Global equity investors experienced a sharp decline in stock prices during the second half of the March quarter. Periods like these are always unpleasant for investors. And they often coincide with heightened feelings of uncertainty. The March quarter was certainly one of these periods.

Rest assured, however, that Montaka's portfolio companies remain advantaged, highly profitable, and cash generative. Importantly, we assess their future prospects to remain very attractive, resulting in the aggregate earnings power of Montaka's portfolio companies growing substantially over time. We believe the reliability of this growth remains substantially underappreciated by the market today.

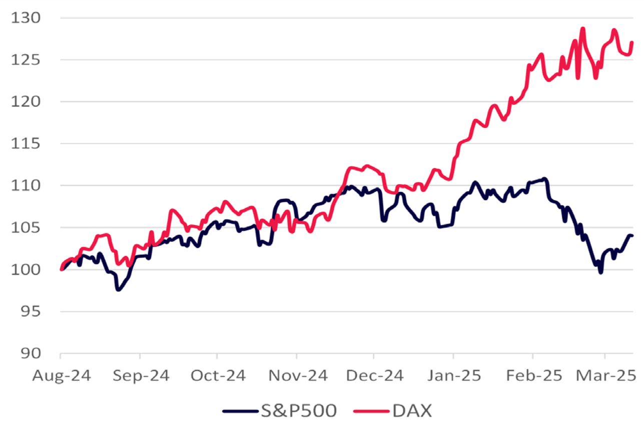
Business fundamentals and valuation discipline remain our twin north stars. These help us avoid distractions (and detractions) amidst the following very noisy global financial markets.

US equities collapsed over recent weeks as the Trump Administration unleashed its unique brand of unpredictable politics. Trump sporadically announced tariffs, then backtracked, then forward tracked. The President flipped geopolitical alliances on their head – he loosely threatened Canada with annexation, while the US voted with Russia at the UN General Assembly, and against Europe, for the first time in 80 years.

Interestingly, across the 'pond' European equities were booming – especially in Germany. This may feel like somewhat of a paradox. Nowhere is the feeling of uncertainty stronger today than on the European continent following President Trump's threats to revoke European security guarantees in place since 1945.

US (S&P500) vs EU (DAX) Equities... last 7 months

Index: 100 = August 2024



Source: Bloomberg

Germany's Historic Spending Package

Recently elected German chancellor-in-waiting, Friedrich Merz, made the unprecedented statement that: "It is clear that this government [i.e. Trump's] does not care much about the fate of Europe."

And Europeans are genuinely concerned. In a recent private interview with Montaka, a Berlin-based political advisor told us that: "Pandoras box has now been opened." The advisor even wondered if Trump might consider changing sides (to Putin's Russia) completely.

That said, German politicians moved swiftly and efficiently to approve the exclusion of defense and security expenditures from its 'debt brake' as well as a new €500 billion fund to make infrastructure and climate investments over the next 12 years.

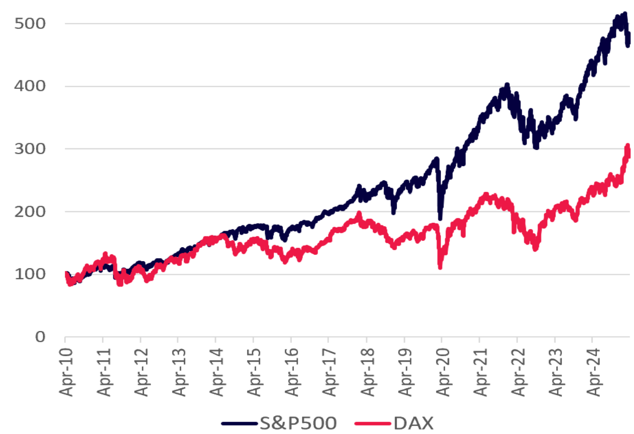
This is a very large fiscal package relative to the €4.5 trillion p.a. German economy. And this is the primary reason why European equities performed so strongly during the quarter.

