution has been driven by several high-quality businesses that we believe remain under-owned by the broader market, including **Richemont**, **Rightmove**, and **Uber**.

Below, we have highlighted our top five positive contributors for the calendar year-to-date.

Portfolio Company	Year-to-Date Attribution
Richemont	+2.6%
rightmove	+1.6%
Uber	+1.5%
VISA	+1.0%
NETFLIX	+1.0%

Of these contributors, **Uber** is the most recent addition to the GCQ portfolio, but has already made a meaningful contribution to returns, with its share price up c.+40% in the calendar 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 delivered gross bookings growth of +18% year-on-year in constant currency terms, and adjusted EBITDA growth of +35% year-on-year.

When we first discussed Uber, we received some pushback from investors. We are always delighted to receive feedback, because it heightens our focus on the most important issues facing a particular company or industry.

In this case, we believed that the understandable negativity of some investors was rooted in Uber's colourful history, which we have distilled in a short video prepared to support a recent conference presentation. Uber listed during a period when competition between ride-hailing networks was far more aggressive, and it was unclear if the industry would ever generate meaningful profitability. In 2017, one local investor famously called Uber a "ponzi scheme". At the time, we held similar reservations; the level of competitive intensity was one of the primary reasons that – until quite recently – the ride hailing industry never passed the **GCQ Industry Quality Checklist™**.

Fast-forward to today, and Uber is the dominant ride-hailing network in ~90% of the markets in which it operates. Uber's ride-hailing network is protected by powerful network effects between riders and drivers in more than 10,000 cities around the world, and we believe this has created an enormous barrier to entry for any would-be competitors. Today, Uber is generating significant free cash flow, with almost no incremental capital required to grow. Put simply, Uber is earning a growing royalty on the labour and capital of suppliers to its network, with decades of secular growth ahead – given ride-sharing accounts for less than ~2% of ground transportation miles driven in the U.S.

Despite this, we believe some investors retain a negative predisposition towards Uber, possibly because it listed during the heyday of "profitless prosperity". This is a common psychological trait referred to as **anchoring bias**; when our views are shaped by an earlier reference point.

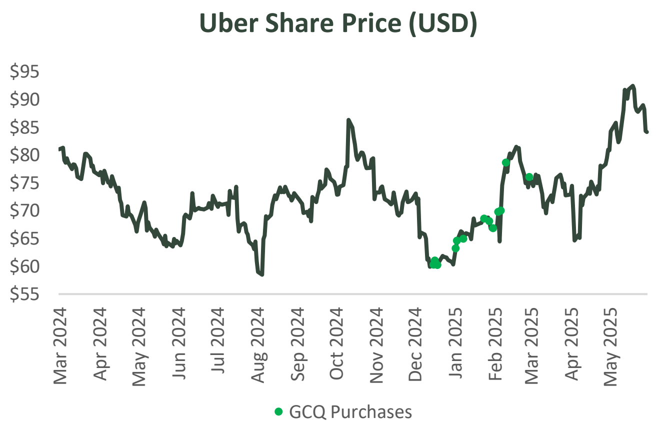
As we discussed on the prior page, industries are always changing. To overcome this bias, and with the aid of the **GCQ Industry Quality Checklist™**, we try to regularly reassess the relevant facts objectively and with an open mind.

After watching Uber for many years, we initiated our position in late-2024 – after the share price had declined c.-30% in a short period of time – and quickly scaled the position to a 9% portfolio weight. At the time, the market was concerned that Waymo (the autonomous vehicle company majority-owned by Alphabet) would become a credible threat to Uber's network.

We believed these concerns were overplayed. Instead, we saw Uber as likely to significantly benefit from partnerships with autonomous vehicle providers. In recent months, Waymo has partnered exclusively with Uber in Austin and Atlanta. More recently, Uber has signed a flurry of partnerships with autonomous vehicle providers in Asia, Europe, and the Middle East. Today, Uber has 18 partnerships with autonomous vehicle providers around the world, which reduces its dependence on any one provider.

While we continue to monitor the development of competing networks, like Waymo, and Tesla's stated ambitions to establish a competing ride-hailing service, we believe Uber's network effects are incredibly strong, and Uber's network will be difficult to bypass.

Uber currently trades at only ~23x forward earnings, while growing its revenues and earnings in the mid-teens and mid-30's in percentage terms, respectively. We continue to believe the stock has the potential to double over the next five years.



We discussed our Uber investment thesis in more detail in our portfolio update in February 2025.

Valuation Discipline

"There's no harm in hoping for the best as long as you're prepared for the worst."

- Stephen King

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 operating in high-quality industries continues to power on.

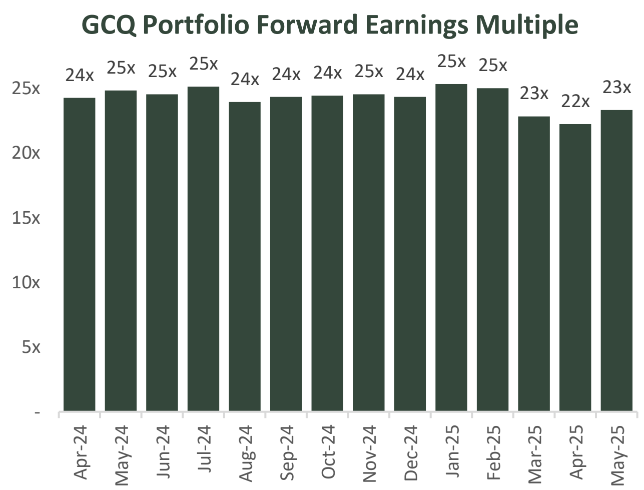
Downturns in the stock market are inevitable, and are extremely difficult – if not impossible – to predict. However, while we can't predict them ahead of time, we can prepare for them.

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 begins with our checklists. The **GCQ Industry Quality Checklist™** is critical to ensuring the quality of the portfolio is always high – i.e., attractive industry structures where the leading companies have pricing power. This, coupled with a disciplined approach to valuation that sees us trim or exit a portfolio position when its share price approaches 90% of our assessment of fair value, ensures that we don't enter a potential 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 delivering investors returns of **+28.7%** 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 earnings growth from portfolio companies, coupled with active management of the portfolio. In other words, we have tilted away from companies that have become more fully priced, while recycling capital into positions that have more meaningful valuation upside.

We believe the portfolio's current forward earnings multiple of ~23x compares favourably to the S&P 500's forward earnings multiple of ~22x, given the companies in our portfolio are substantially higher quality than the average index constituent, with higher growth, higher margins, higher returns on capital, and little to no net debt.



"The intelligent investor is a realist who sells to optimists and buys from pessimists."

- Benjamin Graham

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