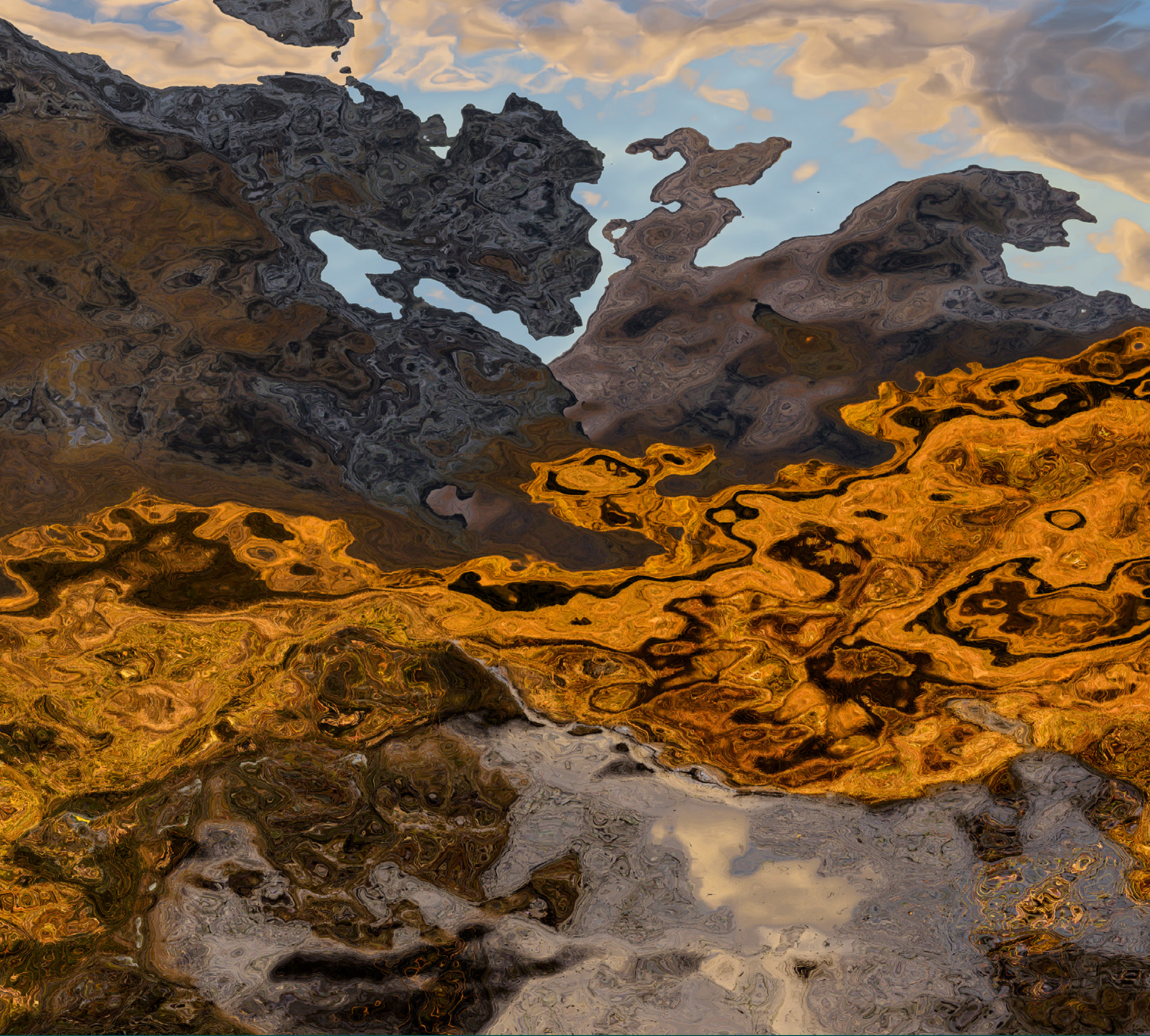

Quarterly report

Munro Concentrated Global Growth Fund

MCGG.ASX

June 2022

Munro Concentrated Global Growth Fund & MCGG.ASX
June 2022 – Quarterly report

MCGGF Fund quarter return
-10.6%

MSCI quarter return
-8.4%

MCGG.ASX Fund quarter return
-10.9%

MSCI quarter return
-8.4%

QUARTERLY HIGHLIGHTS

- The Munro Concentrated Global Growth Fund returned -10.6% in the June quarter. MCGG.ASX returned -10.9% over same period.
- The June quarter of 2022 remained difficult for global financial markets. High inflation numbers were the key catalyst for the decline in markets, leading to the US Federal Reserve raising rates by 0.50% in their May meeting and a further 0.75% in June, higher than consensus expectations.
- We have worked hard to improve the overall quality, valuation profile and diversification of the companies in the Fund as well as researching new Areas of Interest and idiosyncratic growth opportunities.
- From a stock attribution perspective, positive contributions included United Health and recent additions, Costco and LVMH. Detractors included public cloud infrastructure exposed stocks Amazon and Microsoft (see stock stories) and High-Performance Compute stocks, Nvidia, ASML and AMD (see stock stories).

MUNRO MEDIA

Munro Partners Youtube, 11 July 2022
