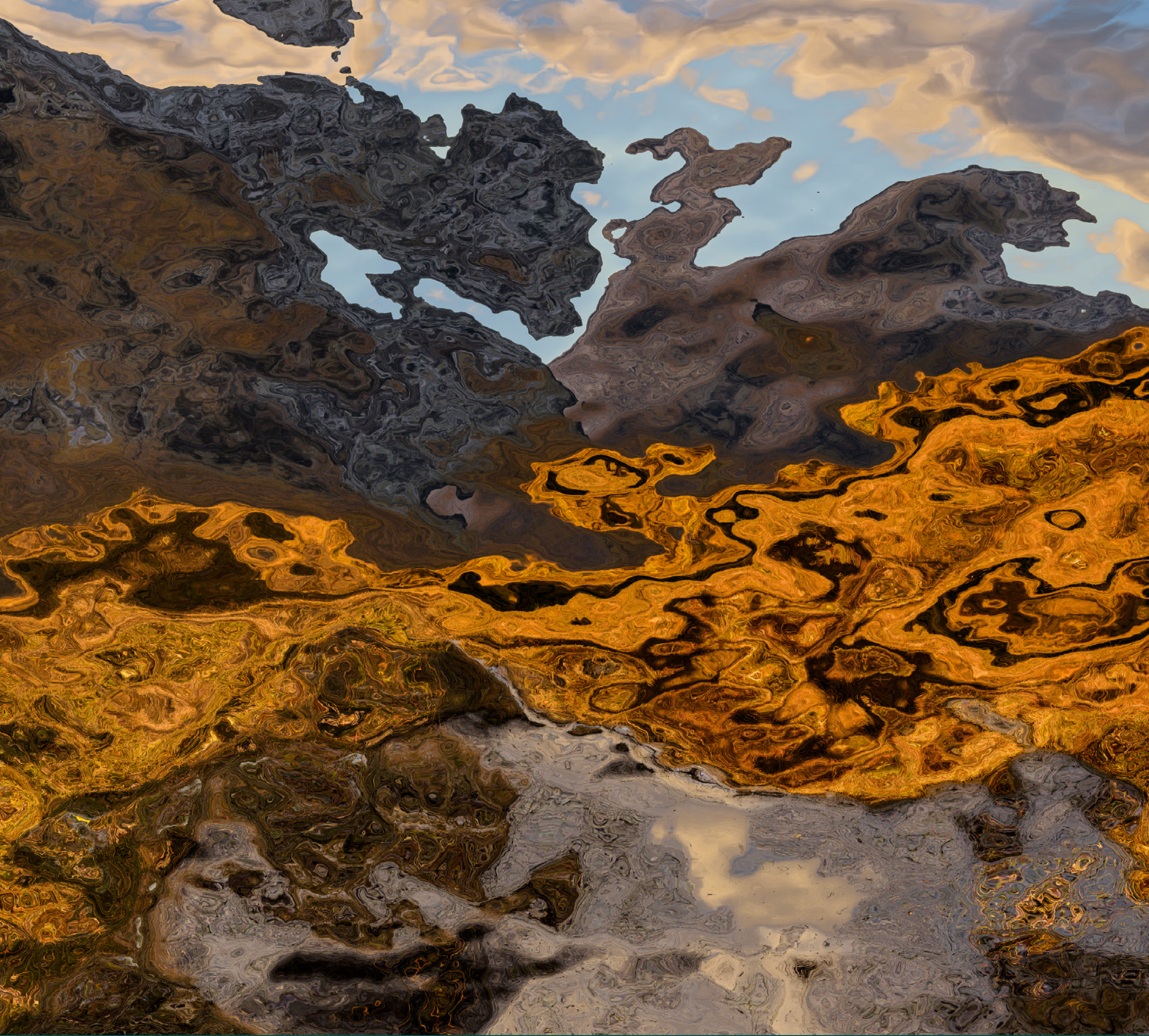

Quarterly report

Munro Concentrated Global Growth Fund

MCGG.ASX

March 2023

Munro Concentrated Global Growth Fund & MCGG.ASX
March 2023 – Quarterly report

MCGGF Fund quarter return
9.4%

MSCI quarter return
9.2%

MCGG.ASX Fund quarter return
9.4%

MSCI quarter return
9.2%

QUARTERLY HIGHLIGHTS

- The Munro Concentrated Global Growth Fund returned 9.4% in the March quarter. MCGG.ASX returned 9.4% over the same period.
- Top contributors for the quarter included ASML, NVIDIA and Advanced Micro Devices (AMD). Luxury goods names LVMH and Richemont were also strong performers during the quarter following China's reopening and a resilient US luxury consumer (see stock commentary on page 6).
- Events in the market during the quarter included the collapse of Silicon Valley Bank (SVB), as well as the launch of Microsoft 365 Copilot - an Artificial Intelligence (AI) product designed to increase productivity by embedding the power of ChatGPT into the Microsoft 365 applications.

