MONTHLY PERFORMANCE & PORTFOLIO UPDATE

January 2025

Returns	1 Month	3 Months	6 Months	1 Year	2 Year (p.a.)	Since Inception (p.a.) (1 July 2022)
GCQ P Class (AUD)[1]	**6.4%**	**18.7%**	**19.8%**	**33.9%**	**39.7%**	**35.6%**
MSCI World Index (AUD)[2]	2.4%	10.7%	12.8%	28.0%	26.5%	23.6%
Outperformance	**4.1%**	**8.0%**	**7.0%**	**5.9%**	**13.2%**	**11.9%**

"A calm sea never made a skilled sailor."

- Franklin D. Roosevelt

The portfolio's net return for the month of January 2025 was **+6.4%**. This compares with the MSCI World (AUD) Index, which was +2.4% for the month.

Pleasingly, attribution has been broad-based, with a meaningful contribution from Richemont, in addition to Hemnet, Amazon, Visa, and Alphabet.

Following a very strong sales release from Richemont, its share price responded enthusiastically, rising +16% on the day, and up +27% year-to-date.

While we continue to believe Richemont remains attractively valued, we trimmed our position from a peak of almost 13% to 7% as at the time of writing. We redeployed this capital into a new investment, Uber, which is included in Other High-Quality Businesses. Uber is trading at a meaningful discount to our appraisal of fair value, and we plan to discuss our investment in Uber in detail a future monthly update.

Below, we discuss how the portfolio is positioned for an environment of heightened uncertainty relating to tariffs, along with an update from the latest round of earnings releases.

Tariffs

The prospect of trade conflict crimping economic activity and corporate profits came into heightened focus in early February when President Trump announced tariffs in quick succession on Canadian, Chinese, and Mexican goods. More recently, Trump announced tariffs on all steel and aluminium imports into the United States.

While no portfolio will be entirely immune to an ongoing trade war, this episode provides a helpful illustration in how the **GCQ Industry Quality Checklist™** helps us avoid investing in companies that are exposed to significant and foreseeable downside risk, which brings with it the risk of underperforming the broader market over the medium-term.

Portfolio Overview as at 31 January 2025	Portfolio Weight
Hemnet	11%
rightmove	8%
Real estate advertising monopolies	**18%**
VISA	10%
	7%
Global consumer payments	**17%**
RICHEMONT	8%
HERMÈS	4%
Super-luxury goods	**12%**
Alphabet	10%
Meta	2%
Global online advertising	**12%**
amazon.com	10%
Global cloud computing	**10%**
Money Forward	7%
freee	1%
Fortnox	1%
Cloud accounting software	**9%**
MSCI	7%
Index providers	**7%**
WD-40 COMPANY	1%
Branded consumer goods	**1%**
Other high-quality businesses	**11%**
Total long	**98%**
Shorts	**(2%)**
Net exposure	**96%**
Cash	**4%**
TOTAL	**100%**

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

Our checklists include questions intended to prevent investment in companies with significant exposure to potential trade wars. The key question appears under the “Operational Risk” heading in both our industry- and company-specific checklists, and asks “Is the industry/company free from substantial geopolitical risk?”.

Our inability to answer this question in the affirmative is one of several reasons why we do not invest in chipmakers, like Nvidia. However, it is also a question that is failed by several alcoholic beverage companies, automakers, and multinational technology companies with meaningful exposure to China.

It was no surprise that these companies and industries were hardest hit when concern about the impact of tariffs was at its highest early last week. Against this backdrop, we were pleased the GCQ portfolio outperformed the broader market in the first week of February.

More broadly, our checklists generally steer us away from investing in companies involved in the production of physical goods. In instances where physical goods are produced, such as super-luxury goods, extreme pricing power is required. We believe this will stand the portfolio in good stead in the event of a protracted trade war.

Fourth Quarter Earnings Season

“Investors do not need to understand all companies, do not need to master all macroeconomic parameters, and do not need to accurately predict the [macro] situation in the next ten years. The key is to find the ‘lake’ where you can catch fish.”

