

Returns	1 Month	3 Months	Since Inception (1 May 2025)			
GCQ Flagship Offshore Fund (USD)¹	(0.3%)	0.4%				6.4%
MSCI World Index (USD) ³	3.2%	7.3%				11.9%
Excess performance	(3.5%)	(6.9%)				(5.5%)

Returns	1 Month	3 Months	1 Year	2 Year (p.a.)	3 Year (p.a.)	Since Inception (p.a.) (1 July 2022)
GCQ P Class (USD)²	(0.3%)	0.4%	14.3%	26.8%	31.6%	28.2%
MSCI World Index (USD) ³	3.2%	7.3%	17.2%	24.6%	23.7%	19.3%
Excess performance	(3.5%)	(6.9%)	(2.9%)	2.2%	7.9%	8.8%

"There are actually businesses, that you will find a few times in a lifetime, where any manager could raise the return enormously just by raising prices—and yet they haven't done it. So they have huge untapped pricing power that they're not using. That is the ultimate no-brainer."

- Charlie Munger

The portfolio's net return for the month of September 2025 was **-0.3%**, which compares with the MSCI World Index (USD) return of **+3.2%**. This brings the net return since inception (1 May 2025) to **+6.4%**, while the MSCI World Index (USD) has returned **+11.9%** over the same period.

The fact the fund holds approximately 20 companies, while the MSCI World Index has over 1,300 constituents, means there is plenty of opportunity for our returns to deviate from the index. In September, share price declines by **Money Forward**, **Amazon**, and **Hemnet** – in a month where index returns were underpinned by companies highly exposed to the Artificial Intelligence thematic – were the primary contributors to the fund's underperformance. These three companies have each been significant contributors to longer-term fund returns, and we are confident in the outlook for all three.

On the following pages, we provide a discussion of our recent decision to repurchase FICO, which is now a 7% position. Since inception of the GCQ Flagship Fund Class P, FICO has been the second-largest contributor to the fund's performance. We exited the position in August 2024 after its share price had quadrupled. More recently, FICO's share price has sold off, and we have used this opportunity to repurchase shares at a price that should translate into meaningful returns over the next few years.

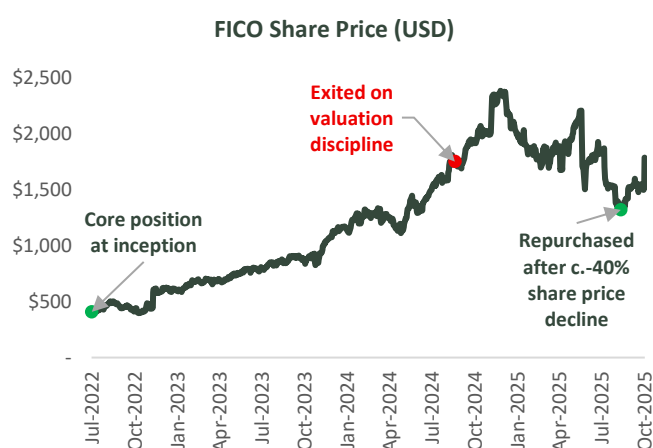
Portfolio as of 30 September 2025	Weight
LVMH	9%
RICHEMONT	6%
HERMÈS	3%
Super-luxury goods	18%
 Hemnet	11%
 rightmove	3%
Real estate advertising monopolies	14%
Uber	11%
 airbnb	3%
Sharing economy	14%
VISA	6%
 Mastercard	4%
Global consumer payments	10%
amazon.com	10%
Global cloud computing	10%
 Money Forward	8%
 free	1%
Cloud accounting software	9%
MSCI 	8%
Index providers	8%
 WD-40	2%
Branded consumer goods	2%
Other high-quality businesses	14%
Total long	99%
Shorts	(2%)
Net exposure	97%
Cash	3%
TOTAL	100%

¹Net 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. ²GCQ Flagship Fund P Class is denominated in AUD, however, for comparison purpose, we have converted returns into USD. ³ MSCI Disclaimer on the last page.

FICO: A Growing Royalty on US Consumer Credit

FICO is a company we have discussed in some detail over the years – in [July 2022](#), [January 2023](#), [January 2024](#), and [January 2025](#) – primarily because it represents a good example of the type of extremely high-quality business we like investing in.

FICO was held in our portfolio at the inception of the GCQ Flagship Fund. FICO performed well, with the share price approximately quadrupling until the time of our final sale in August 2024. FICO has been the second-largest contributor to returns since inception.



Source: Bloomberg & GCQ Funds' analysis

Since selling our position on valuation discipline, we have been watchful for an opportunity to repurchase at a more attractive price. Recent regulatory and media attention has provided the opportunity we were hoping for, and we once again own FICO, with our investment accounting for 7% of the GCQ Flagship Offshore Fund.

