



20 January 2025

## Investor Letter

***“Far more money has been lost by investors trying to anticipate corrections, than lost in the corrections themselves.”***

- Peter Lynch

Dear Fellow Investor,

Over the year to 31 December 2024, the net return for investors in P Class units of the GCQ Flagship Fund was **+34.3%**<sup>1</sup>. This brings total returns since inception on 1 July 2022 to **+106.3%**<sup>1</sup>, or **+33.6%** p.a.

For context, the below table outlines our returns relative to the MSCI World Index (AUD). We do not seek to replicate the characteristics of this index when constructing our portfolio of high-quality companies, though it provides a reference point for the performance of a broad basket of global stocks.

We aim to achieve a return of +10% to +15% p.a. through the market cycle.

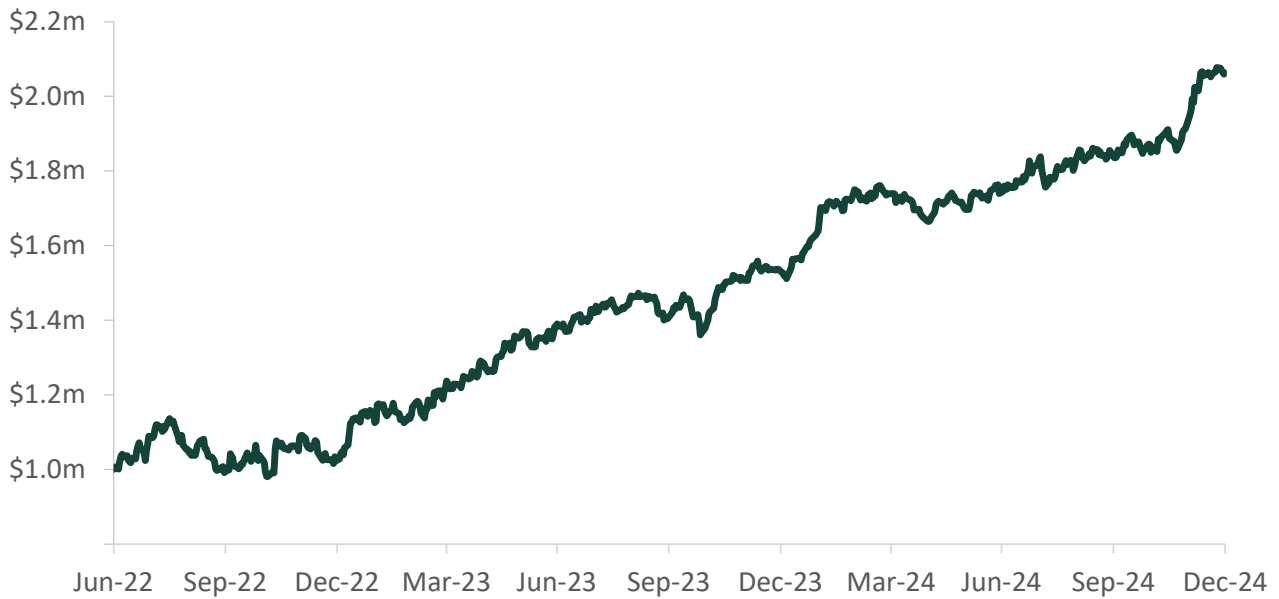
Returns	Since January 2024 (1 year)	Since July 2022 (2.5 years)	Since July 2022 (2.5 years) (Annualised)
GCQ Flagship Fund (P Class) <sup>1</sup>	<b>+34.3%</b>	<b>+106.3%</b>	<b>+33.6%</b>
MSCI World Index (AUD) <sup>2</sup>	+31.1%	+69.0%	+23.4%
Outperformance	+3.1%	+37.2%	+10.2%



Put another way, AUD\$1,000,000 invested in our Fund at inception on 1 July 2022 grew to AUD\$2,063,000 at 31 December 2024.

The GCO Flagship Fund's performance since inception is shown graphically in the chart below.

**Growth of AUD\$1,000,000 Since Inception (1 July 2022)**



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## High-Quality Investment Returns

