GCQ FLAGSHIP FUND | P Class Units

GCQ
GLOBAL CONCENTRATED QUALITY

MONTHLY PERFORMANCE & PORTFOLIO UPDATE

September 2024

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]	**0.6%**	**5.8%**	**5.8%**	**31.1%**	**36.0%**	**31.1%**
MSCI World Index (AUD)	-0.8%	2.3%	2.6%	22.9%	20.1%	20.1%
Outperformance	**1.4%**	**3.5%**	**3.2%**	**8.1%**	**15.9%**	**11.1%**

"Warren likens owning a monopoly to owning an unregulated toll bridge. You have relative freedom to increase rates when and as much as you want."

- Sandy Gottesman

The portfolio's net return for the month of September was **+0.6%**, which compares with the MSCI World Index (AUD) return of -0.8%. This brings the net return for P Class units to **+84.0%** since inception on 1 July 2022 (**+31.1%** annualised).

The most significant activity for the Fund in September related to REA Group's interest in acquiring Rightmove, the UK's leading real estate advertising portal. Rightmove is one of the Fund's largest holdings, and we believe it is the highest-quality listed business in the UK.

Over the past twelve months, we have taken advantage of periods of share price weakness to add to our position in Rightmove.

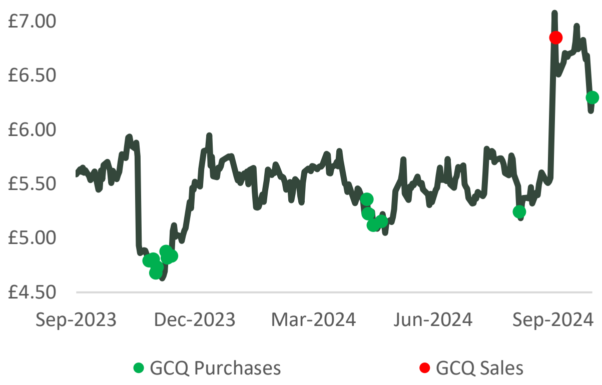
As shown on the chart on the following page, we meaningfully added to our position in October and November 2023, when Rightmove's share price was down almost -20% following the announcement of CoStar's acquisition of OnTheMarket, the UK's third-largest real estate advertising portal. Despite a solid first-quarter earnings release in April 2024, Rightmove's share price underperformed, and we added to our position. More recently, OpenRent, a lettings agent, announced it would stop using Rightmove in August 2024, but was back on the platform within ~3 days. Rightmove's share price was down -4% on the day of the announcement, allowing us to add to our position.

Following the announcement of REA Group's possible offer for Rightmove, we reduced the Fund's exposure to Rightmove for risk management reasons in early September. We are very comfortable with the Fund's Rightmove investment at current prices, and we added to our position in early-October following the withdrawal of REA Group's interest.

(continued overleaf)

Portfolio Overview as at 30 September 2024	Portfolio Weight
Hemnet	11%
rightmove	7%
Real estate advertising monopolies	**18%**
VISA	10%
	7%
Global consumer payments	**18%**
RICHEMONT	10%
HERMÈS	3%
Super-luxury goods	**13%**
Alphabet	10%
Meta	2%
Global online advertising	**12%**
MSCI	8%
S&P Global	3%
Moody's	1%
Credit rating agencies & investment index providers	**12%**
amazon.com	10%
Global cloud computing	**10%**
WD-40 COMPANY	1%
Branded consumer goods	**1%**
Other high-quality businesses	**16%**
Total long	**99%**
Shorts	**(3%)**
Net exposure	**96%**
Cash	**4%**
TOTAL	**100%**

Rightmove Share Price



Although four rapid-fire indicative proposals made by REA Group during September did not lead to a recommended transaction, we can't fault the performance of the Rightmove board and are optimistic regarding the outlook for our investment in Rightmove.