MUNRO MEDIA

Munro Partners, 30 March 2023
Liberty Media Formula One

Munro Partners, 4 April 2023
Area of Interest: Digital Payments

Forbes Australia, 21 March 2023
Where I am putting the money: Nick Griffin, Munro Partners

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QUARTERLY COMMENTARY

Fund commentary

The Munro Concentrated Global Growth Fund returned 9.4% (7.7% from equities and 1.7% from currency), while the MSCI World (Ex-Aus) returned 9.2% (7.5% from equities and 1.7% from currency), in the March quarter (MCGG. ASX returned 9.4% in the same period).

Equity markets began the quarter strongly with expectations that the Federal Reserve would moderate its rate hikes. This saw the US 10-year bond yield retreat, leading to a rally in long-duration stocks. Q4 earnings season also drove stocks higher – full year 2023 guidance did not lead to the widespread downward revisions the market had anticipated. Technology companies, in particular, offset slowing top-line growth with widespread cost cutting programs, with many companies cutting 10% of their workforces, enabling them to give strong margin expansion guidance.

Artificial intelligence (AI) was the big buzzword throughout the quarter. Microsoft announced a further investment in OpenAI, the developer of AI chatbot ChatGPT. The launch of Microsoft 365 Copilot in mid-March excited the market. The product is designed to increase productivity by embedding the power of ChatGPT into the Microsoft 365 applications to create a powerful productivity tool.

The other major event for the quarter was the collapse of Silicon Valley Bank (SVB). Credit Suisse also ran into problems on the other side of the pond and was abruptly taken over by Swiss rival UBS with the support of the Swiss authorities. Several other regional banks also ran into significant issues, but with a swift response from policymakers, this has not yet led to a systemic issue.

From a Fund perspective, our long positions added to performance for the quarter. This was led by stocks that benefited from the market's interest in artificial intelligence. As well as Microsoft mentioned above, the key beneficiaries of AI are the underlying infrastructure companies namely, semiconductor companies (see stock commentary on page 5). ASML (+115 bps), NVIDIA (+123 bps) and Advanced Micro Devices (AMD) (+70 bps) all performed well throughout the quarter. Luxury goods names LVMH (+94 bps) and Richemont (+3 bps) were also strong performers during the quarter following China's reopening and a resilient US luxury consumer (see stock commentary on page 6). Our largest long detractor was United Health (-57 bps), which suffered from some changes to Medicare Advantage reimbursement rates.