*"I never buy at the bottom, and I always sell too soon."*

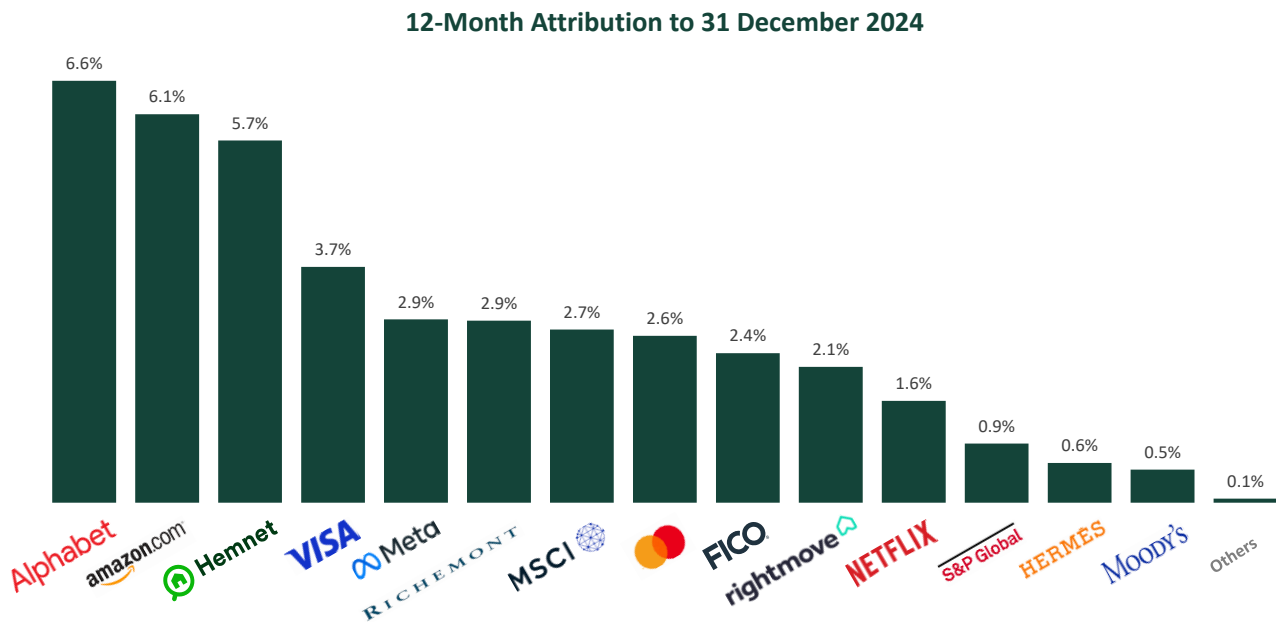
- Baron Nathan Rothschild's success formula

We are pleased with the GCO Flagship Fund's performance of **+34.3%** in 2024 and **+106.3%** since inception.

However, as detailed in our prior investor letters, we believe that good investors should always ask themselves whether their returns have been generated through a high-quality and repeatable process.

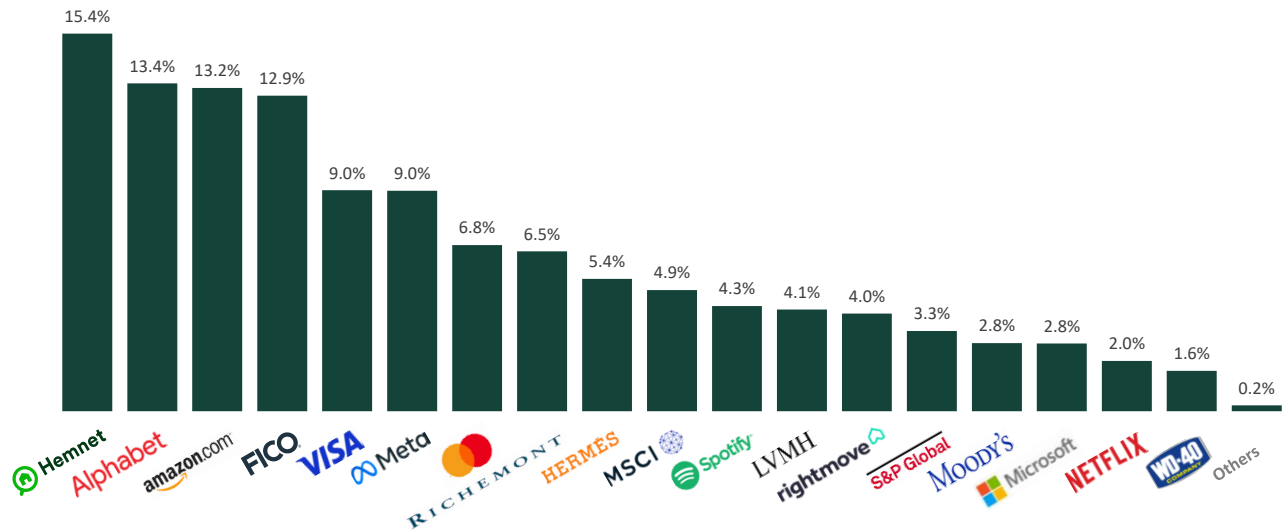
To assess this internally, one of the things we look at is how broad-based our returns have been. In other words, has the GCO Investment Team been able to repeatedly identify profitable investment opportunities?

In prior investor letters, we have highlighted our broad-based portfolio performance as an indicator of high-quality investment returns. Pleasingly, our returns over the most recent twelve months have once again been broad-based. Contributors to the Fund's **+34.3% return over the past twelve months** are shown in the chart below.



Analysis of GCCQ’s **+106.3% return since inception** demonstrates a similar pattern of broad-based positive performance.

**Attribution Since Inception on 1 July 2022**



These returns have been achieved in an equity market that has seen notably narrow performance. Since the inception of GCCQ’s P Class on 1 July 2022, the MSCI World Index (AUD) has delivered an impressive return of **+69.0%**. However, an equal-weighted version of the MSCI World Index (AUD) – where the likes of Nvidia Corp carry the same heft as smaller companies – delivered a return of just **+46.4%** over the same period. This indicates that the index return was driven by an unusually small number of large-cap stocks.

Over the past twelve months, to 31 December 2024, the MSCI World Index (AUD) delivered a return of **+31.1%**. The average stock in the index achieved a more modest **+19.0%** return over the same period.

In this context, we are particularly pleased that our performance has been broad-based. Our returns were not driven by an excessive exposure to a single stock or market “theme” such as Artificial Intelligence (AI). Instead, returns were achieved by owning a portfolio diversified across approximately eight high-quality, relatively uncorrelated industries that successfully pass the **GCQ Industry Quality Checklist™**.