Pleasingly, FICO has already contributed to recent returns, with the stock up c.+35% since our repurchase less than two months ago.

What is FICO?

When we first mention FICO to people, the most common first question is: "What is FICO?"

FICO owns the intellectual property behind the FICO Score. An individual's FICO Score is a number between 300 and 850, and has over decades become the industry standard measure of consumer credit risk in the United States.

When a consumer applies for a mortgage (or other loan), the lender will use the consumer's FICO Score as a key input to the lending decision. High FICO Score consumers are more likely to have their loan approved, and are more likely to borrow at lower interest rates than low FICO Score consumers. For this reason, American consumers tend to be highly aware of how strong their FICO Score is.

Today, 90% of consumer lending decisions in the US rely on FICO Scores. US banks have utilised FICO Scores as a key input into lending decisions for decades, and the FICO Score is tightly integrated into loan origination processes. To switch away from the FICO Score would entail huge switching costs for lenders who rely on FICO Scores as a measure of consumer creditworthiness.

A senior executive at one of the large credit bureaus (i.e., one of FICO's customers), said it this way:

"You probably have plastic pipes in your house. And if I went and said to you, let's go put copper pipes in your house. You'd be like, well, yeah, not really. I don't want to spend \$5,000 replacing the piping in my house. That's basically what you're talking about with FICO. All the bank's algorithms are based on FICO, and so to rip out FICO means it's a very expensive proposition. Walking into Bank of America and telling them to rip out FICO? I mean, they'd look at us like we're crazy. They'd be like, why? Why am I going to go through some big technology exercise recoding all my scoring algorithms to save 50 cents?"

The FICO Score is also integrated more broadly across the entire industry.

Once a loan has been made, the FICO Score is demanded by credit rating agencies and investors to assess risk when the loan is packaged into a mortgage-backed security. In the US, 97% of asset-backed securities rely on FICO Scores to measure risk. Regulators will similarly assess credit risk by referencing FICO Scores.

Whenever one of the three US consumer credit bureaus uses the FICO algorithm to calculate a FICO Score, FICO is paid a royalty for the use of its intellectual property. This places FICO at the centre of the consumer credit ecosystem, between lenders, investors, credit bureaus, regulators, and consumers. FICO's high returns on capital are protected by powerful network effects between these industry participants, which each rely on the FICO Score as the "language" for assessing and communicating consumer credit risk.

GCQ

Because FICO's core business is essentially just earning a royalty on the economic activity of others, it generates margins of approximately 90%.

Pricing Power

Crucially, the FICO Score is significantly under-priced relative to the value it delivers to its end-customers and the broader lending ecosystem. This is largely because of legacy pricing arrangements with the credit bureaus which saw FICO's prices unchanged for nearly 30 years. After renegotiating these contracts in 2018, FICO pursued a series of meaningful price increases.

While these price increases underpinned a period of strong share price performance from 2022 to 2024, FICO has more recently caught the ire of Federal Housing Finance Agency (FHFA) Director Bill Pulte, who published a series of [tweets](#) targeting FICO, beginning in May 2025. This culminated in the approval of a second credit score, VantageScore, which is owned by the three credit bureaus that re-sell FICO Scores to lenders, for use by Fannie Mae and Freddie Mac for mortgages.

Fannie and Freddie are government-sponsored enterprises that purchase conforming mortgages (i.e., mortgages that meet several requirements) from lenders. Their existence provides a steady flow of funds for new loans. Fannie and Freddie then package these mortgages into mortgage-backed securities, which are sold to investors.

The approval of a second score triggered market concern that 1) FICO's enviable position at the centre of the mortgage ecosystem is at risk and 2) FICO's willingness to continue its current cadence of price increases may be challenged. We address both concerns below.

FICO sits at the centre of the consumer credit ecosystem

While the Federal Housing Finance Agency (FHFA) now permits lenders to choose between two approved credit score models, FICO and VantageScore, this does not mean lenders will change. This is because the FICO Score is part of the lending process, and as discussed earlier, FICO scores have been embedded in the decisioning process for decades. Further, FICO scores are expected by the mortgage-backed securities market as the de-facto standard measure of consumer creditworthiness.

Without the FICO Score, investors in the securitisation market would demand higher interest rates on pools of mortgages and other loans. We have seen a similar dynamic play out for S&P and Moody's in the corporate bond market, where it is generally accepted that borrowers without a credit rating pay much higher rates of interest. Due to this dynamic, it ends up being very good value to pay the S&P, Moody's or FICO "tax".

FICO delivers tremendous value to the ecosystem and has a long runway of price increases ahead

The Federal Housing Finance Agency (FHFA) is not a price regulator, and we believe Bill Pulte's comments will not change the expected pace of price increases for mortgage scores. FICO similarly faced public criticism from Consumer Financial Protection Bureau (CFPB) Director Rohit Chopra in 2024, but continued to increase prices on mortgage scores by c.+40% in 2024.