Market outlook

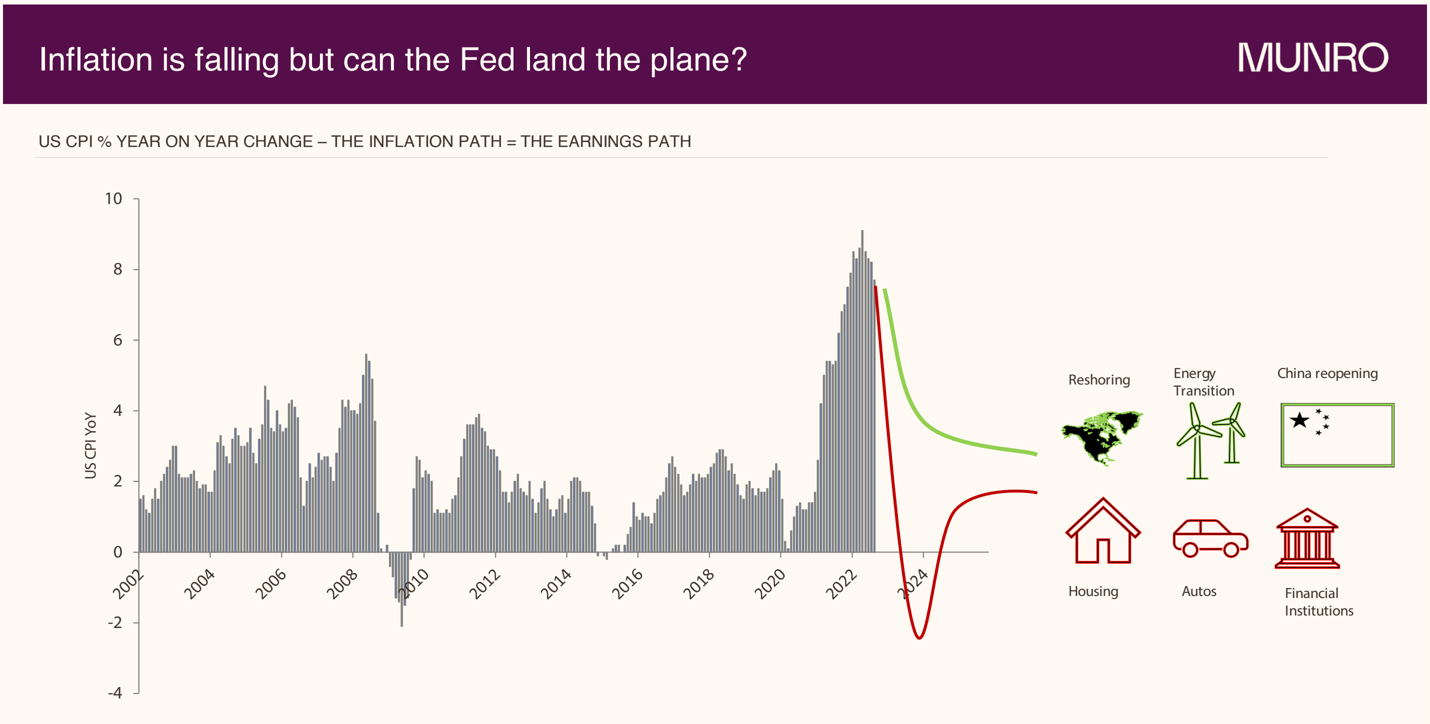
Global equity markets have made a solid start to the year in Q1 2023, following a particularly tough year in 2022. Having recognised we were in a bear market early in January 2022, the Fund has been focused for some time now on three things to become more constructive on equity markets:

1. Long-term interest rates to peak;
2. Earnings estimates to come down; and
3. Time.

Coming into 2023, we felt confident that two of these three factors had been met, with long term interest rates peaking last October and the bear market passing one year in duration in January. As the quarter has progressed, our confidence has increased. While market participants still hang on every inflation print and Fed meeting, it's important to note that the recent banking woes in the US are basically doing the Fed's job for them, and the resulting tightening in lending standards means the inflation battle should soon be over. With this tightening cycle nearing its end, we essentially have one more macro concern to worry about before normal service resumes and that is the age-old question: are we going to have a 'hard' or 'soft' economic landing as inflation comes down?

QUARTERLY COMMENTARY

Here we see two possible outcomes. The global economy could muddle through this challenging environment supported by the China reopening, the energy transition spend, and the reshoring dynamic. Alternatively, the economy could enter a traditional recession whereby housing weakens, personal finance dries up and financial institutions get into difficulty via poor lending and balance sheet practices. Interestingly during Q1, the market started by believing in the 'soft' outcome and ended worrying about the 'hard'.



Source: Source: Bloomberg Finance L.P 5 December 2022

We are somewhat indifferent as to the outcome. With long term rates peaking, many of our holdings have returned to doing what they should be doing - following their long-term earnings prospects. The pressure from rising long term interest rates has been relieved, and hence valuation multiples have stabilised. We now see many instances where market participants can look through the valley and see earnings prospects improving and rewarding stocks accordingly.

In our High-Performance Compute Area of Interest (AoI), the launch of ChatGPT and Microsoft's adoption of generative AI across its product suite has seen accelerating demand for high performance semiconductors, ultimately benefiting our key holdings in this space and allowing investors to look through the economic malaise to improved future earnings, with their stock prices responding accordingly.

Elsewhere, the reopening of the Chinese economy is likely to see a wave of Chinese travellers returning, with luxury goods spending likely to benefit. Again, our Emerging Consumer holdings are seeing improving earnings prospects despite the economic slowdown, and stock prices are responding accordingly (see LVMH stock commentary on page 6).