Within these industries, we own high-quality businesses that pass through the strict **GCQ Business Quality Checklist™**, and trade at a discount to our appraisal of fundamental value. Our checklists ensure we invest only in high-quality businesses with secular growth, pricing power, substantial and durable cash flow generation and low debt levels. We seek to sift out companies that will underperform index benchmarks over our investment time horizon, whether due to a weak industry structure, flawed business model, extreme cyclicity or over-valuation.

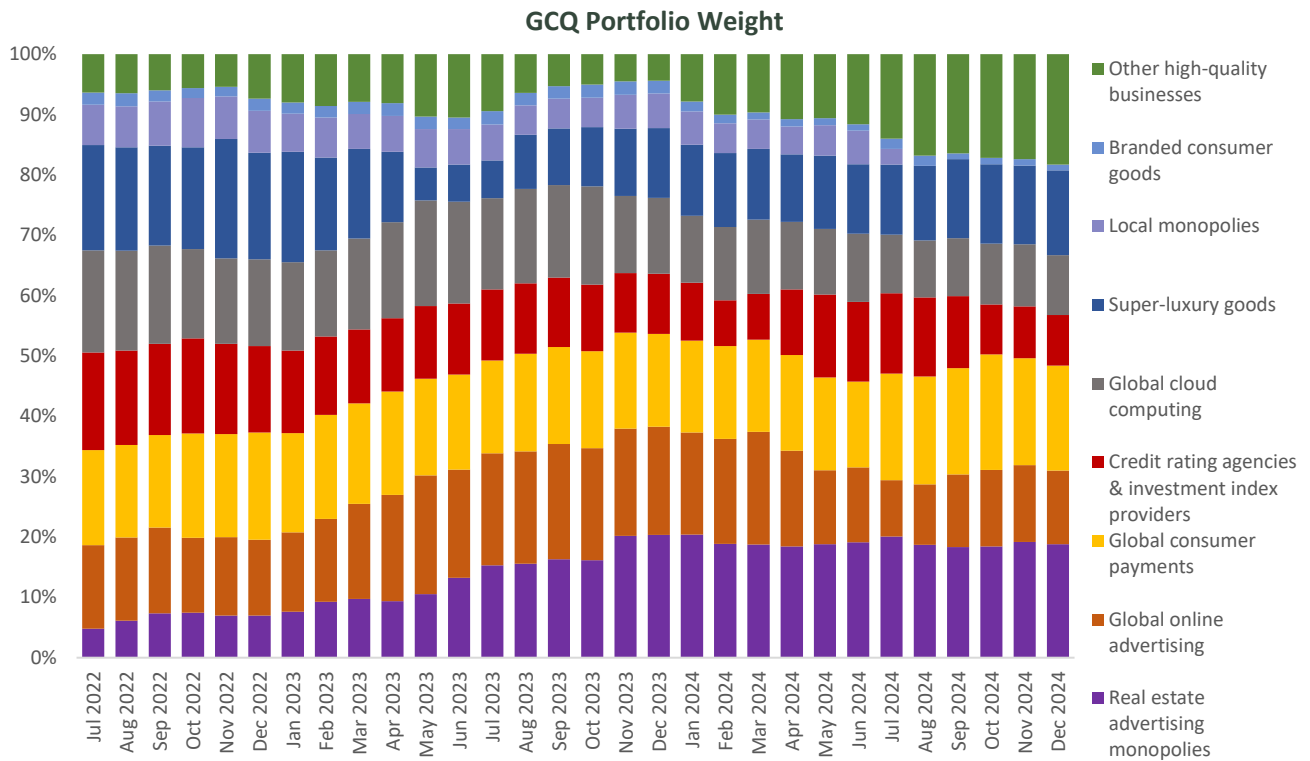


Simply put, these checklists (which are discussed in greater detail in the Appendix) help us assess whether we can be highly confident that a company will be larger and more profitable in 5-, 10-, and 15- years' time; no matter what is thrown at it by potential new competitors, the global economy, or geopolitical developments.



During the calendar year, we took advantage of strong share price appreciation to exit our positions in **Microsoft, Spotify, Fair Isaac Corporation, Moody’s Corporation, and S&P Global**. We recycled capital to acquire positions in several new companies, including **Money Forward, Freee, VeriSign, and Netflix**.

As shown on the below chart, this approach has led to large changes in industry and stock weights over time.



Looking forward, we will continue to seek out opportunities to buy high-quality industries and companies that are out of favour, while selling those that are more fully valued. We believe identifying these opportunities, and getting the timing roughly right, has the potential to materially enhance our returns over time.

