MONTHLY PERFORMANCE & PORTFOLIO UPDATE

February 2025

Returns	1 Month	3 Months				Since Inception (13 Dec 2024)
GCQ NZ PIE (NZD)[1]	**0.7%**	**6.8%**				**6.8%**
MSCI World Index (NZD)[3]	0.7%	5.9%				5.9%
Outperformance	**0.0%**	**0.9%**				**0.9%**

Returns	1 Month	3 Months	6 Months	1 Year	2 Year (p.a.)	Since Inception (p.a.) (1 July 2022)
GCQ P Class (AUD)[2]	**0.2%**	**14.6%**	**20.3%**	**26.5%**	**38.7%**	**34.4%**
MSCI World Index (AUD)[4]	0.1%	5.2%	13.8%	21.0%	25.4%	22.9%
Outperformance	**0.1%**	**9.4%**	**6.5%**	**5.5%**	**13.3%**	**11.5%**

"The magic of network effects is that they generate a positive feedback loop that results in superlinear growth and value creation."

- Reid Hoffman, Co-Founder of LinkedIn

The portfolio's net return for the month of February 2025 was **+0.7%**. This compares with the MSCI World (NZD) Index, which was +0.7% for the month.

This month, we have broken out **Uber Technologies** and **Airbnb** in the Portfolio Overview table on the right-hand side of this page.

Over the past few months, the Fund has established positions in Uber Technologies and Airbnb. While we were building these positions, they were grouped in the "Other High-Quality Businesses" section of the Portfolio Overview table.

After following the company for many years, Uber is now a top five position for the GCQ Flagship Fund, accounting for 9% of the portfolio. On the following pages we outline our investment thesis on Uber, including the change in circumstances which led to it being added to the portfolio.

Today, our portfolio is trading at a weighted-average multiple of ~25x forward earnings and we expect earnings to double over the next five years. We believe these metrics mean the portfolio is well-positioned for future performance.

Portfolio Overview as at 28 February 2025	Portfolio Weight
Hemnet	12%
rightmove	8%
Real estate advertising monopolies	**20%**
Alphabet	9%
Meta	2%
Global online advertising	**11%**
Uber	9%
airbnb	2%
Sharing economy	**11%**
RICHEMONT	7%
HERMÈS	4%
Super-luxury goods	**11%**
VISA	6%
	4%
Global consumer payments	**10%**
amazon.com	9%
Global cloud computing	**9%**
Money Forward	7%
freee	1%
Fortnox	1%
Cloud accounting software	**9%**
WD-40 COMPANY	2%
Branded consumer goods	**2%**
Other high-quality businesses	**16%**
Total long	**98%**
Shorts	**(2%)**
Net exposure	**96%**
Cash	**4%**
TOTAL	**100%**

[1, 2] Net performance figures are shown after all fees and expenses and assumes reinvestment of distributions.

Uber Technologies: The World's Dominant Ride-Hailing Network

"An analyst modelling a company usually models some slowdown because it's kind of the brainless thing to do. We've been able to not slow down as a company. And based on the investments that we're making and the execution of the team, I'm confident that we can keep it going."

- Dara Khosrowshahi, CEO of Uber Technologies

To say Uber has a colourful history is an understatement. Since its founding in 2009, there have been question marks over the legality of its business model, whether it would ever be profitable, and whether its management team had the ability to allocate investor capital wisely as its founder and former CEO wasted billions of dollars (unsuccessfully) attempting to develop autonomous vehicle technology.

It is then surprising to know that Uber 1) generated more than $5bn of free cash flow in 2024 (the company's second free cash flow positive year in its operating history); 2) is embraced by governments in virtually all its operating markets as a driver of economic growth; and 3) recently commenced repurchasing its own stock as a means of returning excess cash to shareholders.

The GCQ Flagship Fund has a history of investing in businesses that benefit from 'network effects.' The basic principle of network effects is that the more people that use a product or service (i.e., the network), the more valuable it becomes. For example, in the case of the global consumer payments networks – Visa & Mastercard – the more consumers that use a Visa- or Mastercard-branded card, the more valuable it becomes for a merchant to accept these cards. Simultaneously, the more ubiquitous Visa & Mastercard acceptance is at merchants, the more confident consumers can be to use their networks as their primary means of payment. For real estate advertising monopolies (such as Hemnet and Rightmove), the more homes that are listed by property sellers, the more valuable the portal is to property buyers. And the more buyers there are the more valuable it is for home sellers. While rare, these businesses have an extraordinary ability to generate very high returns on capital over an extended period, while returning much of the excess capital to shareholders in the form of dividends and buybacks.