REA Group's offers came at a time when Rightmove was trading at its lowest valuation in a decade. While the fourth indicative offer represented a healthy 45% premium to Rightmove's undisturbed share price, this was still a discount to both our valuation, and the highest price at which Rightmove traded back in 2021. Since that time, the business has only become more profitable.

GCQ spoke out – through the media, in addition to private conversations with other shareholders and the Rightmove board – to ensure REA Group had every opportunity to put its best foot forward. We admire all that REA Group has achieved in the Australian market over the last 20 years, and we see the logic of a business combination. We also communicated to the Rightmove board that we would not support a transaction unless Rightmove shareholders received a fair price for control. Ultimately, it seems that needle was just too difficult for REA Group to thread.

We believe there are two key positives for long-term investors that accrue from REA Group's failed takeover attempt. First, the public spotlight on Rightmove has highlighted the quality of the business to a broader range of investors, and as a result we expect the share price to settle above prior levels. Secondly, the Rightmove board and management will now feel additional pressure to justify the decision to reject REA Group's approach, which should lead to a healthy emphasis on shareholder-friendly decision-making.

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.[3]

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 too easy to bask in the satisfaction of having correctly identified a great investment, and far harder to make the decision to move on from a winning idea.

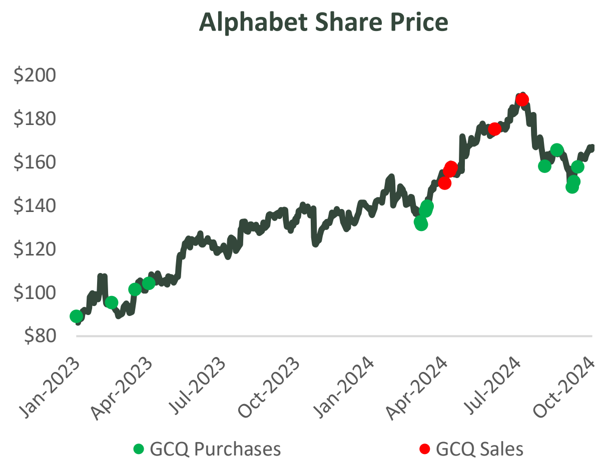
To manage this, we have strict rules that require us to sell in specific circumstances.

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 businesses, earning a high-margin royalty on consumer credit in the US. Since inception in July 2022, FICO has been 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. As shown on the chart below, Alphabet's share price appreciated ~100% since we materially increased the position in early-2023, and we believed the margin of safety had subsequently 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. Today, Alphabet is once again one of our largest positions at ~10% of the Fund, and we believe the stock is well-positioned to deliver a high-teens 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** (~10% of the Fund) and **Hermès** (~3%) 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 in late-September, the industry rallied, with the share prices of Richemont and Hermes up approximately +15% from intra-month lows.

In the case of **Hemnet** (~11% of the Fund), a strong second-quarter earnings release saw the stock jump nearly +20%, 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. The decision to partially sell-down our Rightmove position in September, as discussed earlier, was made in part due to this industry limit.