Area of Interest: Food Revolution

Invest in the Journey Podcast, 4 July 2022
Team Canada Journey to Melbourne

Munro Partners Youtube, 1 June 2022
Climate General Q&A

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QUARTERLY COMMENTARY

Fund commentary

The Munro Concentrated Global Growth Fund returned -10.6% (MCGG.ASX -10.9%) in the June quarter.

The first half of 2022 has been the toughest start to any year since 1962 and the second quarter of 2022 remained difficult for global financial markets. High inflation numbers were the key catalyst for the decline in markets, leading to the US Federal Reserve raising rates by 0.50% in their May meeting and a further 0.75% in June, higher than consensus expectations.

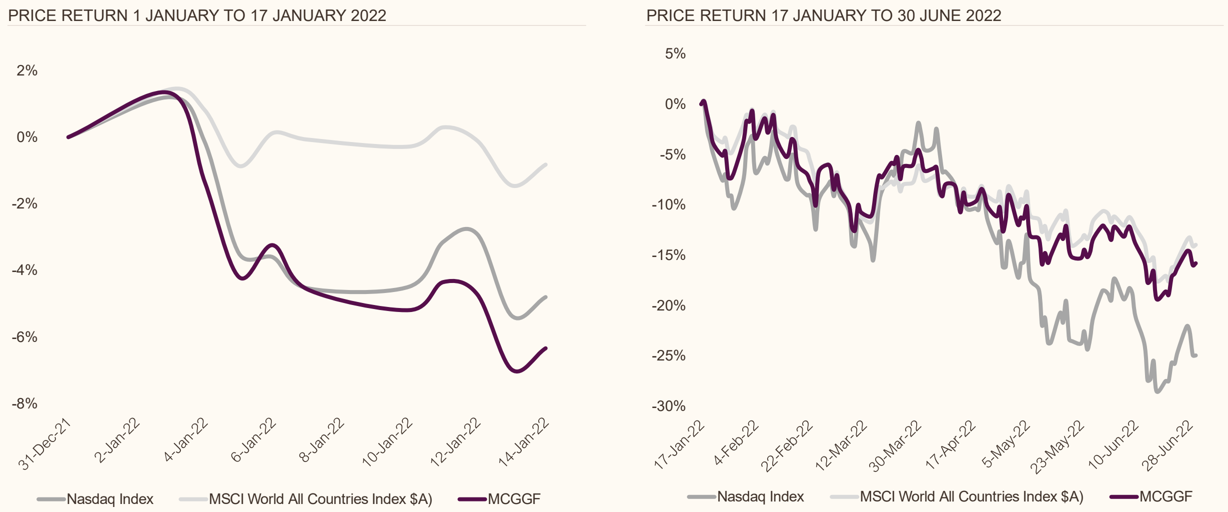
The quarter marked the official beginning of a bear market for many indices around the world. The MSCI All Country World Index drawdown was more than 20% during the quarter before a late quarter-end rally. The NASDAQ drawdown was more than 30% at its troughs, while the S&P 500 also fell more than 20% from its peak during the quarter.

We have worked hard to improve the overall quality, valuation profile and diversification of the companies in the Fund as well as researching new Areas of Interest and idiosyncratic growth opportunities.