This is indeed welcome news. While starting the year somewhat conservatively positioned, we have increased the Fund's holdings in both these specific areas as this news developed over the quarter and see this as a good sign that this bear market is nearing an end. While there is no doubt there are a few bumps to come, we eventually expect earnings estimates for the whole market to bottom at some point and expect other AoIs to exhibit similar earnings acceleration and stock performance as market participants eventually look through the valley to the other side of this difficult period.

STOCK STORY: THE 4TH ERA

STOCK NAME: **ASML**	STOCK NAME: **NVIDIA**	STOCK NAME: **AMD**
AREA OF INTEREST: **HPC**	AREA OF INTEREST: **HPC**	AREA OF INTEREST: **HPC**
MARKET CAP: **EUR 240B**	MARKET CAP: **$654B**	MARKET CAP: **$149B**

ASML, NVIDIA and Advanced Micro Devices (AMD), all from the High Performance Computing (HPC) AoI, collectively added 308bps to Fund performance during the March quarter.

We believe the semiconductor industry is entering its fourth phase, driven AI. During this phase, AI is expected to generate significant value for the semiconductor industry in a relatively short space of time. Specifically, we think the industry will double in size to approximately $1tr USD over the next ten years.

What is important not only for investors but also for ASML, NVIDIA, and AMD is that there are only a few companies that can deliver on the compute power required to enable the thousands of AI processes corporates around the world wish to develop.

During the quarter, Microsoft kick-started a focus on AI with its public demonstration of the new Bing search engine, which the company has developed to reinvent its search software in conjunction with OpenAI. To be able to deploy software solutions such as the new Bing application to consumers, specific high-end semiconductors are required. Whilst there will be competition among consumer facing software platforms such as the new Microsoft Bing, what is abundantly clear is that such applications require the fastest semiconductor compute power to work.

NVIDIA, who design the fastest and most powerful semiconductors in the world, reinforced their position as a critical component in the AI race. At their GTC (GPU Technology Conference), NVIDIA CEO Jensen Huang proclaimed that the OpenAI ChatGPT software revelation was AI's 'iPhone moment', essentially describing the inflection in demand from the consumer adopting a new technology. The company revealed two new chips, one designed to power large language models which ChatGPT relies on, and one designed to power AI video. At their earnings release in February and at the GTC event, NVIDIA acknowledged the acceleration in demand for their chips because of the AI phenomenon. AMD is also positioned to benefit from corporates building AI applications for their customers, and the demand for high end chips continues to reinforce their ability to take share from their peer, Intel.

Behind these extremely powerful chips, there are two companies that are essential to the manufacturing process. ASML has been a long-term holding in the Fund because of its monopoly position in lithography. For the AI race to continue, the ASML EUV machines are critical.

During the quarter, the Fund also added back a position in TSMC, which is the leading semiconductor foundry in the world. TSMC is a large buyer of ASML machines and builds chips for companies like NVIDIA and AMD. When it was added back to the Fund, TSMC was trading at just over 15x forward earnings, which we viewed as attractive given the earnings potential. At the end of the March quarter, our High-Performance Compute AoI was the largest exposure in the Fund, demonstrating our conviction in the AI opportunity and the earnings runway it provides for the companies that provide the critical inputs.

STOCK STORY: A LUXURY LEADER

LVMH

STOCK NAME: **LVMH**
AREA OF INTEREST: **EMERGING CONSUMER**
MARKET CAP: **EUR 439B**

Louis Vuitton Moet Hennessy (LVMH) contributed 94bps to Fund performance for the March quarter.

LVMH is the largest global luxury goods conglomerate based in Paris. The Group comprises of 75 companies, or "houses" as they refer to them across the luxury goods landscape. These houses include Fashion & Leather Goods (the largest division), Wines & Spirits, Perfumes & Cosmetics, and Watches & Jewellery.

LVMH's performance in the quarter was driven by the reopening of the Chinese economy, with early data suggesting that growth would return from this important cluster of buyers following the end of their zero-COVID policy. The US consumer has also been resilient in Q1 despite the market previously concerned that this group of customers, which had been holding up the demand for luxury goods, was likely to wane.

