



Investment Approach: What's the Issue?

Issuing new shares can occur for any number of reasons, with the usual being for a company's initial public offering, raising of capital to expand existing operations, acquisition of assets, or reduction of debt. Another reason prevalent in the listed tech world, and notably among less established companies, is to issue shares in lieu of salary or wages. Why? To conserve cash and offer employees a stake in potentially large returns.

The story behind tech stocks often greatly overshadows key peripheral factors such as stock issuance in lieu of pay, which can dilute existing shareholders. The value of these stock issuances is often tied to intellectual property developments and market expansion, as just two examples. However, realising this value can take a number of years, making these investments more suitable for a long-term horizon – a strategy that aligns well with the Fund's objectives.

The portfolio's weighted average dilution from stock compensation issuance is marginal at under 1%, on par with that of the NASDAQ Composite Index (CCMP, market capitalisation over USD1bn). While this is of no great concern, there are almost 50 stocks in this index segment with 5% or more dilution. That is half our return objective. Importantly, then, it is one of our screening measures. Stocks with too high a level of stock issues, and consistently so, rarely have a sufficiently strong investment case.

One portfolio holding and case in point is Okta Inc, a cloud-based identity solutions provider. Its stock-based compensation issuance has spiked over 5% in the past two years. However, despite cautionary guidance for the current quarter, revisions to earnings forecast continue to be extremely positive on an already strong longer-term growth outlook, suggesting the company will more than compensate for the dilutionary impact.

Portfolio Movements

In: Tesla Inc., Wise PLC

Wise PLC, a UK listing, is one of three financial services companies in the Fund. It provides a platform for multi-currency money transfers. Wise PLC's performance exceeds our benchmark with revenue growth at over 42% p.a. over three of the past five years and a forecast growth of 24% p.a. for the next two years. A key metric lies in its position as the lowest cost provider in the bank cross-border network, primarily benefiting personal users. Despite questions about

sustainability of growth, earnings forecasts are rising strongly.

Out: Alibaba Hold. Ltd, BlackLine Inc., Snowflake Inc.

Snowflake Inc., a database warehouse and query solutions provider, is under increasing pressure from investment in generative AI plus growing expenses for customer acquisitions. While these will likely serve the company well longer term, profitability is under significant pressure for the foreseeable future.

Performance to 30 September 2024

Period	Net return %*
September Quarter 2024	+2.4%
1 Year	+18.9%
Since Inception – Total (July 2023)	+15.0%

* Net of all fees, expenses and accruals

Portfolio Breakdown

Quarter End 30 September 2024

Asset Class	% Allocation
Listed Equities	93.9%
Cash (net of accruals)	6.1%
Total	100.0%

Region	% Allocation
North America	61.6%
Sweden	10.6%
Australia	9.1%
China	5.1%
Taiwan	4.8%
United Kingdom	2.7%
Cash	6.1%
Total	100.0%

Industry Sub-Group	% Allocation
Applications Software	7.5%
Auto-Cars/Light Trucks	2.0%
Cellular Telecoms	4.8%
Commercial Serv-Finance	10.5%
Data & Systems Security	12.1%
E-Commerce/Products	12.2%
Enterprise Software/Services	3.4%
Entertainment Software	3.8%
Internet Application Software	3.2%
Internet Media & Services	14.6%
Medical Products	4.7%
Semiconductor Industry	10.0%
Web Portals/Internet Service Providers	5.1%
Cash	6.1%
Total	100.0%



The **Iron Pot Equities Global Technology Fund** is an unregistered managed investment scheme in the form of an Australian unit trust. The Fund is only available to investors that are wholesale clients as defined in s761G of the Corporations Act 2001 (Cth).

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We strongly suggest that you seek your own professional financial or legal advice prior to any investment decisions.