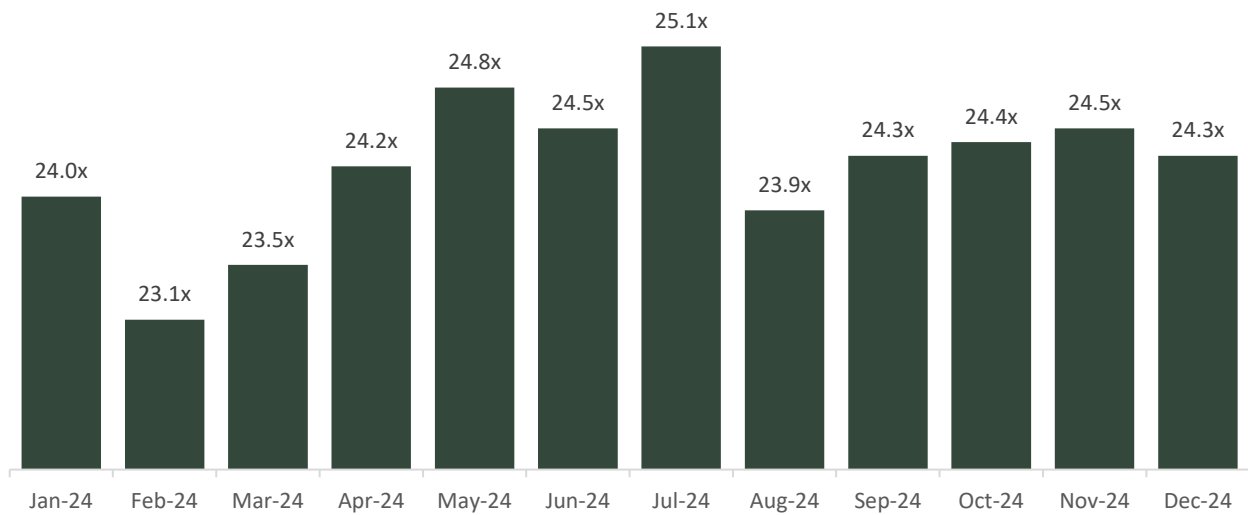


We believe the portfolio remains attractively priced, in part due to the importance of the sell discipline in our investment process, which is discussed overleaf.

On a weighted average basis, the portfolio is trading at only 24x forward earnings today, which is roughly the same as 12 months ago, notwithstanding the fact that the portfolio has appreciated **+34.3%** in 2024.

We believe this compares favourably to the S&P 500 Index's forward earnings multiple of 22x, given that the average company in our portfolio is higher quality, with higher growth, higher margins, higher returns on capital, and little to no debt.

### GCQ Portfolio Forward Earnings Multiple



Under our base case assumptions, we expect the portfolio's annual earnings and free cash flow will approximately double over the next five years. On this basis, and given the currently attractive valuation of our portfolio companies, we expect to achieve strong returns over the coming years from our existing investments. In addition, we are always looking to add value by selling stocks when they reach 90% of our assessment of their value, and recycling capital into more attractive opportunities.



## The Importance of Sell Discipline in the GCQ Investment Process

***“Every time everyone’s talking about something, that’s the time to sell.”***

- George Lindemann (1936 – 2018, #703 on the Forbes 2018 list of the world's billionaires)

There is no debate that well-judged selling – when investments are fully valued – has the potential to materially enhance investor returns, particularly when coupled with successfully identifying opportunities to buy industries and companies that are relatively unloved by the market.

However, being a good seller is easier said than done. [Academic studies](#) have shown that, on average, active fund managers add value through their buy decisions and detract value by being poor sellers.

At GCQ, we have assessed that if we didn’t have strict rules in place, we would be much better buyers than we are sellers. Collectively, we believe our team has the skills and attributes required to identify high-quality industries, and to buy the best businesses within these industries when they are selling at attractive valuations. However, when sentiment improves and a share price rallies, it is all too easy to bask in the satisfaction of having correctly identified a great investment, and significantly more difficult to make the decision to move on from a winning idea.

To manage this cognitive bias, we have strict rules in place that require us to sell in specific circumstances.

Our primary rule requires us to trim or cut a position entirely once it reaches 90% of our assessment of fair value. This contrasts with popular indexes, which typically hold constituents in increasingly large positions as valuations increase.

There have been several situations over the past twelve months where we’ve actively taken profits, and we benefitted from having sell discipline as part of our process.

In August 2024, we completely exited our position in **FICO**. FICO’s Scores segment is one of the world’s best monopolies, earning a high-margin royalty on consumer credit in the US. From inception in July 2022 through to the date we exited the position, FICO was the Fund’s best-performing investment in terms of share price appreciation, with the stock up +313%. However, as much as we like the business and its prospects, we exited the position entirely as the share price approached our appraisal of fair value.

Another example was the decision to trim our position in **Alphabet** from 15% of the Fund in early-April 2024 to 5% in July 2024 on valuation discipline. Alphabet’s share price had appreciated approximately 100% since we materially increased the position in early-2023, and we believed the margin of safety had consequently decreased. From July, Alphabet’s share price declined by approximately 20% from peak to trough in September 2024, and we were able to repurchase shares at a meaningful discount to our appraisal of fair value. We estimate our decisions to add and trim this position enhanced our return by +13%, as compared with a scenario where we left the Alphabet position unchanged from the start of 2024. Today, Alphabet is once again one of our





largest positions, and we believe the stock is well-positioned to deliver a strong compound annual return over the next five years.

Over the past three years, we have purchased and sold our positions in the super-luxury goods industry several times, using the pendulum of the market to our advantage – buying when the industry is out of favour, and selling when the industry is more fully valued.

Most recently, we added to our positions in **Richemont** and **Hermès** during September 2024 when sentiment was particularly negative about the health of China's economy, which weighed on the broader luxury goods industry. Within the industry, we only invest in the highest quality "super-luxury" goods companies, Richemont (which owns Cartier and Van Cleef & Arpels) and Hermès, which benefit from 100+ years of heritage, and own iconic and timeless jewellery and leather goods product lines.