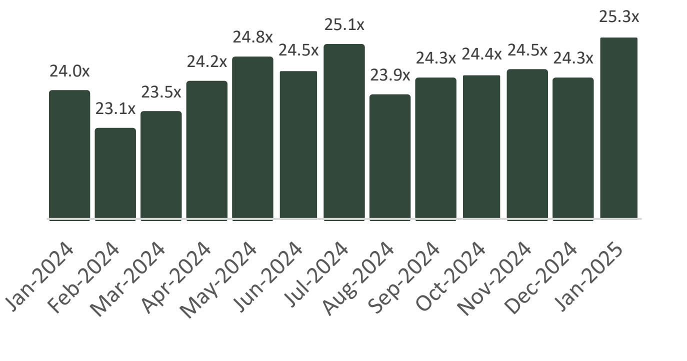
\- Li Lu

The majority of our portfolio companies have now reported their fourth quarter earnings, and results for the GCQ Flagship Fund have generally been strong and supportive of our investment theses.

Our key takeaways from the latest earnings season are set out below. However, what is possibly most important is that despite strong recent performance, the GCQ portfolio remains attractively priced. At the time of writing, the portfolio is trading at only ~25x forward earnings on a weighted-average basis. We believe this compares favourably to the S&P 500’s forward earnings multiple of ~22x, given the average company in our portfolio is higher quality, with higher growth, higher margins, higher returns on capital and minimal debt.

Despite strong returns over the last year, the earnings multiple of our portfolio has remained relatively stable at a level that we think is attractive. This has occurred both as the earnings of our portfolio companies have increased, and as we have rotated the portfolio away from companies that become close to fully priced and into more attractively priced opportunities.

GCQ Portfolio Forward Earnings Multiple



The high-end of the luxury market continues to outperform

At GCQ, only “super-luxury” companies pass through our Investment Checklists. We define “super-luxury” companies as those with enduring brand heritage, ultra-wealthy and more economically resilient customers, and which operating in high-value categories like jewellery and leather goods, that are less exposed to fickle fashion cycles. “Super-luxury” companies restrict supply growth, regularly increase prices, and control their own distribution. We currently hold two companies that pass the rigorous **GCQ Super-Luxury Industry Checklist™** – Richemont and Hermès.

By contrast, other “luxury” companies tend to operate in more challenging categories (e.g., fashion), where products need to be constantly refreshed to stay in front of ever-changing trends. These companies are often exposed to aspirational customers, who tend to trade down to cheaper products in tougher economic environments.

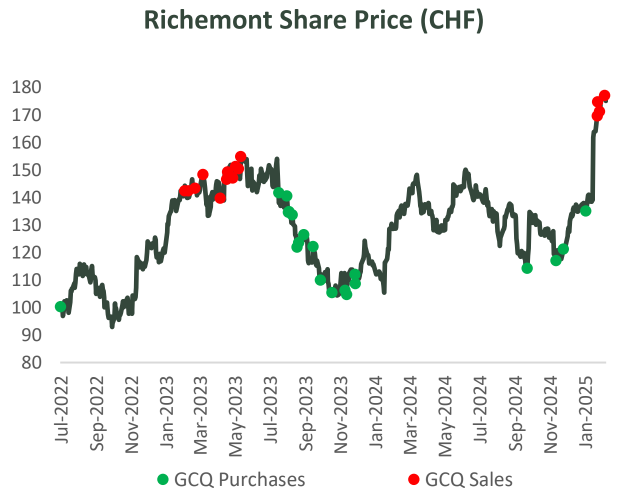
We have seen evidence of this bifurcation in the luxury goods market over the past twelve months, and in particular, in the latest quarter, where Richemont’s group-level sales grew +10% year-on-year, while sales at its core Jewellery Maisons segment (which includes the Cartier and Van Cleef & Arpels brands, and accounts for c.90% of operating profit) accelerated relative to the prior quarter, growing +14% year-on-year. This +14% growth was a whopping +1,000 basis points above analyst consensus expectations for just +4% growth. Richemont’s share price responded enthusiastically, rising +16% on the day of the result, with its share price now up +27% this year.