Uber benefits from similar network effects. Uber holds a dominant position in the ride-hailing market, as the number one player in 90% of the markets in which it operates. In other words, Uber has (by far) the most riders and drivers using its platform.

We have followed Uber closely for many years, since prior to its Initial Public Offering (IPO) in 2019. We thought the industry was interesting, but ride-hailing did not pass through the **GCQ Industry Quality Checklist™** over most of this period as 1) the industry landscape was fragmented; 2) the industry was highly competitive; and 3) the business was not generating positive cash flow.

This has since changed. Uber has emerged as the winner of the ride-hailing market (sitting in a duopoly industry structure as the dominant number one player), and has demonstrated its ability to generate meaningful free cash flow. This allowed us to move the company onto our watchlist. Despite this, we didn't initially add Uber into our portfolio because we wanted to buy the stock when it was trading at a meaningful discount to our appraisal of fair value.

We got this opportunity in late-December 2024 when the stock declined more than 30% on concerns that the Uber network would be disintermediated by autonomous vehicle technology manufacturers (particularly Alphabet's Waymo). We commenced buying Uber at $60 per share and it is now a top five position in the GCQ Flagship Fund, representing close to 9% of the portfolio with the share price having risen +25% to $75 at the time of writing.

Below, we have set out an overview of the Uber business, together with some key factors that contribute to our investment thesis.

How does Uber make money?

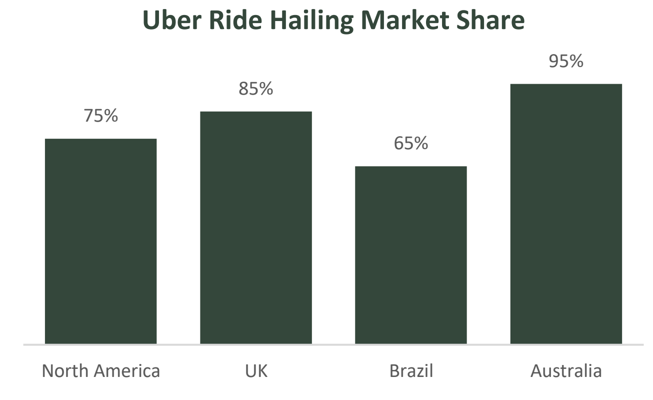
Uber generates close to three-quarters of its profit from its ride-hailing business. This is a marketplace that connects riders looking to be transported from point A to point B with drivers who are willing to provide this service. Uber operates this service in more than 10,000 cities across more than 70 countries. In exchange for pairing riders with drivers, Uber receives approximately one-quarter of the trip fare paid by the rider.

The remainder of Uber's profits are derived from UberEats, Uber's food delivery business that connects restaurants, consumers, and couriers.

The asset-light nature of Uber's marketplace business model enables the company to generate very high profit margins on incremental bookings generated via the platform. This allows the company's profits to grow meaningfully faster than its revenues.

Duopoly industry structure

The ride-hailing industry structure in each local market gravitates towards a duopoly, with a dominant number one player. Uber holds greater than 65% market share in 80% of the markets in which it operates.



Source: Company filings & GCQ Funds' analysis.

The durability of Uber's dominant market position is a function of the density of its network – it has the most riders and drivers in a particular market.

A network with the largest pool of drivers is attractive to riders because it allows for the shortest wait times, strongest reliability and lowest prices. In a similar vein, a network with the largest pool of consumers is attractive to drivers because it maximises the number of trips per hour worked, leading to higher earnings. These 'network effects' mean that a new rider or driver is likely to choose Uber's network over one with less scale.

A quirk of the ride-hailing industry is that each market is hyper-local (a rider in Atlanta doesn't care about the size of the driver pool in New York City and vice versa). This means Uber's dominant position within a country was generated through a series of city-by-city wins – an endeavour that we believe is incredibly difficult to replicate today.

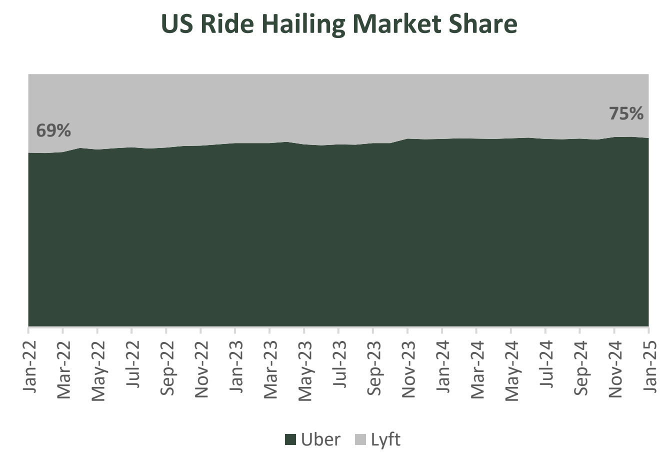
Just as Google is synonymous with internet-based search, Uber benefits from being the verb and common noun for ride-hailing. A privilege which flows from having invented the category close to two decades ago.