Richemont and Hermès have limited exposure to aspirational consumers, and benefit from extreme pricing power, leading to extremely predictable and durable revenue growth. After China unveiled a range of stimulus measures in late-September, the industry rallied, with the share prices of Richemont and Hermès up over +20% from intra-month lows to year-end.

In the case of **Hemnet**, the monopoly residential real estate advertising portal of Sweden, a strong second-quarter earnings release saw the stock jump nearly +20% in July 2024, leading the position to approach 15% of the Fund. We have strict single-stock and industry limits at 15% and 20%, respectively, which forced us to decrease our position. We subsequently added to our position when the share price fell in October 2024 on the back of short-term concerns following a weaker-than-expected third quarter earnings release. We did this at prices that were 21% lower than when we reduced the portfolio's exposure to Hemnet in July.

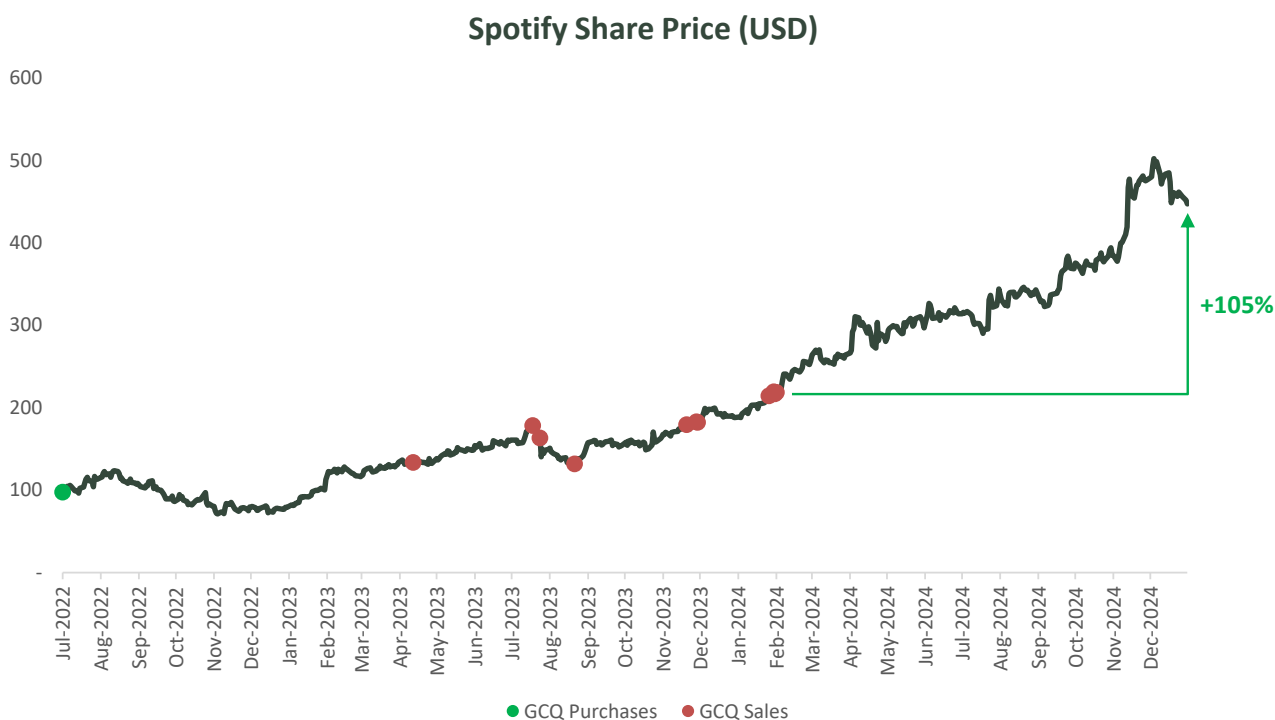
In certain situations, our returns would have been higher had we let a position become an increasingly large percentage of the Fund, but we believe our returns are higher-quality and more repeatable because of our strict approach to sell discipline.

This approach has led to large changes in industry and stock weights over time, as we take advantage of opportunities to redeploy capital. Within our universe of high-quality companies, identified through the **GCQ Industry Quality Checklist™**, you should expect us to purchase industries and companies when they are relatively unloved – and trading at a large discount to our appraisal of fair value – while selling those industries and companies that are more fully valued.

It is also worth noting that our approach to sell discipline – buying high-quality businesses when they're roughly cheap, and selling when they're roughly expensive – means the weighted-average earnings multiple of the portfolio has been largely unchanged since the start of 2024, at 24x forward earnings, despite having delivered returns of +34.3%. We believe this represents good value for such high-quality businesses, with our valuations suggesting there is currently over 50% upside across the portfolio.

## Ouch!

We don't always get it right! The below chart highlights Spotify's share price chart since 30 June 2022. We sold the last of our position in Spotify in the low-\$200s in February 2024, after more than doubling our money. Spotify now trades in the high-\$400s.



We first bought the stock in July 2022 when Spotify was largely viewed as a great product, but a bad business. At the time, the average consensus estimate signalled that investors never expected Spotify to achieve a greater than mid-single-digit margin. We were more optimistic, with our analysis of the music streaming industry indicating it was unlikely that Spotify would never make much money!