By contrast, LVMH grew an uninspiring +1% year-on-year during the same period, with its key segment, Fashion & Leather Goods, which includes brands like Louis Vuitton and Christian Dior, declining -1% year-over-year. ***The Swatch Group*** also delivered a very disappointing quarter, with operating profit declining -75% year-on-year in 2024, as it grappled with fleeting demand from Chinese consumers.

The divergence in operating performance has been similarly reflected in share price performance, with Richemont outperforming both LVMH and ***The Swatch Group*** by ~50% over the past twelve months.

As discussed earlier, while we continue to believe Richemont remains attractively priced, we trimmed our position from a peak of almost 13% to 7% as at the time of writing, and we redeployed this capital into a new investment, Uber.

The below chart highlights our buy and sell decisions, and while we almost never buy at the bottom and sell at the top, we have added value by actively managing position-sizing over time.



Hermès will report its full-year results on Friday, 14th February.

Consumer spending remains strong across all segments

Within our portfolio, Visa and Mastercard provide the best gauge of consumer health. The 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 revenue growth of +11% year-on-year and +16% year-on-year, respectively.

Of note, both Visa and Mastercard continue to see healthy consumer spending by both high-income consumers and the mass segment. In addition, Visa and Mastercard are seeing strong cross-border travel growth (i.e., consumers spending money on cards while travelling, or buying goods abroad).

In its earnings call, Mastercard CEO Michael Miebach said:

"The macro environment continues to perform well, and it is underpinned by healthy consumer spending. The labour market is strong with low unemployment and continued wage growth. Inflation has moderated, to varying degrees across categories and countries. Consumers remain engaged. Affluent customers have benefited from the wealth effect, while the mass segment remains supported by the labour market."

Visa also pointed to strength in discretionary categories, which benefitted from strong consumption during the holiday season.

Visa CFO Chris Suh said:

"The consumer categories with the strongest growth rate were discretionary categories such as retail, travel, and entertainment."

We have high conviction in Hemnet's long-term earnings potential

Hemnet is the monopoly property portal in Sweden, and has been a meaningful contributor to the Fund's returns over the past two years. In the fourth quarter, revenue from property sellers grew +42% year-on-year, driven by growth in Average Revenue Per Listing (ARPL), up +43% year-on-year, which benefitted from growing customer demand for value-added services, particularly Hemnet Premium.

Importantly, Hemnet shared additional details of a new top-tier package, Hemnet Max, which will be launched in April 2025. The addition of a more expensive package is a natural extension for Hemnet, and is straight from the "playbook" of other successful and more mature property portals, like REA Group and Rightmove. We believe the addition of a new package will drive meaningful growth in Hemnet's Average Revenue Per Listing (ARPL), earnings, and free cash flow over time.

Alphabet is investing in areas of growth, while remaining disciplined on costs

Alphabet delivered group-level revenue growth of +12% year-on-year on a constant currency basis, in-line with analyst consensus expectations. However, the stock fell -7% on the result, due to a revenue miss concentrated in Alphabet's lowest-margin segments, including Google Network (where Google generates ad revenues on third-party websites) and Google Subscriptions, Platforms, and Devices (which includes subscriptions to YouTube Premium; revenues from Google Play; and sales of Pixel phones and devices). Alphabet also announced plans to spend ~US$75bn in capital expenditures this year, well ahead of the ~$60bn expected by sell-side analysts, as it continues to invest aggressively in opportunities related to Artificial Intelligence (AI).

However, Alphabet's highest-margin segments, Google Search and YouTube Ads, which account for ~70% of revenue, reported strong growth of +13% year-on-year and +14% year-on-year, respectively, beating estimates. This underpinned earnings per share growth of +24%, which was +2% ahead of expectations.

We believe Alphabet's capital investments in AI will drive incremental growth in Google Search and Cloud, which it will effectively monetise over time. Of particular interest, Alphabet announced that its AI Overviews (which are increasingly shown at the top of search results) now monetise at approximately the same rate as its legacy business – i.e., the monetisation efficiency of ads placed in AI Overviews is approximately on par with traditional search.

CFO Anat Ashkenazi also alluded to further margin expansion opportunities. She said:

"I certainly see opportunities for further productivity and efficiency, and this is one of our priority areas. And we're going to do that so that we can make sure we continue to invest in areas such as AI and Cloud, where we see potential for continued growth."

