

# GCQ FLAGSHIP FUND | NZ PIE Units

MONTHLY PORTFOLIO & PERFORMANCE UPDATE

May 2026



Returns	1 Month	3 Months	1 Year	Since Inception (Dec 2024)
<b>GCQ NZ PIE (NZD)<sup>1</sup></b>	<b>(3.8%)</b>	<b>0.1%</b>	<b>(10.4%)</b>	<b>(7.6%)</b>
MSCI World Index (NZD) <sup>2</sup>	2.8%	7.5%	27.1%	28.7%
<b>Outperformance</b>	<b>(6.6%)</b>	<b>(7.4%)</b>	<b>(37.5%)</b>	<b>(36.3%)</b>

Returns	1 Month	3 Months	1 Year	2 Year (p.a.)	3 Year (p.a.)	Since Inception (p.a.) (1 July 2022)
<b>GCQ P Class (AUD)<sup>1</sup></b>	<b>(2.3%)</b>	<b>(1.0%)</b>	<b>(19.6%)</b>	<b>1.7%</b>	<b>9.0%</b>	<b>15.5%</b>
MSCI World Index (AUD) <sup>2</sup>	4.5%	6.3%	14.0%	15.8%	17.7%	18.3%
<b>Outperformance</b>	<b>(6.8%)</b>	<b>(7.3%)</b>	<b>(33.6%)</b>	<b>(14.1%)</b>	<b>(8.7%)</b>	<b>(2.8%)</b>

<sup>1</sup>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 longer than one year have been annualised. <sup>2</sup>See MSCI Disclaimer on the last page.

**“The four most dangerous words in investing are: ‘This time it’s different.’”**

- Sir John Templeton

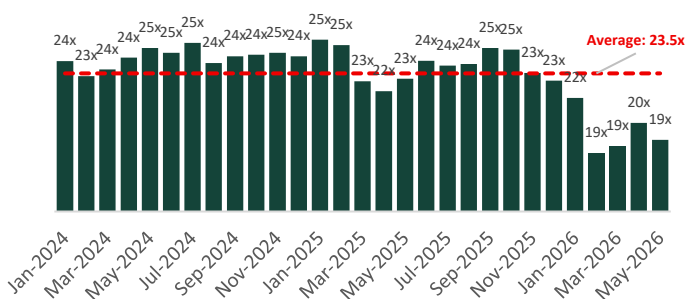
The net return for investors in NZ PIE Fund for the month of May was **-3.8%**. This compares with the MSCI World Index (NZD), which was up +2.8%.

The NZ PIE Fund is a feeder fund for Class P. In light of the short investment period of NZ PIE Fund, we will refer to the recent performance of Class P’s longer track record.

The Fund’s underperformance for the current financial year follows strong outperformance in the prior three years. We believe that recent share price declines present an excellent buying opportunity for the high-quality businesses in our portfolio.

Returns	FY23	FY24	FY25	FY26 YTD
<b>GCQ P Class (AUD)<sup>1</sup></b>	<b>39.0%</b>	<b>25.2%</b>	<b>26.4%</b>	<b>(20.1%)</b>
MSCI World Index (AUD) <sup>2</sup>	22.4%	19.8%	18.5%	11.3%
<b>Excess performance</b>	<b>16.6%</b>	<b>5.4%</b>	<b>7.9%</b>	<b>(31.5%)</b>

GCQ Portfolio Forward Earnings Multiple



## Portfolio as of 31 May 2026

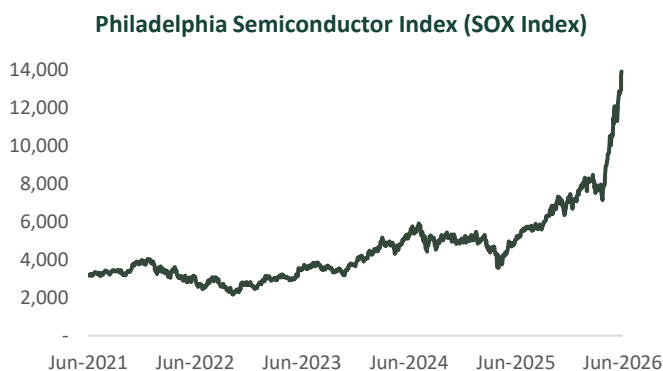
	Weight
Real estate advertising monopolies	<b>15%</b>
Hemnet	7%
rightmove	5%
Scout24	3%
Cloud accounting software	<b>14%</b>
Money Forward	7%
INTUIT	7%
Sharing economy	<b>12%</b>
airbnb	7%
Uber	5%
Global cloud computing	<b>10%</b>
amazon.com	10%
Credit rating agencies & index providers	<b>10%</b>
MSCI	6%
S&P Global	4%
Super-luxury goods	<b>10%</b>
HERMÈS	6%
LVMH	3%
RICHEMONT	1%
Global consumer payments	<b>9%</b>
VISA	8%
Mastercard	1%
Industry standard businesses	<b>8%</b>
FICO	5%
Verisk	3%
Enterprise software	<b>6%</b>
Microsoft	5%
SAP	1%
Online marketplaces	<b>4%</b>
smg <small>swiss marketplace group</small>	4%
Other high-quality businesses	<b>1%</b>
Total long	<b>99%</b>
Shorts	<b>(3%)</b>
Net exposure	<b>96%</b>
Cash	<b>4%</b>
<b>TOTAL</b>	<b>100%</b>