The charts below show the difficult start the Fund had to the year. But by continuing to use an approach of discipline over conviction during difficult markets, the Fund was able to minimise part of the downside, particularly when compared with growth equity indices such as the Nasdaq index.

Calendar year price returns

MUNRO



Source: Bloomberg Finance LP

This is not the first time the Fund has had to navigate difficult markets and it won't be the last. Having been here before, it is important to draw on experiences formed over the last 15 years of managing global equities, and in our market outlook, we share the signposts we look at to help plot the path ahead.

From a stock attribution perspective, positive contributions included United Health and recent additions, Costco and LVMH. Detractors included public cloud infrastructure exposed stocks Amazon and Microsoft (see stock stories) and High-Performance Compute stocks, Nvidia, ASML and AMD (see stock stories).

We remain confident in the ability of our portfolio investments to grow earnings through this uncertainty and ultimately deliver meaningful returns for our clients.

Market outlook

Global equity markets entered a bear market during the June quarter of 2022, the third bear market we have seen in the six years we have been managing money at Munro and the fifth bear market in our collective experience as investment managers. To remind readers, a bear market is classified as a 20% fall from peak in equity indices (e.g. S&P500).

Having experienced bear markets, it is a time when discipline needs to outweigh conviction. This is what our risk management and stop loss processes were created for, and we have relied on them heavily through this period. Having suffered a significant drawdown in January, the Fund moved quickly on multiple stock triggers to move to high-grading the portfolio to the largest capitalisation stocks with fortress balance sheets. Long term, we remain confident that these companies can grow through the current uncertainties, and we know that ultimately the share prices will follow that earnings growth.

However, it remains a difficult environment. We are often asked what are the signposts to signal the end of this current bear market.

- Stabilisation of long-term bond yields
- Attractive valuation multiples
- Earnings expectations to reset lower
- Time

Stabilisation of long-term bond yields

In our view, bond yields can only go up so much as there is simply too much debt in the world for long-term interest rates to get much higher than 3%. We suspect that long term interest rates are in the process of peaking. With higher expectations of how many rate hikes the US Federal Reserve will put through, the 2x10 year interest rate curve went negative at the beginning of the quarter. With growth expectations now rolling over, long term rates have probably peaked regardless of how many interest rate hikes the Fed needs to do to combat inflation.

Valuation multiples

Valuation multiples have de-rated significantly since the start of the year. At some point, the market multiple will price in an expectation of cuts to earnings. Towards the end of the quarter, the S&P 500 P/E multiple fell to 15.3x forward earnings, the trough multiple in 2015 and 2016 when bond yields were much higher. We believe we are close to the bottom of the de-rating process provided long term interest rates discussed above have peaked.

Earnings expectations to reset lower

As shown in the charts “are we there yet?”, there have been limited downward earnings revisions to date, despite the headwinds from supply chains to input cost pressures. We believe earnings for the market as a whole need to be revised downwards significantly as economic growth slows. We expect to see the start of this during the upcoming quarterly earnings season and this is the main reason we remain under exposed to equity markets at this point.

Time

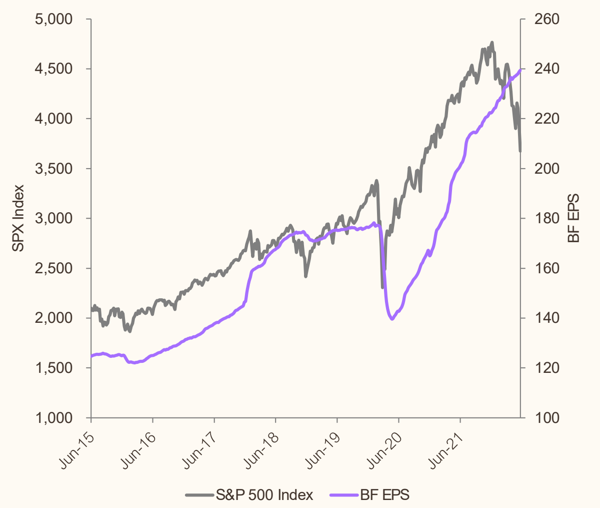
The last factor we are waiting for is a simple one: time. The average bear market lasts just under 300 days and falls 37% and if history is any guide, this one may only be halfway done. Experience tells us to be patient in this environment and respect the history of previous down cycles. As time passes, the market will start looking over the valley of uncertainty and toward what normalised earnings look like for stocks and note that on a medium to long-term time horizon, stocks are looking attractive. The average bull market lasts 64 months, the sun will shine again, and you do not need to pick the bottom to still enjoy the good times when they return.