As at the time of writing, Alphabet is a ~9% position for the Fund, and we believe the stock remains attractively priced.

Meta's core business continues to grow strongly

Meta delivered a very strong quarter, with revenue and operating profit growth of +21% and +33% year-on-year, respectively. Revenue growth was driven by healthy user growth of +5% year-on-year and average revenue per user growth of +16% year-on-year. Meta's share price is up +6% since the earnings release.

Like Alphabet, Meta's full-year capital expenditure guide of $60-65bn for 2025 was ahead of consensus expectations for ~$50bn, and is a meaningful step-up from the ~$40bn spent on capital expenditures in FY24. However, the majority of capital expenditures will be directed towards Meta's Family of Apps segment (i.e., Facebook, Instagram, Messenger, and WhatsApp), which has historically generated extremely high returns on incremental capital.

In addition, Meta continues to focus on optimising its cost structure, which led to meaningful margin expansion in the fourth quarter, and a record 60% operating profit margin in Family of Apps.

MSCI performs in-line with our investment thesis

MSCI grew revenue +8% year-on-year, which missed sell-side estimates by -0.6%. However, the key driver of the miss was weaker-than-expected non-recurring revenues. Specifically, in the same quarter last year, MSCI recorded elevated one-time fees for unlicensed usage of its index content (i.e., MSCI tracked down users that hadn't paid, and demanded payment). MSCI lapped these benefits this quarter, and we believe the impact was not properly modelled by sell-side analysts.

If we exclude non-recurring revenues, MSCI grew revenues +10.5% year-on-year, well above consensus and in-line with the performance we expect to see from this wonderful business.

Our confidence in the investment thesis has not changed, and at this price, we see meaningful valuation upside.

We have high conviction in the long-term opportunity for cloud accounting software in Japan

Money Forward is the dominant provider of cloud-based accounting software for small-to-medium-sized businesses in Japan. Cloud accounting software enables businesses to manage their records of income, expenses, assets and liabilities online.

Japan is in its infancy in the transition from desktop to cloud accounting software, and we estimate only ~20% of small and medium-sized businesses have made the shift.

Money Forward was down -15% after releasing its fourth quarter result. During the quarter, Money Forward's key performance indicators showed steady trends. Revenue grew +22% year-on-year, and recurring revenue in Money Forward's core cloud accounting segment grew +33% year-on-year.

The key disappointment was earnings guidance for 2025, which was below consensus expectations. Money Forward issued guidance for Adjusted EBITDA margins of ~7% at the mid-point of guidance, vs. expectations for ~12%, which led the market to question the achievability of Money Forward's target to achieve Adjusted EBITDA margins of 30% by 2028.

Immediately following the release, we had a call with Money Forward CFO Yumiko Nagao. We came away from the call with increased conviction in Money Forward's commitment to achieving its revenue, Adjusted EBITDA, and free cash flow targets.

Of note, Money Forward issued performance-linked stock options tied to the achievement of its 2028 targets, which includes additional compensation for an "upside case" – i.e., for achieving >10% above its revenue targets, and >17% above its Adj. EBITDA targets.

On the back of this, we increased our position to ~6% of the Fund. Based on our understanding of the cloud accounting software industry, and our conviction in the quality of Money Forward's business model, we think these additions will prove well-timed with a multi-year view.

"I just like the great businesses."

- Charlie Munger

GCQ Funds Management[1]	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY
2022							8.9%	-4.1%	-4.8%	2.9%	5.9%	-5.7%	**2.3%**
2023	10.0%	1.6%	8.2%	4.4%	5.1%	2.5%	2.2%	2.9%	-3.9%	-1.1%	8.7%	1.8%	**50.2%**
2024	6.7%	6.0%	0.0%	-4.3%	1.9%	2.5%	5.4%	-0.3%	0.6%	0.6%	3.7%	7.5%	**34.3%**
2025	6.4%												**6.4%**
Since Inception													**119.5%**

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GCQ Flagship Fund’s Target Market Determination is available here (https://www.eqt.com.au/corporates-and-fund-managers/fund-managers/institutional-funds/institutional). A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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