While Spotify was not profitable back in 2022, we believed it had latent pricing power, as the average subscriber was paying less than US\$5 per month to gain access to an enormous library of music and podcasts. Further, we believed its dominant position in the music streaming industry with 35% market share globally, and higher in developed markets (Spotify has close to 65% market share in the US) would allow it to implement these price increases without significant customer churn.

Fast forward 18 months to the time we sold, and Spotify's share price was up approximately 4x from its lows of 2022, having announced its first major price increase in nearly a decade, and on the path to a meaningful improvement in profitability.

















While we have strict sell discipline at 90% of our estimate of fair value, it's worth noting that our estimate of fair value is just that, an estimate, and there will inevitably be occasions where we get it wrong, particularly in industries that are earlier in their development. Since our sale, the market's expectations have meaningfully increased, where the average estimate of Spotify's earnings per share in 2025 has increased from less than €2 per share to over €9 per share. The market now expects Spotify to achieve a high-teens earnings margin by the end of the decade, up from mid-single-digits.

While we always like to leave a little money on the table for the next buyer, this was a little too much money!

## GCQ Portfolio Overview as at 31 December 2024

An overview of the GCQ portfolio is shown below. With our investments currently trading well below our appraisal of fair value, we believe the portfolio is well-positioned for the coming years.

Company	Portfolio Weight
 Hemnet	10%
 rightmove	8%
Real estate advertising monopolies	<b>18%</b>
 VISA	10%
	7%
Global consumer payments	17%
 RICHMONT	11%
 HERMÈS	3%
Super-luxury goods	<b>14%</b>
 Alphabet	10%
 Meta	2%
Global online advertising	<b>12%</b>
 amazon.com	10%
Global cloud computing	<b>10%</b>
 Money Forward	7%
 freee	1%
 Fortnox	1%
Cloud accounting software	<b>9%</b>
 MSCI	8%
Index providers	<b>8%</b>
 WD-40	1%
Branded consumer goods	<b>1%</b>
Other high-quality businesses	<b>9%</b>
Total long	<b>97%</b>
Shorts	<b>(2%)</b>
<b>Net Exposure</b>	<b>95%</b>
<b>Cash</b>	<b>5%</b>
<b>TOTAL</b>	<b>100%</b>



## Portfolio Update

*"The really big money tends to be made by investors who are right on qualitative decisions."*

- Warren Buffett

The GCQ portfolio appreciated **+34.3%** over the past calendar year.

As highlighted earlier in this letter, performance was broad-based, with particularly strong contributions from **Alphabet, Amazon, Hemnet, Visa, and Meta Platforms**.

Below, we discuss two of our top contributors, **Hemnet** and **Alphabet**.

**Hemnet**, the monopoly residential real estate advertising portal of Sweden, was the third-largest contributor to the Fund's returns, with its share price up **+39%** over the calendar year.

Hemnet continues to deliver strong operating results, with the company generating more than **+40%** growth in average revenue per home listing in the calendar year. Despite this growth, we believe Hemnet is still in the early innings of its monetisation journey. Hemnet's Average Revenue Per Listing is only **0.17%** of the average home price in Sweden, less than one-half of the equivalent figure to list your home on [realestate.com.au](https://www.realestate.com.au) and [domain.com.au](https://www.domain.com.au) in Australia. It is also worth noting that this is a moving target, given REA Group continues to increase prices each year by a percentage in the low-double-digits!

We believe purchasing of more premium (i.e., expensive) listing packages by Swedish home sellers and price increases will close this gap over time. Meanwhile, margins, which remain approximately **15 percentage points** below REA Group, are likely to materially increase. Despite this, Hemnet now trades at a meaningful valuation discount to REA Group.

As discussed earlier, we took advantage of share price volatility to trim and add to our position when the market threw us opportunities over the year, which is highlighted in the below chart.

## Hemnet Share Price (SEK)



Hemnet’s management recently alluded to the release of a new, super-premium listing package in 2025. Adding a new, more expensive listing product is straight out of the playbook of more mature online classifieds businesses like REA Group. We expect the addition of a new package to materially increase Hemnet’s average revenue per listing, which, in combination with continued price increases (Hemnet recently announced another +13% price increase in early January) and operating leverage, will drive significant shareholder returns over coming years.

**Alphabet** (the parent company of Google and YouTube) was the largest contributor to our returns, as its share price appreciated **+36%** over the calendar year.

We made Alphabet our largest position in early-2023 when the market became overly concerned about the impact of AI chatbots such as ChatGPT on Google’s monopoly position in the global search market. We thought this concern was largely misplaced. Since bottoming in January 2023, Alphabet’s share price is up over **+120%**.

We took advantage of Alphabet’s strong share price appreciation by trimming our position to 5% by July 2024, from a peak of approximately 15%. The decision to reduce our weight was an output of our disciplined approach to trim or exit a portfolio position as its share price approaches 90% of our estimate of fair value.

This has proven to be a profitable decision. In August 2024, a US Federal Court issued a ruling that Google had maintained an illegal monopoly in the market for online search advertising. With a potential break-up of the company on the cards, Alphabet’s share price fell back to below \$150.

## Alphabet Share Price (USD)



Despite the noise coming from the court, breaks-ups are extremely rare; the two most recent examples in the United States are AT&T in 1982, and Standard Oil in 1911. Further, history suggests that break-ups can unlock significant value for shareholders, with AT&T’s “Baby Bells” meaningfully outperforming the market in the following years, while the successors of Standard Oil became the dominant petroleum producers of the 20<sup>th</sup> century. Alphabet is a holding company for several market-leading businesses, including Google Search and YouTube, and the separation of these entities could unlock significant equity value.