QUARTERLY COMMENTARY

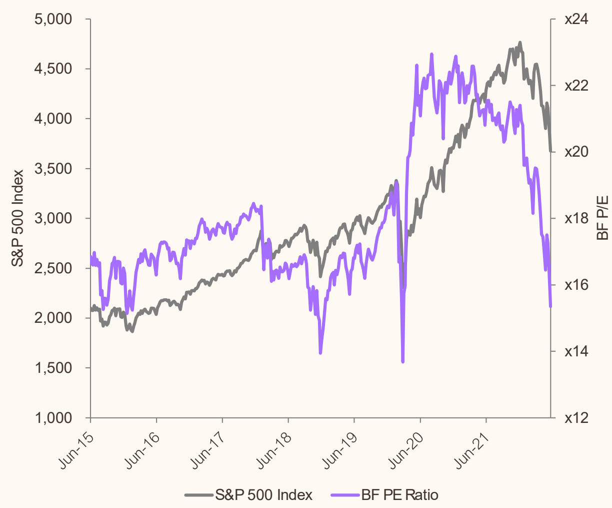
Are we there yet?

MUNRO

S&P 500 & BLENDED FORWARD EARNINGS



S&P 500 & BLENDED FORWARD P/E RATIO



Source: Bloomberg Finance L.P 20 June 2022

We remain excited about the opportunities presenting themselves out of this current bear market and are simply attempting to remain, prudent, disciplined and patient in what is a difficult time for markets. We would encourage investors to take a big step back and look at where we stand today in a broader landscape. Equity markets have been strong for a long period, but volatility is here and markets could be difficult for a while.

STOCK STORY: AMD

AMD

AREA OF INTEREST: **High Performance Computing**
MARKET CAP: **$128.5B USD**

AMD detracted 92 bps from Fund performance for the quarter.

Advanced Micro Devices (AMD) is a US semiconductor company that develops computer processors and related technologies to enable computing platforms for cloud, edge and end devices for the business and consumer markets. Or more simply, AMD has historically been known for the design of chips to go into PCs. It is a core holding in our High Performance Compute Area of Interest.

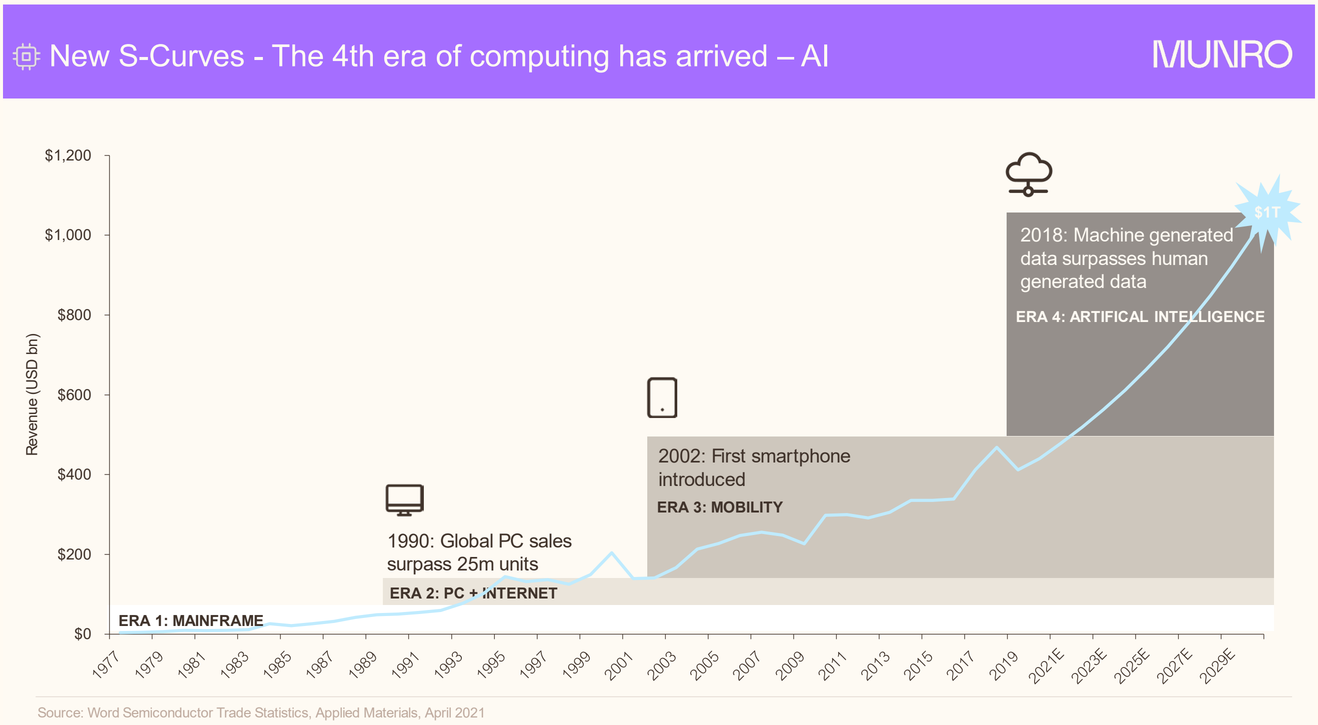
Through the proliferation of desktop computers, laptops & tablets and smartphones, the semiconductor industry has grown from zero in the 1970s to a USD 500bn industry today. Compute power has significantly improved over the last 50 years to create billions of dollars of revenue for semiconductor companies and endless opportunities for businesses and consumers.