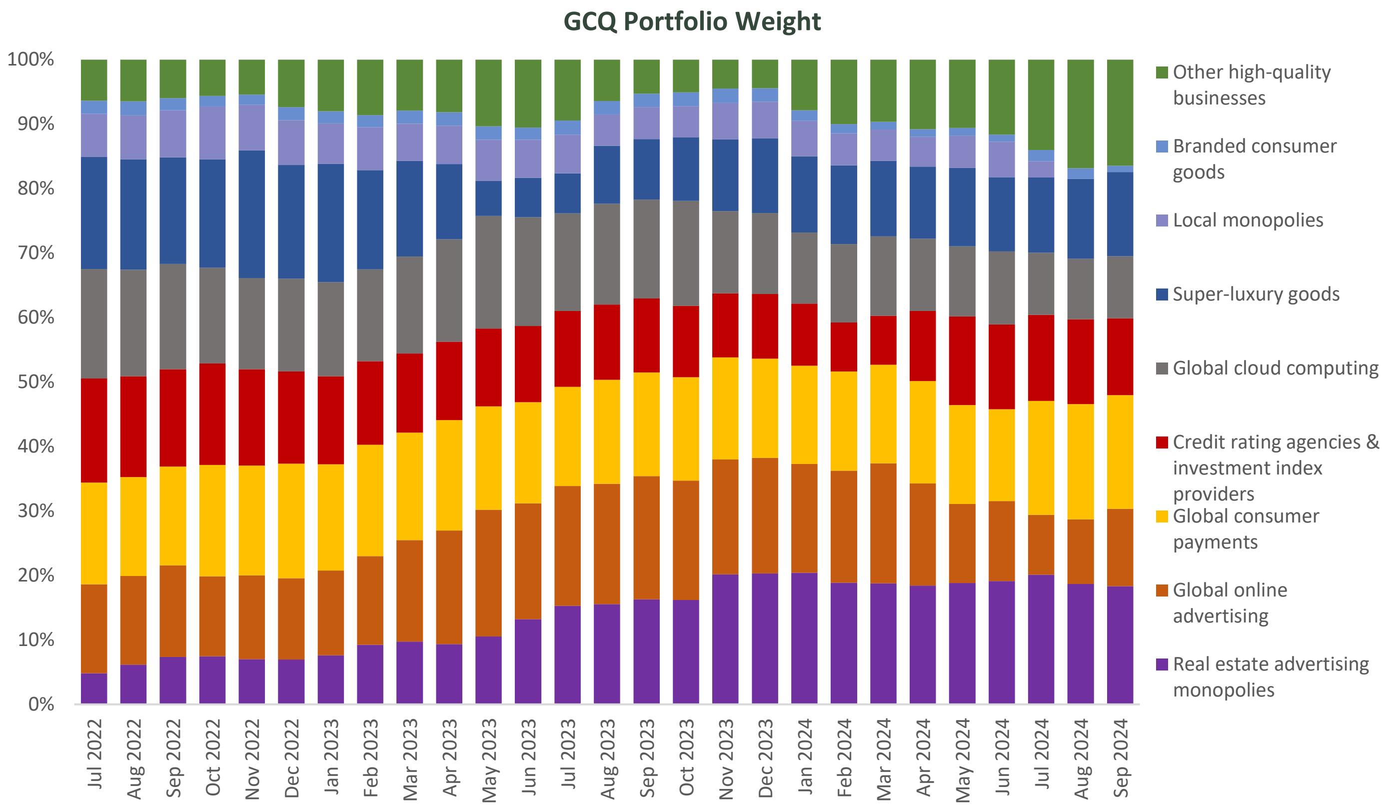
In certain situations, our returns would have been higher had we let a position become an increasingly large percentage of the Fund, but we believe our returns are higher-quality and more repeatable because of our strict approach to sell discipline.

As shown on the chart on the following page, 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 own industries and companies that 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 the year, at ~24x forward earnings, despite having delivered returns of **+19.8%** year-to-date. We believe this represents good value for such high-quality businesses, with our valuations suggesting there is currently c.55% upside across the portfolio. We continue to expect the earnings of the portfolio will double over the next five years, and on this basis, we expect the portfolio will deliver a c.+15% annual return over this time horizon.

"The market doesn't instruct us. The market is there to serve us. If the market does something silly, we get a chance to do something smart."

- Warren Buffett



GCQ Funds Management[1]	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022							8.9%	-4.1%	-4.8%	2.9%	5.9%	-5.7%
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%
2024	6.7%	6.0%	0.0%	-4.3%	1.9%	2.5%	5.4%	-0.3%	0.6%			

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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.

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

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[3] Liang Jin and Richard Taffler, Fund Manager Skill: Does selling matter more than buying