At \$150 per share, Alphabet was once again trading at a meaningful discount to our appraisal of fair value. Our analysis of the situation led to us to materially increase the Fund’s position in Alphabet. We are pleased with the decision to date, with the company’s share price having risen approximately +30% since its September lows.

While we expect noise over the antitrust trial to weigh on sentiment over the next few years, we remain confident in Google and YouTube’s enduring competitive advantages. Further, we remain increasingly confident in Alphabet’s commitment to “durably re-engineer” its cost base, which has seen margins meaningfully expand across Google Advertising and Google Cloud over the last two years.



## GCQ Team and Culture

Our [introductory letter](#) from December 2021 highlighted that maintaining a healthy team culture was one of the factors we had identified as essential to GCQ's long-term success. At that time, we were off to a good start, having already established a distinctive GCQ culture built on a shared sense of purpose, transparency, and collaboration.

At the outset, our focus on building a successful culture was aided by the long working relationship of GCQ's founding partners and Investment Team members. As we have grown the team to twelve members across investments, operations, and distribution, we have been mindful to reinforce the positive elements of this culture.

We welcomed two new members to the GCQ team this half year, with both joining in October.

**Gabrielle Corcoran** joined the Distribution Team to support Stephen Higgins and Huw O'Grady in managing relationships with leading wealth managers across Australia. Gabrielle has over ten years' experience in business administration in the financial services sector. Gabrielle joined GCQ from Magellan Financial Group, where she provided day-to-day support to the Portfolio Managers and investment team.

**Andrew Vass** joined us in the new role of Head of Trading & Risk, reporting to the Chief Investment Officer. Andrew brings excellent global market relationships to GCQ, having commenced his career in research sales with JB Were in Sydney before moving to London with UBS. Andrew then moved to Goldman Sachs, where he spent 14 years, including a decade on the Macro Hedge fund Sales Trading desk.

Both these appointments are consistent with our ongoing commitment to act in the interests of clients by investing in all facets of the GCQ business, with a particular focus on ensuring the Investment Team continues to spend more than 90% of their time focused on the portfolio.

**Chris Morris** was promoted to Portfolio Manager, in recognition of his increasing contribution to the Investment Team and to portfolio decisions since he joined GCQ in February 2022. Chris has worked closely with Doug Tynan, David Symons, and Justin Hardwick since 2019.

Pleasingly, our move to a larger office at 167 Macquarie Street from the start of July 2024 has allowed us to recommence our intern program for university students, which we had reluctantly suspended earlier in the year due to a shortage of spare desks. By the end of the summer, we will have provided eight interns with an intensive introduction to the GCQ investment process. We see this program as a critical tool for identifying candidates for graduate roles in our Investment Team and as part of our industry contribution, introducing the next generation of talented university students to funds management.

Looking forward, we have committed to three guardrails to protect the processes and culture of GCQ. These guardrails are intended to support a single focus on delivering outstanding returns for our investors over the very long term, and include commitments to:

- ***Retain the GCQ Industry Quality Checklist™ and GCQ Business Quality Checklist™ at the heart of our investment process.*** In addition to protecting against drift in our investment style, or the emergence of complacency, we have found the checklists play a helpful role in democratising the idea generation process – our most junior analyst can suggest a company





for inclusion on our watchlist and for further work, but only if it first passes through the checklist. Similarly, more senior members of the team understand their seniority counts for nothing if their ideas have not first cleared the same hurdles.

- ***Offer only one investment strategy.*** Our team works together cohesively, with the sole focus of delivering our single investment strategy. Allowing any part of the organisation to have a different focus, or a dual focus, would put this dynamic at risk – and would likely lead to worse outcomes for investors.
- ***Ensure GCQ Funds Management is always owned by the team, and only by the team.*** GCQ is currently owned by our team, with equity widely distributed. We strongly believe equity ownership helps to keep the team aligned with investors over the long term. As a result, we have committed to remain privately owned by the team, and will never introduce external shareholders.

## GCQ Flagship Fund Update

We established the P Class of the GCQ Flagship Fund in July 2022 to facilitate investment in the Fund by investors who prefer to invest via a platform and with daily liquidity.

Following a detailed review process, P Class has held a “Recommended” rating<sup>3</sup> from **Zenith Investment Partners Pty Ltd** since March 2023 and a “Recommended” rating<sup>4</sup> from **Lonsec Research Pty Ltd** since May 2024. More recently, we were honoured when GCQ was announced the winner of the “Rising Star”<sup>5</sup> Zenith Fund Award on 18 October 2024. Our entire team was proud to attend the Zenith awards ceremony in Sydney.

P Class has been accepted for investment through several investment platforms including **Macquarie, Netwealth, HUB24, Praemium, PowerWrap, BT Panorama, and CFS Edge.**

In response to growing interest in the GCQ Flagship Fund from New Zealand based investors, we have established a New Zealand Portfolio Investment Entity (PIE) that is structured as a feeder fund into the P Class. The PIE provides superior tax outcomes for certain investors.

While we have committed to only ever offer a single investment strategy, as we have done with the PIE we continue to explore fund structures that meet the needs of different groups of investors.