**“In the short run, the market is a voting machine but in the long run it is a weighing machine.”**

- Benjamin Graham

At GCQ, we’ve enthusiastically adopted Artificial Intelligence (AI) as a tool to make our everyday lives more productive.

As with revolutionary technologies that have come before, AI has captured the imagination of equity markets globally. At present, the semiconductor industry is at the epicentre of market excitement over AI, as highlighted by the Philadelphia Semiconductor Index (SOX Index). Semiconductors are to AI what engines are to aviation – every increment of activity ultimately runs through them.



Source: Bloomberg & GCQ Funds analysis

However, the semiconductor industry is one that does not pass the **GCQ Industry Quality Checklist™**, due to the persistent rapid technological change and extreme cyclical – which is often forgotten at the bottom and top of cycles!

Whatever your investment strategy, when we see an exponential move up like this, we think it generally pays to be cautious. The Semiconductor Index is as far above its long-term trend as it was at the peak of the technology bubble, when it was “.com” that captivated us. The market always claims that this time is different – history usually disagrees.

At GCQ, we have a rigorous checklist process for inclusion into our high-quality watchlist. Just over 200 companies in the world pass through our checklists. This gives us a list of monopolies, duopolies, oligopolies and irreplaceable brands with secular tailwinds. We follow these companies closely and tend to own around 20 of them at any one time. Key competitive advantages of these companies often include network effects or an industry standard position, resulting in very high barriers to entry and pricing power. Meanwhile, we avoid industries and companies prone to technological innovation,

extreme cyclical, capital intensity and high levels of debt.

Many of the stocks that have gone up the most in recent months are lower quality businesses, but our investment philosophy and valuation discipline mean we often avoid owning the hottest stocks in the market, particularly when their competitive advantages are thin.

## Network Effects Have De-Rated

### Index Valuation - Multiple of Forward Earnings

Index	October 2025	May 2026
<b>MSCI World Index</b>	<b>21x</b>	<b>20x</b>
GCQ Network Effects Index	21x	16x

Source: GCQ Funds analysis

As an intellectual exercise, we created a list of 110 companies (using AI!) judged to have network effects. Network effects - where a product or service becomes more valuable as more people use it - are widely accepted to be one of the strongest possible competitive advantages. Over the last seven months, this universe of stocks delivered an average return of -21%, entirely driven by a decline in the multiple of forward earnings applied by the market. Put another way, these high-quality companies, which usually trade at a premium to the market multiple, have been punished entirely on a narrative that they will be disrupted by AI when no tangible evidence of this exists.

We see similar outcomes when we look at the performance of the broader GCQ watchlist and our portfolio itself. The broad de-rating of high-quality businesses with strong market positions has been savage and unprecedented. Meanwhile, fundamental performance continues to be strong and shows no signs of weakness. This, as we stand today, is an attractive set-up.

There are many echoes of the later stages of the technology bubble of 1999-2000. Of course it’s not identical, and markets can go on to greater extremes, as we saw in [1989](#), when the land surrounding the Emperor’s Palace in Tokyo was temporarily valued higher than all the land in California. The more extreme the move, the worse the fall-out, so to latecomers, we say “be very careful”.

With this backdrop, the team ventured to Europe and Asia to test the investment cases of the high-quality companies we own. We came away encouraged by our findings which we share below.



## Lessons from Europe

### Super-Luxury Goods Industry

As many of our investors will know, we think the super-luxury goods industry is a tremendous industry. The industry benefits from secular growth due to both rising levels of wealth and greater wealth inequality. There are more millionaires and billionaires in the world each year.

Importantly, super-luxury brands do not compete on price and do not discount. This leads to high margins for the largest companies within the industry, who benefit from fixed cost leverage and extremely high sales per store.

Further, it is almost impossible for a new competitor to enter, because centuries of brand heritage are a condition of entry.

Despite these remarkable attributes, *sentiment* regarding the stocks in the broader luxury goods industry can swing wildly, providing us an opportunity to actively manage their position sizes within the portfolio.

