

# Iron Pot Equities Global Technology Fund

## Quarterly Investor Newsletter March 2024



### Investment Approach – Cashflow from Operations

Understanding the cashflows from operations of tech companies is critical to understanding a company's long-term viability, important given the often early-stage nature of their products and businesses. Why the focus? Possibly the mantra of tech companies is "to make money you have to spend money". And they do so with almost unrivalled gusto, often testing investor patience.

At Iron Pot Equities Global Technologies Fund, we want to know that each of our investments generates positive cashflows from its day-to-day operations. By removing the impact of all non-cash items (amortisation, stock-based remuneration, etc.) reflected in the bottom line, we see that positive cashflow provides for further growth through funding ongoing research and product development, market development and expansion. Without positive cashflows, there exist a risk of increasingly geared balance sheets and/or future equity capital raisings.

All the Fund's holdings have sound balance sheets, with most having cash balances greater than total bank debt, and just two having conservative net debt levels. From this sound position, we can then consider the Fund's holdings with respect to cashflow from operations: all bar one (Weebit Nano Ltd) of the portfolio's holdings generate excess cash in their operations, with almost 90% generating an increasing amount of free cashflow from operations.

An example is Shopify Inc. (3.3% portfolio weight) which is a cloud-based commerce platform for merchants to service customers by whatever channel customers prefer: online, telecoms and/or bricks & mortar. In 2023 it generated USD7.1bn against operating expenses of USD2.8bn. In 2018 (5 years earlier) the figures were USD1.1bn and USD688m, respectively. Revenue growth has outstripped operating expense growth, a trend forecast to persist for at least the next 2 years, and one which will contribute to greater surplus cashflows.

### Portfolio Movements

Out: Apple Inc.

The exit from Apple in February represented a significant decision for the Fund as it had been a long-term holding for the strategy. Rationale for the sale centred on growth, earnings momentum and valuation. And while the post-pandemic years delivered a significant lift in growth, expectations are for a slower period ahead, with the outlook for the next two years being net income growth of around 5% pa. This is considerably lower than the Fund seeks and analysts are trimming their forecasts. On valuation, the stock's PER was trading at a near 40%

premium to its 10-year average, despite slower growth. Tesla was also sold in February.

In: Roblox Corporation

Roblox, a born-in-the-cloud company, is best described as "an immersive online platform for connection and communication" between brands and consumers through a gaming environment. Born-in-the-cloud businesses have one great attribute – scalability. Roblox has grown its Daily Active Users to more than 71m from 12m over the past 5 years. Revenue has followed suit now at USD1.8bn from USD246m over the same period. Profitability – a different topic.

### Performance

Period	Net return %
March Quarter 2024	+9.1%
Since Inception – Total (July 2023)	+12.1%

### Portfolio Breakdown

#### Quarter End 31 March 2024

Asset Class	% Allocation
Listed Equities	92.2%
Cash	7.8%
<b>Total</b>	<b>100.0%</b>

Region	% Allocation
North America	63.2%
China	6.8%
Sweden	7.7%
Taiwan	6.1%
Australia	8.4%
Cash	7.8%
<b>Total</b>	<b>100.0%</b>

Industry Sub-Group	% Allocation
Applications Software	9.7%
Cellular Telecoms	3.5%
Commercial Serv-Finance	8.9%
Data & Systems Security	12.7%
E-Commerce/Products	11.9%
Enterprise Software/Services	11.7%
Entertainment Software	1.8%
Internet Application Software	3.3%
Internet Media & Services	8.2%
Medical Products	3.2%
Semiconductor Industry	12.3%
Web Portals/Internet Service Providers	5.0%
Cash	7.8%
<b>Total</b>	<b>100.0%</b>

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The **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).

**Iron Pot Equities Pty Ltd** is the investment manager of the Fund (**Investment Manager**). The Investment Manager is a corporate authorised representative 001293377 of **D H Flinders Pty Ltd** (353001). The Investment Manager's authority under its Corporate Authorised Representative Agreement with **D H Flinders Pty Ltd** is limited to general advice regarding the Fund only. **VT No. 2 Pty Ltd** is the trustee of the Fund and the issuer of its Information Memorandum (**Trustee**).

Withdrawal rights are subject to available liquidity and may be delayed or suspended.

The contents of this document are not intended as financial product advice and have been prepared without taking into account your personal circumstances, investment objectives or particular needs. You should read the Information Memorandum for the Fund in full to consider whether an investment is appropriate for you.

Neither the Investment Manager, **D H Flinders Pty Ltd** nor Trustee guarantee the repayment of capital, the performance of any investment or the rate of return for the Fund. Past performance is not a reliable indicator of future performance. An investment in the Fund is not a bank deposit.

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