While the short-to-medium term now looks prospective, we remain cautious about Europe as a longer-term fruitful home for Montaka's capital on fundamental grounds. As we shared in Five reasons why Europe's stock rally may not live up to expectations, there are several long-term structural headwinds to equity returns in Europe, including competitive disadvantages to US companies, productivity deficiencies driven by regulatory burdens and other excessive policies, eroding demographics, elevated debt levels, and national security risks.

When viewed through a longer-term prism, we continue to assess the US as one of the best markets in the world for investment opportunity. Interestingly, Brookfield Asset Management CEO, Bruce Flatt, underscored this view in a rare podcast interview recently: "*The story of America is extremely strong because the US today has energy, capital, and technology dominance.*"[1]

US vs EU Equities... last 15 years

Index: 100 = April 2010



Source: Bloomberg

Trump's Tariff Politics

Back in the US, President Trump's tariff announcements have caused mass turbulence in equity markets over recent weeks, there is no question. That said, many believe that such 'tariff politics' will prove to be temporary. While we make no attempt to predict Trump's future behaviors, the tariffs are undoubtedly a source of leverage that can be employed by Trump in some kind of 'deal'[1].

Trump's own Chair of the Council of Economic Advisors, Stephen Miran, wrote explicitly last year that tariffs could be used to tactically build up leverage for much larger omnibus negotiations involving national security, defense spending, and currency exchange rate targeting (i.e. US dollar weakening).If so, this would support the hypothesis that the current market weakness is temporary. believe there are many longer-term opportunities that remain intact – supported by evidence provided by recent quarterly company earnings disclosures.

1: (The Knowledge Project) Bruce Flatt: The Trillion-Dollar Blueprint, March 2025

Advantaged companies leading in AI

AI remains a very important long-term investment opportunity, in our view. While some observers see too much hype and are calling for caution, our research continues to point to large opportunities ahead.

CEOs of the world's largest cloud computing platforms – those with arguably the most accurate line of sight into future demand for AI compute and services – are unanimously pointing to a large opportunity ahead based on demand signals they are seeing today.

And across the board, they remain capacity constrained today and are substantially increasing their capital investments in AI infrastructure. Indeed, in the case of Tencent, their internal digital marketing business is deriving so much value out of AI, the company opted to repurpose some of their externally facing cloud computing capacity for internal use cases (which, therefore, exacerbated the shortages faced by external cloud customers).

Now, with the enormous capital investments being made to expand AI infrastructure capacity (i.e. approximately US$300 billion this year from just four companies: Amazon, Microsoft, Alphabet and Meta), some observers are wondering if this is all too much. If the returns on these investments do not materialize, then these represent a large-scale squandering of shareholder capital.

This is an important question for investors to wrestle with carefully. It is always possible that demand forecasts prove to be too optimistic. In this case, however, we know the following salient points:

- External enterprise adoption of AI applications, such as Salesforce's Agentforce, remains in its infancy having only been available for a handful of months. But in Montaka's private discussions with customers who are in the process of adopting Agentforce, there are genuine use cases where this technology is unlocking substantial productivity gains and is already resulting in lower headcount needs. (See Appendix below for Amit Nath's assessment on enterprise software opportunities).
- Internal use cases are proven, and capacity is fungible, for many of those making these enormous investments. Google, Meta, Tencent and others have all demonstrated, first-hand, the enormous value AI can unlock for their core businesses. And given that AI infrastructure is mostly fungible across use cases, substantial internal demand helps to reduce the risk of poor returning excess capacity.
- The underlying models continue to improve in capability – most recently in the form of chain-of-thought reasoning capabilities. At the same time, custom-designed AI chips are helping to drastically reduce the cost-to-serve. This combination is obviously positive for adoption across enterprise and consumer use cases. (Even Montaka's internal research team workflows have substantially evolved over recent months to incorporate these new technologies to unlock substantial productivity gains).

