Iron Pot Equities Global Technology Fund
Investor Newsletter December Quarter 2024

IRON POT EQUITIES

Investment Approach: Valuation

The Fund's quarterly return of 23% is outstanding but clearly above the strategy's objective. What triggered it? Trump. His strongly pro-business policy stance, tech being a major beneficiary, fuelled a marked boost in enthusiasm for the sector even above that of past two years. Stock positions added around 60% of total return, while the USD rally post Trump's election win added the remaining 40%. Note, since inception currency has contributed just 5% of the total gross returns.

All but two stocks contributed to the quarter's rise with Block Inc. leading 6 others, each of which contributed more than 1.0%. Geographic spread was dominated by the Fund's US exposure. Even so, 33% of the total gross return came equally from Australia, UK and Sweden.

A quarterly gain of such magnitude brings valuation to the forefront. Valuing technology companies presents a degree of difficulty over more established companies due to large capital investments into early-stage products/concepts in the expectation of future returns. The portfolio's holdings invest on average just under 20% of revenues into R&D. Lower reported profits due to the expense of this R&D renders the relevance of near-term PE multiples less useful.

How then to gauge the quantum of future earnings? It requires judgement on a number of factors: does the company have a market leading position; is the target market large and possess potential for strong future growth; is market penetration still low; and lastly is the market Business-to-Consumer (our preference). Only with judgement on these aspects, amongst others, are we able estimate expected profitability of a company. From that, a reasonable valuation estimate can be made.

Portfolio Movements

Despite the quarter's run-up, we have maintained all names and added one new selection. However, a gain of this magnitude in one quarter tests the bounds. As such, in December we reduced the portfolio's total exposure to around 80% as a pullback wouldn't be surprising.

In: Nvidia A low weight but one likely to be built over time. Leading the fray in accelerated computing, its products touch so many aspects of technology that its industry leadership is a long way from competitive threat. This represents a shift in view for us. But with the company's R&D expenditure accelerating, now over USD11bn, it's a compelling lead. The progression of new product over its history from the original 3D graphics cards to its latest, the omniverse platform demonstrates compelling execution. Such a track record is a significant plus for us and reflects the quality of key people, notably the President/CEO/Co-founder who has been there from inception over 30 years ago.

Revenue is projected to grow at around 80% pa over the next two years. And this is into an industry that still has extraordinary potential.

Performance to 31 December 2024

Period	Net return %*
December Quarter 2024	+23.9%
Since Inception – Total (July 2023)	+41.6%
Since Inception – Annualised	+26.1%

* Net of all fees, expenses and accruals

Portfolio Breakdown

Quarter End 31 December 2024

Asset Class	% Allocation
Listed Equities	83.0%
Cash (net of accruals)	17.0%
Total	**100.0%**

Region	% Allocation
North America	56.4%
Sweden	7.6%
Australia	7.7%
China	3.6%
Taiwan	4.2%
United Kingdom	3.5%
Cash (net of Accruals)	17.0%
Total	**100.0%**

Industry Sub-Group	% Allocation
Applications Software	6.1%
Auto-Cars/Light Trucks	3.3%
Cellular Telecoms	3.8%
Commercial Serv-Finance	10.2%
Data & Systems Security	9.7%
E-Commerce/Products	10.7%
Enterprise Software/Services	2.3%
Entertainment Software	2.8%
Internet Application Software	3.1%
Internet Media & Services	12.0%
Medical Products	2.5%
Semiconductor Industry	11.0%
Web Portals/Internet Service Providers	5.5%
Cash	17.0%
Total	**100.0%**