We think the next phase for the industry, the 4th era of the global semiconductor industry in delivering artificial intelligence applications in everyday scenarios, has begun. As this plays out, we estimate the semiconductor industry to grow to USD 1 trillion over the next 10 years. What is fascinating to us, is that as computing power becomes faster and faster to deliver AI applications and double the size of the semiconductor market, there is only a small subset of companies that can deliver the required technology. One of those companies is AMD.

AMD's fastest-growing segment is its server business, where it designs chips that can be used to enable the artificial intelligence era of semiconductors. Given this opportunity and strength in its exposure to the gaming market, AMD has upgraded its earnings by approximately 20% so far in calendar 2022. At the recent analyst day, the company gave a new 3–4-year growth guidance of a 20% CAGR for revenue, a gross margin to expand to over 57% (up from 48% in 2021) and an operating margin in the mid-30 % range (from 25% in 2021).

The company has also acquired Xilinx, which is known for building programmable solutions, giving the combined entity leading high performance computing solutions. In doing this, AMD has increased its total addressable market opportunity from USD 79bn as a stand alone entity in 2020, to now USD 300bn over the next 5 years.

Given this opportunity as we move into the AI era for semiconductors and the few companies set to enable this shift, we believe AMD is attractively valued at under 20x forward earnings with a very sustainable earnings growth runway ahead.



STOCK STORY: MICROSOFT

Microsoft

AREA OF INTEREST: **Digital Enterprise**
MARKET CAP: **$2.0TR USD**

Microsoft detracted 116 bps from Fund performance during the quarter.

Microsoft is a core holding in our Digital Enterprise Area of Interest and has been a long-term position and performer for the Fund.

The recent pullback in share price can be attributed to the market rotation into cyclicals and rising US 10-year bond yields. The stock remains a core holding and maintains its dominant position in public cloud infrastructure and enterprise software applications.

Microsoft has three operating segments:

- Intelligent Cloud ;
- Productivity and Business Processes; and
- More Personal Computing .

Intelligent Cloud makes up 37% of revenues and is the fastest-growing segment. The largest subsegment of this division is Microsoft's thriving Azure public-cloud arm. Azure, together with Amazon Web Services and Google Public Cloud, forms part of an oligopoly that is powering the shift from the traditional server-based on-premise IT infrastructure to public cloud infrastructure.

Cloud-based computing offers a more flexible, reliable and secure form of IT than its traditional counterpart. Public cloud infrastructure is a very large market at ~$120bn in 2022 and is still early in its s-curve adoption. In the most recent quarter, Azure revenue grew 49%, faster than the previous four quarters. We see this segment as having a long growth runaway ahead at an enormous scale and high profitability.