These large cloud computing platform companies also have considerable experience dealing with large transformations for which they need to invest ahead of time to capture.

In 2013, for example, Meta's pre-tax earnings were approximately US$2.8 billion, relative to its business assets of US$5.2 billion, representing a fantastic return-on-investment ratio of approximately 50%. Now, imagine if Zuckerberg announced that he planned to make large-scale capital investments in computing infrastructure over the subsequent 11 years to increase total business assets by 25x. Investors would surely react negatively, fearing poor future return on such large-scale investments.

	Management Comments, YTD 2025
Andy Jassy, Amazon CEO	• It is true that we could be growing faster if not for some of the constraints on capacity. • We don't procure it [capacity] unless we see significant signals of demand. • It's hard to overstate how optimistic we are about what lies ahead for AWS's customers and business. • ... one of these once-in-a-lifetime type of business opportunities like AI represents.
Satya Nadella, Microsoft CEO	• We are working from a pretty constrained capacity place. • We continue to expand our data center capacity in line with both near-term and long-term demand signals. • As AI becomes more efficient and accessible, we will see exponentially more demand.
Anat Ashkenazi, Alphabet CFO	• We have been seeing very strong demand for our AI products in the fourth quarter in 2024 and we exited the year with more demand than we had available capacity. • We are in a tight supply-demand situation, working very hard to bring more capacity online.
Mark Zuckerberg, Meta CEO	• I expect that this is going to be the year when a highly intelligent and personalized AI assistant reaches more than 1 billion people. • I also expect that 2025 will be the year when it becomes possible to build an AI engineering agent that has coding and problem-solving abilities of around a good mid-level engineer.
Martin Lau, Tencent President	• We believe our investment in AI has already been generating positive returns for us. • Increased allocation of GPUs for internal use cases, initially for ad tech and foundation model training and more recently on AI inference for Yuanbao and Weixin has limited our provision of GPUs to external clients and thus constrained our cloud services revenue growth.

Source: Company Transcripts

And yet, this is exactly what Meta did. And remarkably, pre-tax earnings also increased by 25x – maintaining Meta's extraordinary return-on-investment ratio of approximately 50%. (And this calculation includes Meta's US$17 billion p.a. losses in Reality Labs that are yet to return anything).

The point is that, if demand is there and advantaged companies like those mentioned above can generate returns, then shareholders should want capital investments to be as large as possible. The costs of underinvestment in such a scenario – while hidden from the company's financials (because they are opportunity costs) – can be devastating. If Meta had only invested half of what it did over the last 11 years – saving around US$85 billion, for example, shareholders would have foregone more than US$700 billion in value, in our estimation.

Market narratives are seasonal and AI investments are often viewed through this lens of the day. In 2021, market participants were favorable of investments in AI infrastructure. In 2022, they were unfavorable. In 2023 and 2024, they were favorable again. Today, such investments are a little out of favor again.

If the long-term opportunities are there in AI, as we believe they are based on our bottom-up analysis, then these market narratives can be largely ignored – other than as a source of potential investment opportunity from time to time.

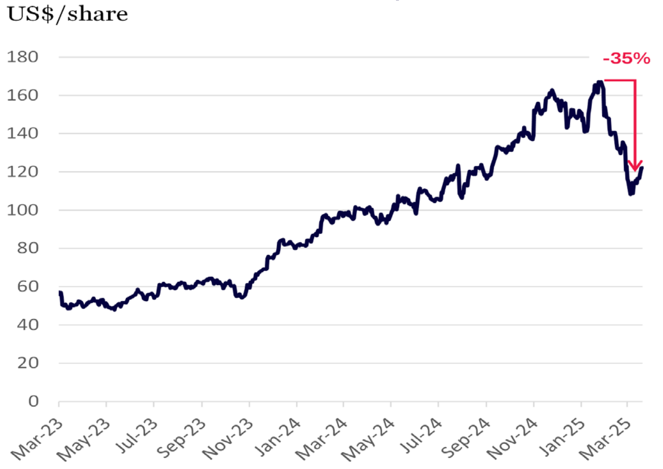
Deregulation in US Financial Services

Away from AI, long-term opportunities in the financial sector are also building. For example, there is every indication that large-scale financial deregulation is coming. Recent comments from industry figures, as well as private comments made to Montaka in recent expert interviews, consistently point to substantial regulatory relief.