In September 2025, we held 19% of the portfolio in **Hermès, LVMH** and **Richemont** and the stocks had performed well. We took the opportunity to reduce our industry position to 4% of the portfolio by February 2026.

Almost immediately, the outbreak of conflict in the Middle East led to a meaningful decline in the share prices of our favourite super-luxury goods brands, providing us an opportunity to repurchase the shares.

Today, the GCQ Flagship Fund holds approximately 10% of the portfolio across Hermès, LVMH and Richemont.

After meeting fourteen companies at the luxury conference we attended in Paris, we came away with increased confidence that temporary macroeconomic issues were providing an opportunity to own the highest quality companies in the industry.

A core theme that emerged is that high-net-worth and ultra-high-net-worth consumers continue to spend, while “aspirational” luxury consumers have been more cautious. As we would expect in this environment, Hermès, which sits at the apex of the super-luxury pyramid, and Richemont, whose jewellery brands Cartier and Van Cleef & Arpels have limited exposure to aspirational customers, have performed better than their peers.

Regionally, high-end consumer sentiment in the U.S. is healthy, while momentum among Chinese clientele is improving, driven by healthier equity and housing markets.

Within the super-luxury industry, we believe jewellery is one of the most durable product categories. Timeless “investment pieces” and conservative consumer tastes lead to limited risk of being on the wrong side of fashion trends, which we call “runway risk”. Many of the high-end pieces sold by Cartier and Van Cleef & Arpels 50 years ago are almost identical to those sold today. As the CEO of Pandora put it, (commenting wistfully about some other businesses!) at the high end of jewellery, companies can raise prices and their customers won’t blink.

The broader message from the management teams of Hermès and LVMH was consistent. Their businesses have been built on centuries of heritage and the durability of their brands remain intact. While we do not know when the conflict in the Middle East will end, these brands have weathered downturns and periods of lower growth many times before. So long as there are weddings, birthdays and milestones worth celebrating, consumers will continue to seek out the world’s finest brands.

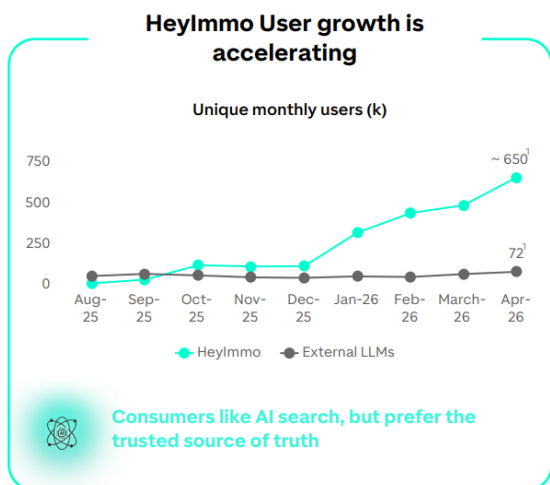
### Real Estate Advertising Monopolies

Our meetings with the management teams of online classifieds companies were dominated by the discussion of AI. The biggest fear among investors is that home buyers will use AI chatbots like ChatGPT to find their next home, rather than use property portals like realestate.com.au (and its global equivalents).

It is our view that there are structural reasons why AI-enabled property search housed *within* property portals should be the go-to choice for home buyers. This view was shared by **Scout24** CEO Ralph Weitz who explained that AI models require vast amounts of proprietary data to train and deliver a useful consumer experience – it is the property portals which have collected this data over decades.

Traffic to the property portals originating from external Large Language Models (LLMs) has been de minimis to date, sitting at <0.5%. Importantly, this traffic has not meaningfully grown over the past 6-12 months. In the case of Scout24, which operates the leading real estate portal in Germany, traffic from external chatbots has declined since the summer of 2025, while uptake of its own AI search tool, HeyImmo, has increased and now has ~9x more users than an external LLM. Interestingly, one-third of HeyImmo’s queries are for property valuation purposes (i.e., “value this property for me”) rather than people looking to buy a home.





Source: Scout24

Vend Marketplaces (the leading real estate portal operator in Norway and Finland) CEO Christian Printzell Halvorsen similarly noted the primary use cases for AI chatbots in property and auto classifieds have been for research historically conducted via Google Search – like understanding suburb demographics or vehicle specifications, rather than finding inventory – cars or homes – which are ready to be transacted on. Further, he reiterated that a meaningful percentage of AI queries are related to property valuations (akin to Scout24), rather than for new ways to find a property.

The underlying message from our meetings is that consumers remain very happy with the search tools that real estate portals have provided to them for many years. There is no problem that needs to be fixed, with the vast majority of home buyers continuing to search for a home using established methods.