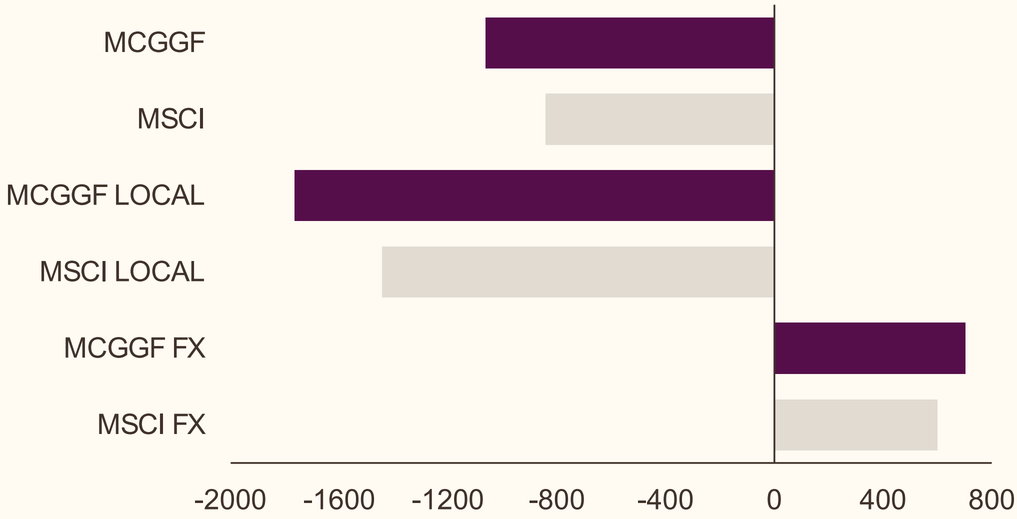
Productivity is the next biggest segment at 32% of revenues, with Microsoft's Office product suite, which includes Word, Outlook, Excel, PowerPoint and now Teams, the largest sub-segment. Microsoft began the transition from licenced-based software to subscription-based software, known as Office 365, in 2013. The Software as a Service (SaaS) based product suite has 90% global market share in office-based productivity software. Microsoft has incredible pricing power and recently raised prices by up to 20% for Office products.

More Personal Computing includes Microsoft's Windows, Surface devices and Gaming business. The gaming business will gain significant added scale should the Activision deal close in the next 12 months. The deal broadens Microsoft's gaming footprint, providing a significant entry into the attractive mobile gaming segment, and would see Microsoft's combined gaming revenue go to $24bn, making it the number three player globally.

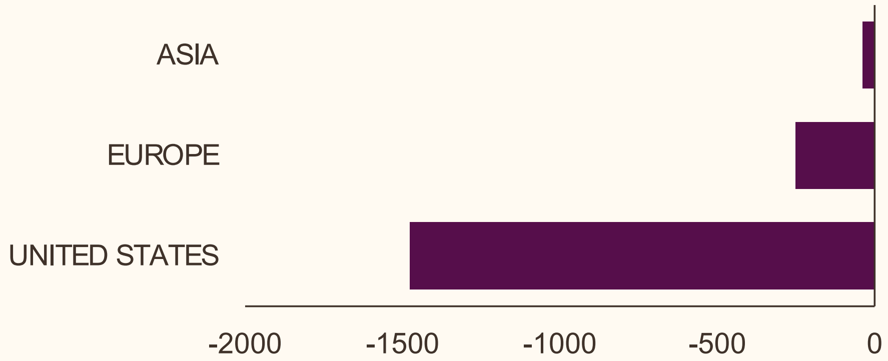
We are excited about the outlook for Microsoft and see it as a multi-year beneficiary of the trend of digital transformation at a valuation of 24.5x forward earnings, which we feel is an attractive price.