From reduced capital requirements, to increased investor access to alternative asset strategies , to tax cuts. These are all positive for risk assets in the short-to-medium term.

Through this lens, we view the recent 35% reduction in KKR's stock price, for example, as a buying opportunity. While short-term asset monetisations are on pause due to the recent market turbulence – and this will impact Q1 transaction fees and capital raisings – the longer-term earnings growth trajectory for KKR is only improving.

KKR - Share price



Source: Bloomberg

2: Bloomberg: BlackRock Adds Private Credit, Equity Funds to Model Portfolios, March 2025

KKR appears to share this view, rushing to market in recent weeks to issue nearly US$3 billion in low-cost convertible debt instruments to buy even more on-balance-sheet equity stakes in businesses it knows well and believes remains undervalued.

In the section following, we share how we think about incrementally capitalizing on the market volatility we have experienced over recent weeks.

Portfolio Augmentations

Montaka's decision to buy or sell a stock is guided by our portfolio construction framework centered on price-versus-value disciplines. Under this framework, we are guided to allocate portfolio capital in a way that carefully increases the odds of long-term upside, while limiting the odds of permanent capital impairment.

The key informational building blocks we rely on to make portfolio decisions are the detailed valuation scenarios, and their probabilities, for each company assessed by Montaka's research team. As stock prices move around, as they did in the March quarter, our portfolio construction framework guides us to make the following portfolio augmentations, subject to Montaka's overarching portfolio risk controls:

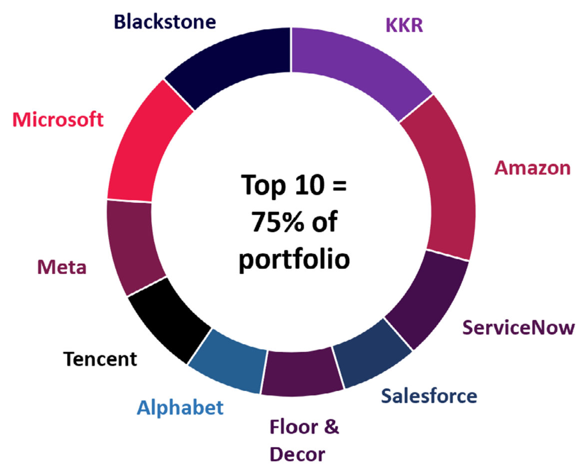
- Increase allocations to those opportunities for which the long-term probability weighted upside has increased, and the downside has reduced; and
- Decrease allocations to those opportunities for which the long-term probability weighted upside has decreased, and the downside has increased.

On this basis, Montaka trimmed the positions of Spotify and S&P Global during the March quarter and added to the positions of KKR and Floor & Décor.

Some market values have become far more attractive by quarter end. For investors such as Montaka, this means opportunities as we are able to look through the uncertainty of the next months and few years and instead remain focused on fundamental advantages, risks, and valuations of extremely attractive compounding businesses.

The following is a summary of Montaka's top 10 portfolio holdings at quarter-end.

Montaka's Top 10 Portfolio Holdings



Source: Montaka (March 31, 2025)

* * *

Patience is key to successful long-term investing. And today, global politics and market volatility are testing the patience of all investors. We remain committed to carefully assessing the long-term opportunities we see – relying on fact-based research and analysis and remaining unperturbed about the popular market narrative of the day.