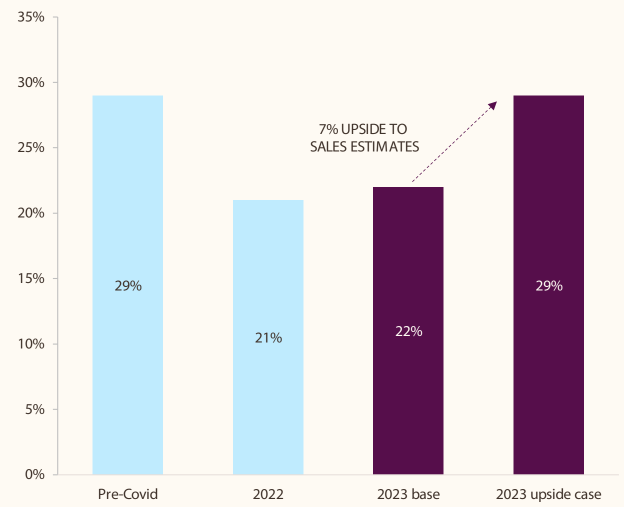
Within the Emerging Consumer AoI, we see luxury goods as the best place to be positioned. Luxury goods are resilient in an economic downturn, as the customer base is less sensitive to economic conditions. LVMH, along with the other leading luxury goods companies, have strong pricing power given the heritage of their brands cannot be replicated and the customers are not particularly price sensitive. Given this pricing power, the industry is well positioned to weather a high inflation environment as they can pass on the costs to consumers. The industry achieves very high gross margins, and only a small price increase is required to offset a larger increase in raw material costs.

Revenue estimates have the company growing sales by 8% this year. We would expect that pricing alone would be at least in the mid-single digits percentage range. The big upside comes from the return of the Chinese consumer. In 2019 the Chinese consumer made up 29% of revenue, versus just 21% in 2022. With the reopening of the Chinese economy and borders, we would expect material growth coming from China on weak comparison numbers, which would see the revenue growth blow past this 8% consensus number. The stock is currently trading under 24x on a P/E multiple for a company that has grown EPS at a 5-year CAGR of 23%, which we believe offers attractive value given the resiliency and strong growth outlook.