QUARTERLY FUND ATTRIBUTION (BASIS POINTS)

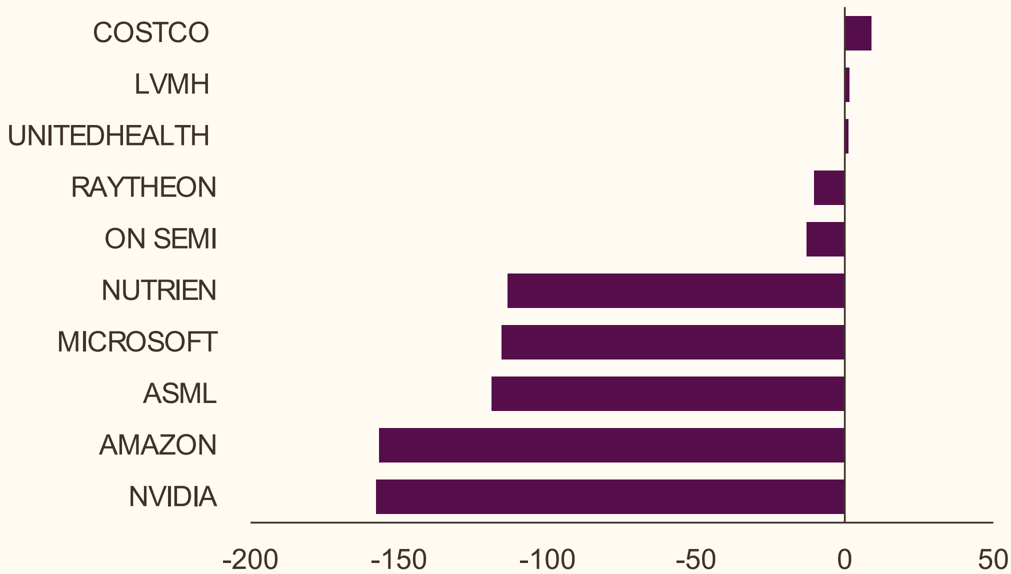
By investment category



By region (equities only)



Top & bottom contributors (equities only)



QUARTER END EXPOSURE

Category

LONG	91.4%
CASH	8.6%
NO. OF LONG POSITIONS	26

Sector

INFORMATION TECHNOLOGY	29.7%
HEALTHCARE	19.1%
UTILITIES	10.0%
INDUSTRIALS	7.9%
OTHER	24.7%

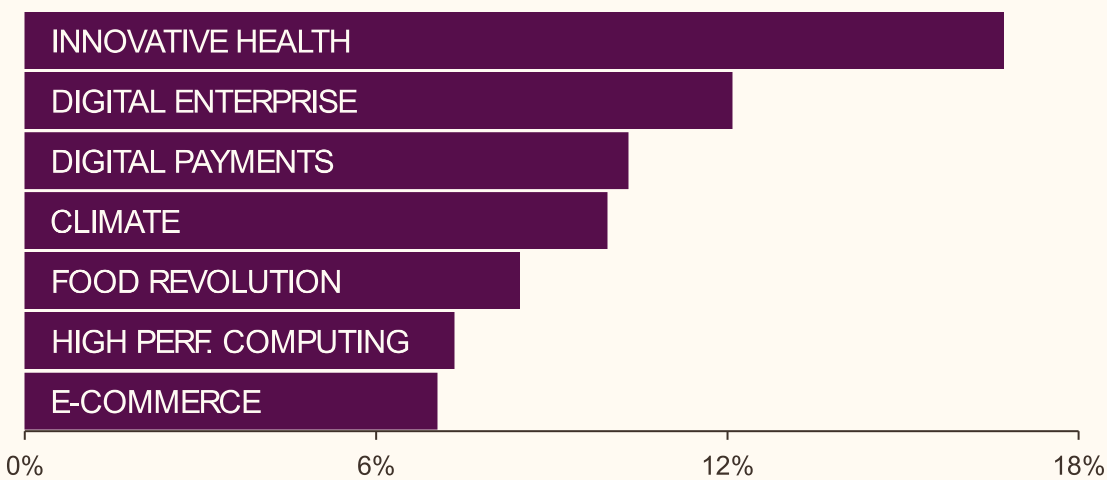
Region

	LONG
UNITED STATES	74.4%
EUROPE	17.0%
FRANCE	5.3%
GERMANY	5.9%
NETHERLANDS	3.3%
BRITAIN	2.5%
EXPOSURE	91.4%
CASH	8.6%

Holdings

TOP 10 HOLDINGS	
MICROSOFT	6.9%
VISA	6.0%
UNITEDHEALTH	5.4%
DANAHER	5.1%
ALPHABET	4.8%
RAYTHEON	4.8%
NEXTERA	4.5%
MASTERCARD	4.3%
THERMOFISHER	4.2%
AMAZON	3.5%