We can move quickly on opportunities presented to us by the market and yet are happy to make no moves at all most of the time. We believe this investing formula, enabled by our culture and new structure will serve Montaka's investors – which includes the Montaka team – very well over the long-term.

We thank you for your ongoing partnership, patience and trust you have placed in us to carefully manage and grow your capital over time.

Sincerely

Andrew Macken

Chris Demasi

* * *

Important Information

This document has been prepared and issued by Montaka Global Pty Ltd (ABN 62 604 878 533, AFSL No. 516942). The information provided in this document does not take into account your investment objectives, financial situation or particular needs. You should consider your own investment objectives, financial situation and particular needs before acting upon any information provided and consider seeking advice from a financial advisor if necessary. Future investment performance can vary from past performance. You should not base an investment decision simply on past performance. Past performance is not an indicator of future performance. Investment returns reviewed in this document are not guaranteed, and the value of an investment may rise or fall. This document is based on information obtained from sources believed to be reliable as at the time of compilation. However, no warranty is made as to the accuracy, reliability or completeness of this information. Recipients should not regard this document as a substitute for the exercise of their own judgement or for seeking specific financial and investment advice. Any opinions expressed in this document are subject to change without notice and Montaka Global Pty Ltd is not under any obligation to update or keep current the information contained in this document. To the maximum extent permitted by law, neither Montaka Global Pty Ltd, nor any of its related bodies corporate nor any of their respective directors, officers and agents accepts any liability or responsibility whatsoever for any direct or indirect loss or damage of any kind which may be suffered by any recipient through relying on anything contained in or omitted from this document or otherwise arising out of their use of all or any part of the information contained in this document. Montaka Global Pty Ltd, its related bodies corporate, their directors and employees may have an interest in the securities/instruments mentioned in this document or may advise the issuers. This document is not an offer or a solicitation of an offer to any person to deal in any of the securities/instruments mentioned in this document.

Close to a trillion dollars has been invested in Artificial Intelligence (AI) infrastructure.

But investors are now asking – where will the return on investment (ROI) come from?

The answer might be staring investors in the face – namely AI-enabled 'agentic automation'. That's where AI agents step in to perform tasks carried out by humans, tasks which the world spends US$3.7 trillion.

The shift from human to digital labor presents a massive opportunity for enterprise software companies.

There are many winners from this shift, but Salesforce is one company that has quickly established a first-mover advantage in the nascent space of digital workers with its Agentforce platform.

AI's Killer App: Agentic Automation

In a world where consumers can spend up to nine hours interacting with customer service to resolve a single issue, and more than 50% of consumers say they are extremely likely to switch brands after such an experience, businesses are desperate for solutions.

Enter AI agents.

AI agents are different from traditional software tools. Legacy automation uses a regimented process to execute pre-defined instructions. They are like a calculator which always gives the same result for the same input. Like 2 + 2 always equals 4.

AI agents, by contrast, can handle less well-defined tasks, in a non-deterministic way. They are similar to rolling a set of dice. You will likely get different numbers each time you roll. They can also adapt to changing inputs and interact through natural language interfaces like OpenAI's ChatGPT of Google's Gemini.

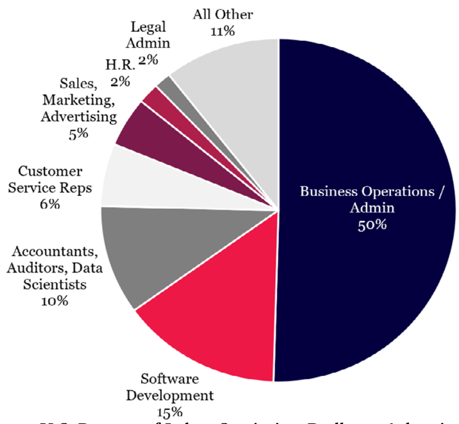
This allows AI agents to automate a broader range of functions previously performed by humans, effectively converting labor into software.