We have strong conviction the real estate advertising monopolies we own will not be disrupted by AI, and in fact, will be able to use AI to deliver more engaging products and services to consumers. With the sector trading at valuations not seen since the GFC, we think the setup is incredibly attractive. From here, the catalyst for stock prices to move materially higher will be the continued reporting of excellent financial results in the months to come.

## Lessons from Asia

Continuous re-testing of our investment theses is a critical part of our investment process. For this reason, we travelled to Asia to attend conferences in Hong Kong and Taipei, with the primary purpose of identifying any parallels between the structure of the ride-hailing, software, and information services industries in different markets.

## Ride-Hailing Industry

We hold a 5% position in **Uber**, and we came away with increased conviction that, as Autonomous Vehicles (AVs) take share, Uber will continue to function as the dominant demand aggregator of consumers for the ride-hailing industry.

As a reminder, the market is presently most concerned that Waymo and Tesla will be the monopoly or duopoly providers of AV technology in the United States, where Uber generates roughly half its profits. Under this scenario, the market is concerned Waymo or Tesla will own both the consumer-facing app to generate demand and the AV technology to aggregate supply in a closed-loop network. Our learnings from Asia lead us to believe each country or region is likely to have at least ~3-4 AV technology providers, with the robotaxi hardware owned by a fragmented supplier base of fleet owners. The U.S appears to be heading down this path with AV technology providers including Waymo, Zoox, Nuro and Mobileye.

In drawing inferences from China, it is important to understand the structure of its ride-hailing industry differs from the US in two key ways.

First, China's dominant ride-hailing network – DiDi – is manufacturing its own AV technology solution. As a result, DiDi has actively chosen not to partner with the three other AV technology providers in China (WeRide, Pony.ai and ApolloGo). This is the opposite of Uber's approach in the US (and globally) which focuses on partnering with multiple AV technology providers, providing value as the demand aggregator. Our discussions with the management of WeRide indicate they would be keen to partner with DiDi (to access its aggregated consumer demand) in the event that DiDi changes its strategic course in the future.

Second, in addition to using the DiDi app, consumers in China also book ride-hailing trips via WeChat (the Chinese super app) and Amap (Alibaba's version of Google Maps). While direct bookings still account for the majority DiDi's trips, all of Uber's trips in the US are booked through its app. It is instructive that both WeRide and Pony.ai have partnered with WeChat and Amap as a means of accessing consumer



demand, a signal of the value they place on external aggregators of consumer demand.

From a technical standpoint, the presence of four AV technology providers in China, all of which operate a commercial ride-hailing service in various cities domestically, indicates that the AV technology industry is not a winner-takes-all market.

Furthermore, each of these players (except DiDi) have expressed a desire to run an asset-light business model over the medium-to-long-term, supplying AV technology to a third-party fleet operator, without wanting to own the vehicles themselves. Under this model, we believe the fleet operator will opt to allocate their robotaxis to the dominant ride-hailing network, which maximises utilisation and revenue generated by their asset. In the western world, this is Uber.

We continue to believe that AVs will expand the total addressable market of the ride-hailing market over the medium-to-long-term through reducing the price per trip, just as Uber expanded well beyond the traditional taxi market.

## Software Industry

Our second key learning was that incumbent software vendors like **Microsoft** or **SAP** are best positioned to distribute the productivity benefits of AI to enterprises due to decades of deep context around business processes. This runs counter to some of the current market concerns that software vendors will be replaced by “vibe-coded” software tools.

For example, our meeting with Kingsoft (China’s equivalent of Microsoft Office) showed that its early traction with AI products was a function of its strong understanding of end user workflows. Further, Samsung SDS (the IT services arm of Samsung Group) told us they would not seek to replace

mission-critical software like SAP and Salesforce as it significantly increases the risk of losing customer relationships.

## Information Services Industry

The dominant market positions of **S&P Global**, **MSCI** and **Verisk Analytics** are cemented by their proprietary datasets, which is highly valuable in an AI world as it materially enhances the quality of AI model outputs. As the old saying goes: “garbage in, garbage out.”

During our trip, we found it interesting that executives from two prominent AI companies agreed with this view, which runs counter to some of the market’s concerns about information services businesses with proprietary data. For example, Michael Sabes, a former senior executive at Anthropic (the firm behind Claude) noted that – even in an AI world – network effects, proprietary data, governance, and customer relationships are durable sources of competitive advantage. In addition, Lucy Guo, the co-founder of Scale AI (a major AI start-up) noted: “The model is only as good as the data you provide for it.”

***“Thanks, old economy, we’ll take it from here.”***

- Advertisement by investment bank Robertson Stevens, which took dozens of dot-com companies public during the tech boom of the 1990s, before being shut down in 2002.

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