Areas of interest (AOI)



Performance - MCGGF

	3MTHS	6MTHS	1 YEAR	2YRS	INCEPT (P.A.)	INCEPT CUM.
MUNRO CONCENTRATED GLOBAL GROWTH FUND (AUD)	-10.6%	-21.8%	-14.2%	4.2%	10.1%	29.2%
MSCI WORLD (EX-AUS) TR INDEX (AUD)	-8.4%	-16.1%	-6.5%	9.2%	6.9%	19.3%
EXCESS RETURN	-2.2%	-5.7%	-7.7%	-5.0%	3.2%	9.9%

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
2020FY					4.9%	-1.2%	7.4%	-1.1%	-4.2%	6.7%	4.4%	1.3%	19.0%
2021FY	4.4%	4.4%	1.0%	2.0%	3.1%	0.5%	1.2%	-0.4%	-0.2%	3.6%	-2.2%	6.6%	26.5%
2022FY	4.7%	4.6%	-4.7%	1.5%	5.1%	-1.4%	-7.9%	-4.7%	-0.2%	-5.7%	-0.9%	-4.3%	-14.2%

Performance - MCGG.ASX

	3MTHS	INCEPT CUM.
MCGG.ASX (AUD)	-10.9%	-15.2%
MSCI WORLD (EX-AUS) TR INDEX (AUD)	-8.4%	-12.7%
EXCESS RETURN	-2.5%	-2.4%

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
2022FY								-4.4%	-0.3%	-5.7%	-1.3%	-4.3%	-15.2%

IMPORTANT INFORMATION Past performance is provided for illustrative purposes only and is not a guide to future performance.
Differences in performance between the Munro Concentrated Global Growth Fund (unlisted fund) and MCGG (ASX quoted Fund) relate to their respective inception dates, the buy/sell spread around the iNAV for MCGG, the timing difference between the issuing of units during the day on the ASX for MCGG and the purchase of units in the Munro Concentrated Global Growth Fund at the end of the day. This may result in reporting small differences in performance.

IMPORTANT INFORMATION: Past performance is provided for illustrative purposes only and is not a guide to future performance. Data is as at 30 June 2022 unless otherwise specified. GSFM Responsible Entity Services Limited ABN 48 129 256 104 AFSL 321517 (GRES) is the responsible entity of the Munro Concentrated Global Growth Fund ARSN 630 173 189 (Fund) APIR GSF9808AU (MCGGF) and the Munro Concentrated Global Growth Fund (Managed Fund) (MCGG.ASX), collectively the Funds. GRES is the issuer of this information. The inception date of MCGGF is 31 October 2019. MCGG.ASX invests in MCGGF and cash, the inception date of MCGG is 3 February 2022. Returns of the Funds are net of management costs and assumes distributions have been reinvested. References marked * relate to the MCGGF. Numbers may not sum due to rounding or compounding returns. The MSCI ACWI Index AUD refers to the MSCI All Country World Index Total Return Net Index in Australian Dollars. BPS refers to Basis Points. AOIs refers to Areas of Interest. EM refers to Emerging Markets (including China). This information has been prepared without taking account of the objectives, financial situation or needs of individuals. Before making an investment decision in relation to the Funds, investors should consider the appropriateness of this information, having regard to their own objectives, financial situation and needs and read and consider the target market determination (TMD) and the product disclosure statement for the relevant Fund. The MCGGF TMD is dated 20 July 2021, the PDS is dated 21 July 2021 (PDS) and the Additional Information Booklet (AIB) dated 21 July 2021, the MCGG.ASX PDS is dated 21 January 2022 and the TMD dated 21 January 2022, these documents may be obtained from www.gsfm.com.au, www.munropartners.com.au or by calling 1300 133 451. None of GRES, Munro Partners, their related bodies or associates nor any other person guarantees the repayment of capital or the performance of the Funds or any particular returns from the Funds. No representation or warranty is made concerning the accuracy of any data contained in this document. This document is issued on 13 July 2022.