As mentioned, some $3.7 trillion is spent worldwide per year on labor costs for tasks that can be automated, and $1.5 trillion of that is in the US alone.

These functions are largely in the back office, software development, finance department and customer service areas where AI tools available right now can perform critical functions.

Tasks Humans Do that AI Agents Could Perform

Automatable Tasks Worldwide: US3.7 trillion



Source: U.S. Bureau of Labor Statistics, Redburn Atlantic, Montaka.

Unlocking Oceans of ROI

Given Agentic AI can replace an estimated $3.7 trillion in labor costs companies pay today. The enterprise software enablers of Agentic AI would participate disproportionately in the $500 billion boost to the industry's annual revenue, as it augments human labor with digital agents.

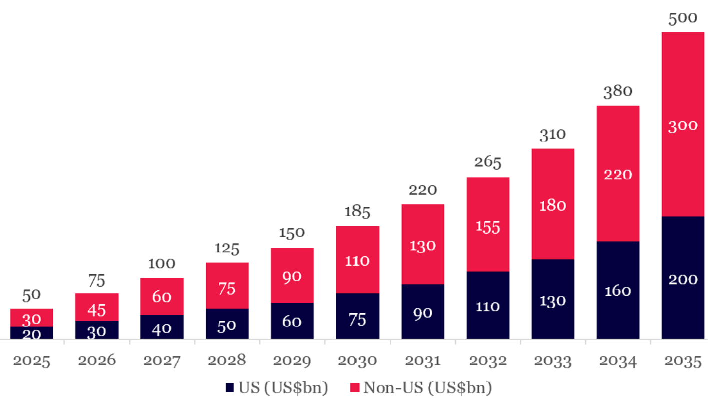
So companies worldwide could spend $500 billion on agentic AI and receive a $3.2 trillion net boost to profitability by cutting headcount. That's an extraordinary ROI and >6x return.

A digital labor force also scales much more cost effectively than humans, adding another margin expansion lever for businesses.

Obviously, such a major realignment of labor would be significant for the world economy and human resource pool. The shift, however, is expected to be gradual and be offset with aging populations (retirements), reskilling, new industry creation (AI enabled) and the resurgence of older ones (reshoring of manufacturing).

Agentic Automation Represents a Vast, High Value Use Case, for the Software Industry

Agentic AI: Incremental $500bn p.a. Global Software TAM (US$bn)



Source: Estimates based on U.S. Bureau of Labor Statistics, OECD, Redburn Atlantic, Montaka.

Note: Non-US includes EU, Switzerland, Japan, South Korea, Brazil, Mexico, Chile and South Africa

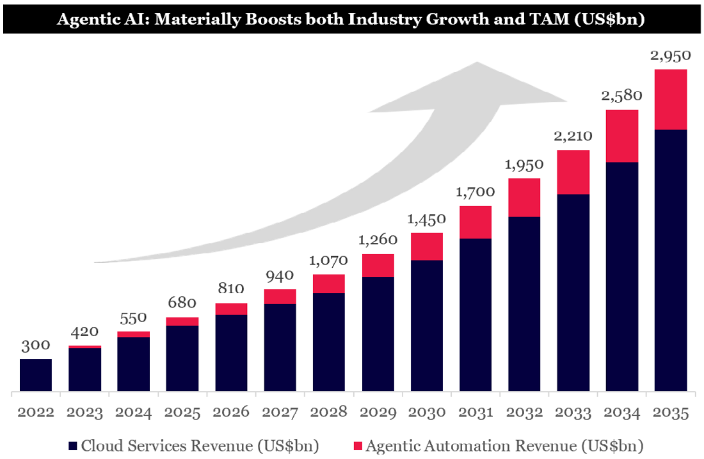
Agentic automation could materially accelerate growth in the global cloud and software industries from 18% to 24% (5-year CAGR).