China re-opening should drive earnings upgrades

MUNRO

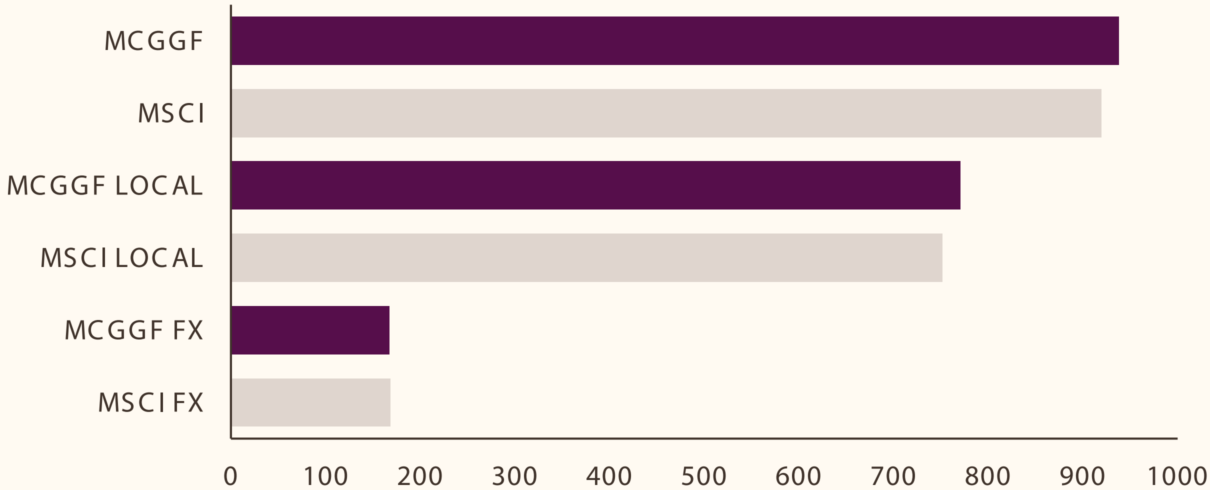
CHINESE CONSUMER AS % OF FASHION & LEATHER GOODS SALES AT LVMH



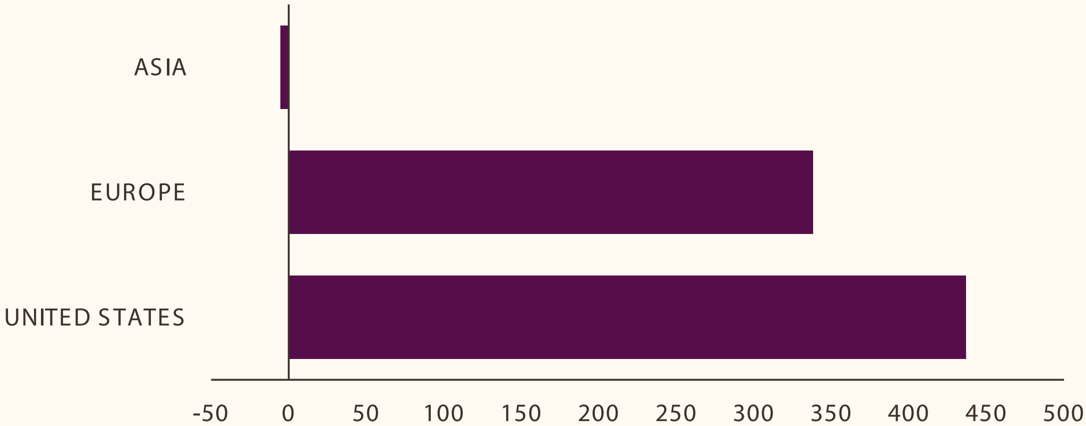
Source: LVMH 2023 Outlook: Navigating a soft landing, UBS, 6 January 2023

QUARTERLY FUND ATTRIBUTION (BASIS POINTS)

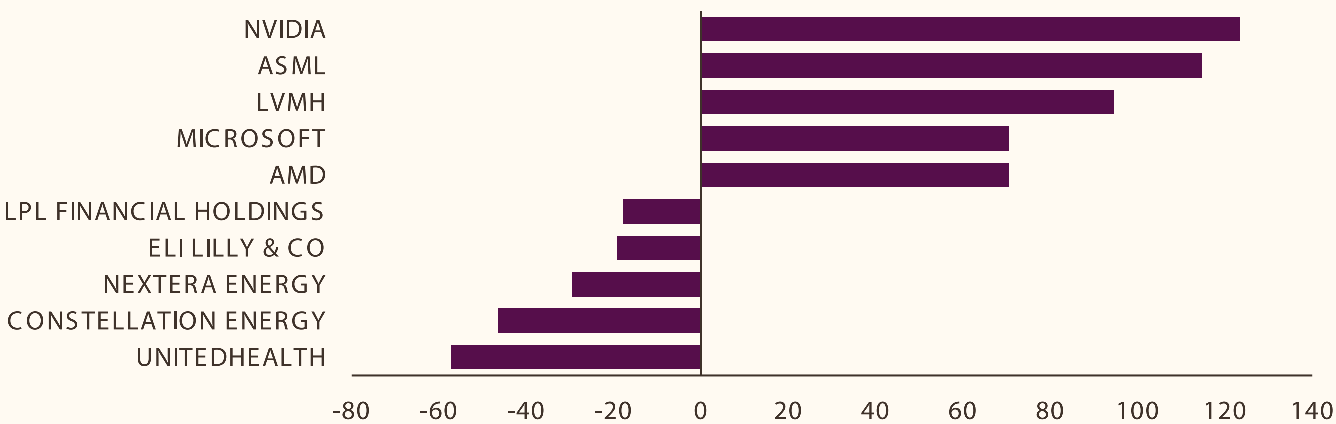
By investment category



By region (equities only)



Top & bottom contributors (equities only)



QUARTER END EXPOSURE

Category

EQUITIES	98.8%
CASH	1.2%
NO. OF LONG POSITIONS	34

Sector

INFORMATION TECHNOLOGY	30.0%
HEALTH CARE	12.9%
FINANCIALS	11.3%
INDUSTRIALS	11.2%
CONSUMER DISCRETIONARY	11.0%
OTHER	22.3%