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## In Closing

We believe that a clear and consistent investment process is one of the keys to long-term investing success. Over the last year, we have been pleased that the disciplines that lie at the heart of our investment process have played their intended role in contributing to strong investment returns, while also ensuring the GCQ Flagship Fund's returns are of high-quality and likely to be repeatable over time.

Our sell discipline has required that we exit a number of investments as they approach our appraisal of fair value, and we have taken advantage of opportunities to refresh the portfolio with opportunities in high-quality industries and businesses when they are relatively unloved. Importantly, our portfolio companies are currently trading at valuations well below our appraisal of fair value.

As a result, we are confident that we own a portfolio of high-quality businesses that should continue to compound intrinsic value at attractive rates over the next 3-5-years, regardless of the broader market environment.

We would like to thank you for the support you have shown for us by investing with GCQ. We look forward to a long-term partnership.

Yours faithfully,

**GCQ Funds Management**

***"It's not about timing the market, but about time in the market."***

- Market aphorism



## Appendix: The GCQ Quality Checklists™

***“Checklists seem able to defend anyone, even the experienced, against failure in many more tasks than we realized.”***

- Atul Gawande

Our objective is for our investment strategy to deliver high-quality investment returns over the longer term and through various economic and market cycles.

At the heart of the strategy is a portfolio of approximately 20 investments in what we believe to be some of the highest-quality listed companies in the world, trading at valuations that offer attractive future returns to shareholders.

We have discussed in prior letters that we place great emphasis on analysing the industry that a company operates within before progressing our work on a particular company, and the role of our **GCQ Quality Checklists™** in ensuring discipline and consistency in our approach.

For the benefit of readers who are new to our investment strategy, we think it worthwhile including a discussion of the checklists in each of our six-monthly letters.

Our research process begins with the **GCQ Industry Quality Checklist™**, which provides a snapshot of whether an industry has a structure and growth outlook supportive of sustainably strong shareholder returns.

We then assess potential investments using the **GCQ Business Quality Checklist™**. This is a separate set of 15 questions that seek to drill down on similar themes to the industry questions, but at a company level. In addition, the GCQ Business Quality Checklist includes questions around the balance sheet (we prefer to see minimal financial leverage), the capability of management, and whether corporate governance is friendly to minority shareholders.

Finally, for certain industries, we pass potential investments through **GCQ Industry-Specific Checklists™**, which capture the factors that determine success *within* industries. The **GCQ Super-Luxury Goods Checklist™** is shown below as an example.

Much like a pilot completing a take-off and landing checklist, these simple questions are designed to keep us out of trouble.

Any time we have made an investment mistake in the past, we have analysed the cause of the error and updated our checklists in an effort to ensure the same mistake is not made again.



Our team focuses its time on around 20 industries that meet the requirements of our **GCQ Industry Quality Checklist™**. Within these industries, there are around 200 companies whose performance and valuation we monitor for potential inclusion in the GCO portfolio.

The decision to formalise the use of Quality Checklists came about when we were establishing GCO, and our Investment Team looked back over our collective investment successes and failures over the decades to see if we could identify any themes.

What stood out was that, almost without exception, our mistakes were made when we were seduced by company-specific factors while paying insufficient attention to the quality of the industry in which a company operated. We might have been attracted to a compelling valuation argument, a turnaround opportunity spearheaded by a talented CEO, or an attractive quirk to a business model. It was only with the benefit of hindsight that we realised issues in the broader industry – whether the rate of industry growth or the competitive landscape – meant the investment was destined to fall short of our expectations.

Learning from these mistakes, we introduced the **GCQ Quality Checklists™** to help our team identify attractive industries where the leading companies are highly likely to deliver fundamental outperformance over a five-year period.

Coupled with rigorous valuation analysis and a commitment to only invest at an attractive price, this process is central to our efforts to sift out the roughly 70% of companies that will underperform index benchmarks over our investment time horizon.

We do not pretend to be able to identify every company that will outperform. Instead, our focus is on investing in simple, predictable businesses with durable competitive advantages arising from some combination of network effects, scale, position as an industry standard and brand differentiation.

At GCO, we are not afraid to miss “hot” sectors in relatively young industries where the competitive landscape is rapidly changing. For this reason, we tend to avoid investing in hypergrowth stocks, and instead focus our time on high-quality industries and companies.



***“The first principle is that you must not fool yourself and you are the easiest person to fool.”***

- Richard P. Feynman

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

<sup>2</sup> Certain information contained herein (the “Information”) is sourced from/copyright of MSCI Inc., MSCI ESG Research LLC, or their affiliates (“MSCI”), or information providers (together the “MSCI Parties”) and may have been used to calculate scores, signals, or other indicators. The Information is for internal use only and may not be reproduced or disseminated in whole or part without prior written permission. The Information may not be used for, nor does it constitute, an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product, trading strategy, or index, nor should it be taken as an indication or guarantee of any future performance. Some funds may be based on or linked to MSCI indexes, and MSCI may be compensated based on the fund’s assets under management or other measures. MSCI has established an information barrier between index research and certain Information. None of the Information in and of itself can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided “as is” and the user assumes the entire risk of any use it may make or permit to be made of the Information. No MSCI Party warrants or guarantees the originality, accuracy and/or completeness of the Information and each expressly disclaims all express or implied warranties. No MSCI Party shall have any liability for any errors or omissions in connection with any Information herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

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