That translates into a 25% larger 'total addressable market' (TAM), or an incremental cumulative revenue over 10 years of $3 trillion that didn't exist before.

So, who is going to win this highly desirable prize?

Source: Montaka (March 31, 2025)

AI Agents Sharply Accelerate Software Industry Growth



Source: Gartner, U.S. Bureau of Labor Statistics, OECD, Redburn Atlantic, Montaka.
Note: 'Cloud Services Revenue' includes IaaS, PaaS and SaaS.

Who Wins in an Agentic AI World

We anticipate Agentic AI will generate significant value for select enterprise software companies driven by three key factors:

1. Data Reinforces the Moat: The effectiveness of Agentic AI is enabled by access to high quality, commercially curated datasets which can be accessed in real-time. Consequently, we see a substantial strengthening of competitive advantages for vendors – such as Salesforce, ServiceNow, Microsoft and even SAP – possessing entrenched 'systems of record' infrastructure that house large volumes of proprietary customer data.
2. First to Optimize Internally: Architects of Agentic AI are leveraging the technology internally first. This helps them to realize immediate efficiency gains in critical functions such as software engineering and sales, creating margin expansion tailwinds, employee productivity growth and also demonstrate what is possible to customers (virtuous cycle). In fact, Salesforce isn't hiring any more engineers this year and Alphabet noted 25% of all code is generated by AI internally now. Brian Millham, COO of Salesforce, said: *"Since launching [AI Agents] on our Salesforce help portal in October [2024], Agentforce has autonomously handled 380,000 service requests achieving an incredible 84% resolution rate and only 2% of the requests required human escalation."*
3. Value Based Pricing (TAM Expansion): We believe customers will accept and even pursue alignment around delivered value and price paid for Agentic AI software. Hence in a scenario where significant labor overhead is replaced by agents, we see an accelerated and substantially larger revenue opportunity for leaders in this space.

The Agentforce Platform (Salesforce)

But one of the biggest winners will be Salesforce.

Salesforce's agentic AI platform Agentforce gives the company an ambitious entry into the multi-trillion-dollar digital labor market. It is effectively an operating system where human labor can be augmented with digital labor.

Early adopters of Agentforce are already seeing impressive results:

- OpenTable implemented Agentforce for customer service and according to its Senior VP, George Pokorny: "Three weeks in, it is handling 73% of all restaurant web queries. This is a 50% improvement from our previous tool."
- In a recent conversation Montaka had with a medium-sized bank, the CIO reported significant success with Agentforce and anticipated increasing its spend with Salesforce by ~50% in the coming year or two.
- Technology consultant Valoir found using a platform optimized for agentic AI development like Salesforce Agentforce enabled organizations to deliver autonomous AI agents an average of 16 times faster than "do-it-yourself" approaches while increasing accuracy by 75 percent.

The proof is in the pudding. Agentforce attracted 3,000 paying customers within 90 days of its launch. It ended its latest financial year with $900 million of AI and data cloud revenue – up a staggering 120% year on year.

What This Means for Investors

For those watching Salesforce's strategic evolution, Agentforce has several important implications:

- Expanded market opportunity: By targeting the multi-trillion digital labor market, Salesforce is expanding well beyond traditional customer relationship management (CRM) into a much larger addressable market.
- Competitive differentiation: The combination of Data Cloud, CRM data, and workflow tools creates a compelling competitive advantage and moat against competitors.
- Recurring revenue potential: Agentforce creates new revenue streams while encouraging deeper platform adoption across departments.

Taken together, this sketches out a highly attractive future for Salesforce which continues to go underappreciated by the market and its share price.

Beyond Salesforce, Montaka is looking to capitalize on the potential of agentic AI by investing in businesses that hold proprietary customer data assets; possess deep domain expertise; and provide platforms that enable Agentic AI development, including ServiceNow and Microsoft.