Competitors behaving more rationally

In the early days of the ride-hailing industry, the earnings potential of Uber's network was masked by large incentives (i.e., discounts and other perks to encourage adoption and loyalty) paid by ride-hailing competitors to attract riders and drivers. In these days, Uber's business model was often criticized as "profitless prosperity". Some fund managers went so far as to predict that Uber was destined for bankruptcy.

However, the level of irrational behaviour by industry participants has declined over time. Uber played a lead role in encouraging rational behaviour by abandoning the Singapore market by merging its local operations with Grab, the dominant ride-hailing player in Southeast Asia. Uber's strategic decision was an admission of how difficult it is to break a strong local network. Today, Grab holds ~80% share of the ride-hailing market in Singapore and Uber owns 13% of Grab. Uber effected similar transactions in Russia and China where it was not the dominant player in the industry.

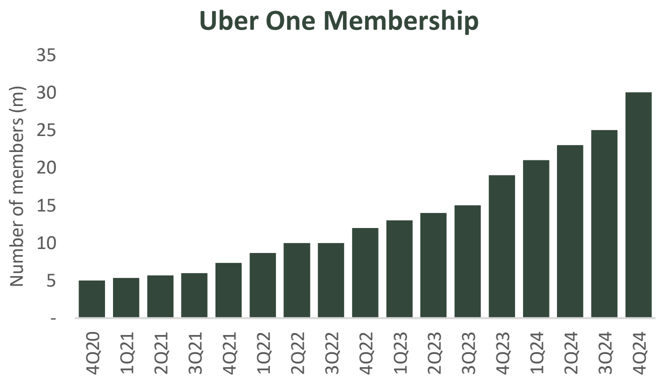
More importantly, in its home market of North America (>50% of profits), Lyft (the #2 ride-hailing player) has shown its willingness to compete more rationally. This has been demonstrated through a meaningful reduction in the incentives paid to riders and drivers over the past three years. This shift in behaviour by Lyft has allowed Uber's relatively stronger network to shine, and has driven a market share shift in Uber's favour.



Source: Bloomberg Second Measure & GCQ Funds' analysis.

Uber One – Cementing Uber's leading market position

The Uber One membership program was introduced by the company in 2019. From a standing start, it now has 30 million members and is growing at close to +60% year-over-year.



Source: Company filings & GCQ Funds' analysis.

We love loyalty membership programs, which have been successfully used by Amazon and Costco to retain customers and drive increased adoption of their product offering over time. On average, Amazon's ~250 million Prime members spend two times the amount of non-members. Meanwhile, Costco's ~137 million members have approximately 90% retention rates, driving repeat, bulk shopping. The retention and spend growth at an individual member level helped these dominant businesses cement and grow their market position.

We believe Uber One will be instrumental in doing the same for Uber. Members already account for roughly 40% of Uber's ride-hailing and food delivery gross bookings, despite accounting for less than 20% of its monthly active user base. Further, members have a higher lifetime value than non-members due to 1) higher retention – members have a 15%-point higher retention rate relative to non-members; and 2) greater use of the platform – members spend three times the amount of non-members.

Long runway for free cash flow growth

The scale of Uber's global operations today is large, with more than 170 million monthly active users and greater than eight million drivers and couriers using its ride-hailing and food delivery platforms. Putting this into context, Uber is now the largest 'employer' globally, and there are almost 400 rides or food orders booked via the Uber app every second around the world. Both sides of the network continue to grow at double-digit rates.

Despite its size, we believe Uber has significant room to grow free cash flow per share through continued strong growth in bookings made via the platform, which will drive meaningful expansion in profit margins.

Uber's gross bookings growth is a function of the growth in its user base and the frequency of usage. Despite growing at a rate of +9% per annum over the last five years, Uber's monthly active user base is only 10% of the adult population in its core markets. This gives us conviction that there is ample room for sustainable long-term growth. In terms of usage, 50% of Uber's monthly active users only make 1-2 trips per month, while ~20% of users make 3-4 trips per month and ~30% make five or more trips per month. To put it another way, we estimate ride-hailing accounts for less than 2% of total trips taken by consumers every year. We believe there is scope for this level of usage to grow.