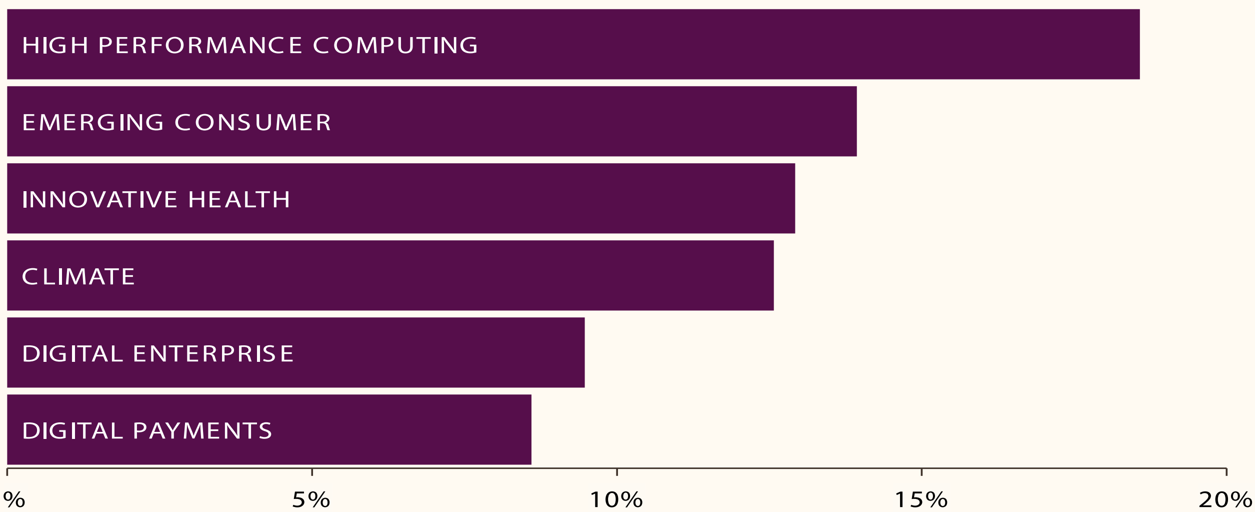
Region

	LONG
UNITED STATES	69.4%
EUROPE	23.4%
FRANCE	7.7%
NETHERLANDS	5.8%
GERMANY	4.0%
IRELAND	0.5%
DENMARK	3.3%
SWITZERLAND	2.1%
TAIWAN	4.0%
SOUTH KOREA	1.9%
CASH	1.2%

Holdings

TOP 10 HOLDINGS	
MICROSOFT	6.3%
ASML	5.8%
VISA	5.2%
LVMH	5.1%
UNITEDHEALTH	4.9%
COSTCO	4.1%
TSMC	4.0%
RAYTHEON	3.7%
NEXTERA ENERGY	3.7%
LIBERTY MEDIA	3.6%

Areas of interest (AOI)



Net Performance - MCGGF

	3 MTHS	6 MTHS	1 YEAR	2 YRS	3 YRS	INCEPT (P.A.)	INCEPT CUM.
MUNRO CONCENTRATED GLOBAL GROWTH FUND (AUD)	9.4%	10.5%	0.0%	1.8%	11.1%	11.4%	44.5%
MSCI WORLD (EX-AUS) TR INDEX (AUD)	9.2%	13.5%	4.3%	7.9%	12.9%	9.4%	35.9%
EXCESS RETURN	0.2%	-3.1%	-4.3%	-6.1%	-1.8%	2.0%	8.7%

	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%
2023FY	7.2%	-3.2%	-2.4%	5.9%	2.0%	-6.6%	1.1%	0.6%	7.6%				11.9%

Net Performance - MCGG.ASX

	3 MTHS	6 MTHS	1 YEAR	INCEPT P.A.	INCEPT CUM.
MCGG.ASX (AUD)	9.4%	10.8%	-0.6%	-4.6%	-5.3%
MSCI WORLD (EX-AUS) TR INDEX (AUD)	9.2%	13.5%	4.3%	-0.5%	-0.6%
EXCESS RETURN	0.2%	-2.7%	-4.9%	-4.1%	-4.7%

	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%
2023FY	7.3%	-3.8%	-2.5%	6.0%	2.1%	-6.5%	1.1%	0.5%	7.7%				11.6%

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 31 March 2023 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 World (Ex-Aus) TR Index AUD refers to the MSCI World (Ex-Australia) 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 9 November 2022, the Product Disclosure Statement (PDS) is dated 30 September 2022 and the Additional Information Booklet (AIB) dated 30 September 2022, the MCGG.ASX PDS is dated 21 January 2022 and the TMD dated 9 November 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 17 April 2023.