For a FICO Score used in the mortgage origination process, FICO charges a wholesale price of just \$4.95 per score. Relative to the size of a typical mortgage – hundreds of thousands to millions of dollars – \$4.95 is peanuts. Further, the cost of FICO Score is dwarfed by the approximately \$6,000 typically paid in mortgage closing costs. Importantly, these costs are all passed on to the borrower, and wrapped up in the mortgage. This pricing "pass the parcel" reduces sensitivity to FICO's price increases.

While FICO has increased prices meaningfully in percentage terms over the last few years, prices have only increased from approximately \$1 to \$5. The absolute dollar value of the score remains miniscule compared to other line items for lenders and mortgagees.

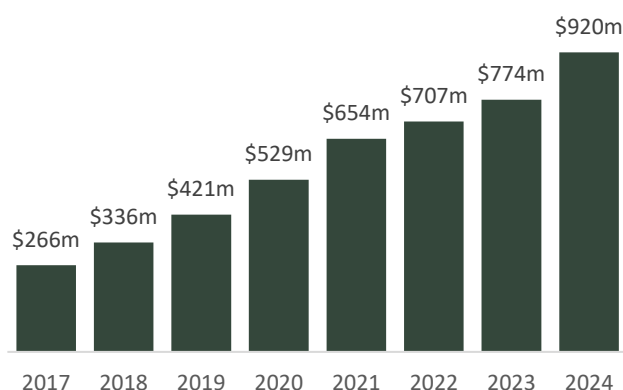
More recently, FICO announced the [Mortgage Direct License Program](#), where resellers, which sell credit reports from the three major credit bureaus to lenders, have the option to calculate and distribute FICO Scores directly to their customers. This eliminates the mark-up on the FICO Score by the three credit bureaus. We believe this provides FICO with an even longer pricing runway (i.e., FICO can internalise the credit bureaus' mark-up), and potentially less headline regulatory scrutiny by providing lenders with more options. The stock reacted strongly, rising +18% on the news, while FHFA Director Bill Pulte [applauded](#) FICO's new direct-to-reseller license approach.

FICO's valuation represents an attractive margin of safety

Prior to the announcement of FICO's Mortgage Direct License Program, we had the opportunity to repurchase FICO shares at a substantial discount to our appraisal of fair value.

Over the last twelve months, FICO's B2B Scores revenues (FICO's key business line) have grown by approximately 30%, and we believe growth can continue at a similar clip going forward.

FICO B2B Scores Revenues



Source: Company filings & GCQ Funds' analysis

Mortgage volumes, which are currently meaningfully below normalised levels due to multi-decade high mortgage rates, could see a 60% to 80% increase to "more normal levels" in the coming years. However, we do not have to rely on a mortgage rebound for the stock to deliver a mid- to high-teens rate of return over the next five years from here.

During its recent period of share price weakness, FICO significantly ramped up share buybacks. FICO CEO Will Lansing has a remarkable track record as a capital allocator, and owns over US\$500m of stock. As Charlie Munger said: "Show me the incentive, and I'll show you the outcome." FICO has consistently bought back stock over decades, but has added a lot of value over this period by having the confidence to buy back a greater number of shares during periods of share price weakness.

Industry Standards

'Industry Standards' is an umbrella term we use to capture several industries including credit rating agencies (like S&P and Moody's), index providers (like MSCI), and certain local monopolies (like FICO) with similar characteristics.

Industry standards have had a place in the GCQ Flagship Fund since inception, and we currently hold two positions: MSCI (~8% weight) and FICO (~7% weight). We most recently talked about our position in MSCI in August 2024.

Industry standards generally make wonderful businesses.

They have enormous barriers to entry in the form of proprietary historical data and acceptance as a standard in the minds of users. Once an industry standard has been established, it is very hard to dislodge. For example, the Dow Jones Index has been around for over 100 years!

It is not unusual for industry standards to provide enormous value to the industry they operate in, while charging a fee that represents only a small fraction of this value. This provides a decades-long runway to increase prices above inflation. As an example, Moody's has grown its revenues at an average of +10% p.a. for 100 years.

The best industry standards earn 'royalties' tied to a growing asset class – like MSCI on the MSCI World Index, S&P or Moody's on rated debt outstanding, and FICO on consumer credit outstanding. While there are near-term bumps in each of these end-markets, we expect they will grow meaningfully above inflation over time.

Low variable costs lead to better-than-software-like margins for these businesses, translating to extremely high returns on capital. This means that revenue growth is extremely valuable, as most of the incremental cash is returned to shareholders in the form of dividends and share buybacks.

"People are so busy trying to predict the unpredictable that they forget to think about the profitable."

- Anon

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