Further, Uber's profits should continue to grow faster than its growth in gross bookings and revenues as each incremental dollar of revenue generates high incremental margins. In its ride-hailing business, Uber's long-term Adjusted EBITDA margin target of 45% compares to its current margin of 26%. We believe that Uber is likely to exceed this target, given certain markets already generate 60%+ adjusted EBITDA margins and Grab (Uber's south-east Asian peer) currently generates close to 55% Adjusted EBITDA margins in its ride-hailing business.

Why now?

In late 2024, Uber's share price declined more than 30% on concerns that Waymo (the autonomous vehicle technology manufacturer majority-owned by Alphabet) will set up a competing network that successfully competes with Uber.

At the time, Waymo had recently launched a commercial ride service in San Francisco by equipping 300 Jaguar electric vehicles with its autonomous vehicle hardware and software. Consumers could book a ride on one of these vehicles directly via the Waymo One mobile app – i.e., without using Uber. This sparked concerns around disintermediation, which stemmed from third-party data that indicated that Waymo was taking market share from Uber and Lyft in the San Francisco ride-hailing market.

We believed these concerns were inflated for two key reasons.

First, the market share data only reflected the area where Waymo's fleet was operating – a very small subset of the broader San Francisco area. In fact, the rate of Uber's gross bookings growth in San Francisco accelerated between the third and fourth quarter of last year; indicating the de minimis impact of consumer usage of Waymo's vehicles.

Secondly, we believe it will be very difficult for Waymo (or any other autonomous vehicle technology manufacturer) to disintermediate Uber. For Waymo to replicate what it has built in a region of San Francisco across more than 10,000 cities would be incredibly difficult. Uber's network effects are very hard to displace.

We believe the difficulty in disintermediating Uber is reflected in Waymo's decision to partner exclusively with Uber for its commercial ride-hailing operations in Phoenix, Atlanta, and Austin. Interestingly, Waymo originally operated without Uber in the Phoenix market following its launch in 2020, but switched to distributing its services through the Uber platform in 2023.

Our thoughts on Tesla Robotaxis

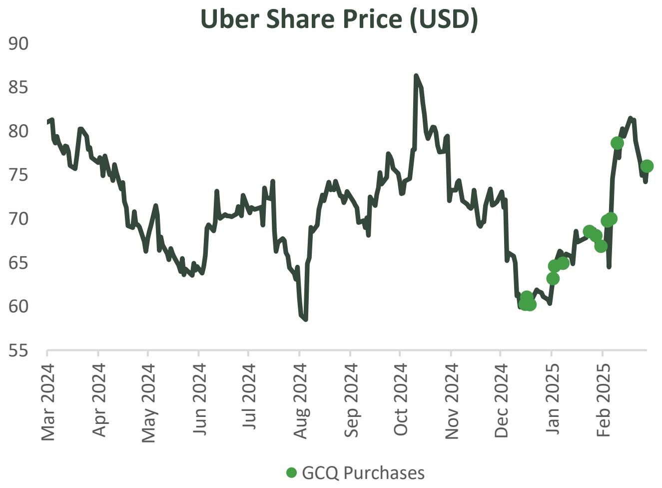
Tesla CEO Elon Musk has outlined a grand vision to compete with Uber, with promises to allow Tesla owners to monetise their autonomous vehicle by loaning it into an all-Tesla ride-hailing fleet. Under this vision, consumers would be able to order an autonomous Tesla vehicle through a dedicated Tesla app.

We do not see a Tesla-only ride-hailing network as a viable threat to Uber's large scale, open network. Today, Tesla has about 4% market share of all new US cars sold. Even if a large percentage of Tesla owners loaned their car into the Tesla autonomous fleet – an unlikely proposition – Tesla's network would lack the scale of Uber's network. Naturally, this would result in an inferior, sub-scale service with longer wait times, greater vehicle idle time and higher costs.

Convincing a large number of customers to use such a service – while solving the challenges that come with operating an unmanned real-time transportation network – is a feat that we think even the world's wealthiest person would be unable to pull off.

GCQ's investment in Uber

Our conviction in Uber's sustainable competitive advantages allowed us to build our stake in Uber at a material discount to our assessment of its intrinsic value. We commenced buying in late-December 2024 at ~$60 per share.



Source: Bloomberg & GCQ Funds' analysis.

We are pleased with Uber's share price performance to date, noting that recent performance has benefitted in part from Pershing Square's acquisition of a ~$2.3 billion equity stake in Uber, an investment that was heavily publicised by Bill Ackman.

"The best business is a royalty on the growth of others, requiring little capital itself."

- John Train, The Money Masters (1980)

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