Quarterly report

Munro Global Growth Fund

MAET.ASX

June 2024

Munro Global Growth Fund & MAET.ASX
June 2024 – Quarterly report

Munro Global Growth Fund Quarter return	MAET.ASX Quarter return
5.1%	5.1%

QUARTERLY HIGHLIGHTS

- The Munro Global Growth Fund and MAET.ASX both returned 5.1% for the June quarter.
- Global markets were positive during the quarter, with corporate earnings and guidance boosting investor confidence. The market continued to anticipate cuts by the Federal Reserve later in the year, which supported the rally. Market performance was positively skewed to technology and communication services over more economically sensitive parts of the market such as materials and industrials.
- The Fund's performance was driven by strong earnings from a broad range of holdings. Top contributors for the quarter included Nvidia from our High Performance Computing Area of Interest (AoI), TSMC from our Connectivity AoI, and SharkNinja from our Consumer AoI.

MUNRO MEDIA

Livewire Markets, 27 June 2024
Don't be scared by all-time highs in global equities, there's likely more on the way
Read the full article here

Invest in the Journey Podcast, 19 June 2024
Nvidia has now become the biggest company in the world. Now what?
Listen to the full podcast episode here

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INVESTMENT TEAM


Nick Griffin
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QUARTERLY COMMENTARY

Fund commentary

The Munro Global Growth Fund returned 5.1% for the June quarter (MAET.ASX 5.1%). The Fund's long positions contributed positively to performance, whilst hedging and currency detracted from performance.

Global markets were positive during the quarter, with corporate earnings and guidance boosting investor confidence. The market continued to anticipate cuts by the Federal Reserve later in the year, which supported the rally. Market performance was positively skewed to technology and communication services over more economically sensitive parts of the market such as materials and industrials.

From a fund perspective, long positions were strong contributors for the quarter. While Artificial intelligence (AI) was a dominant theme, contributors came from multiple different AoIs that were tied to this theme. High Performance Computing was the standout, with Nvidia leading the way following a significant upgrade to its earnings. The Connectivity AoI also contributed to performance with TSMC (see stock story on page 6), SK Hynix and ARM producing strong earnings and having a positive outlook on the back of what is shaping up to be a large device refresh cycle in both smartphones and PCs. Away from AI, SharkNinja, part of the Consumer AoI, performed well, following strong results and increasing market awareness.

Hedging and short selling were both modest negative detractors from performance during the quarter. Currency also detracted from performance as the AUD appreciated for the quarter against the USD. We ended the quarter at approximately 51% hedged back to the Australian dollar.

Over the quarter, we continued to engage with companies on ESG issues as part our commitment to responsible investment. For example, we discussed climate change targets and human rights issues in the solar supply chain with utility and renewables developer NextEra Energy. Worker safety, engagement and wellbeing was the focus of our discussion with electrical equipment installer Comfort Systems. Later this year we will publish our annual Responsible Investment Report which will further explain our engagement and broader responsible investment efforts.

Market outlook

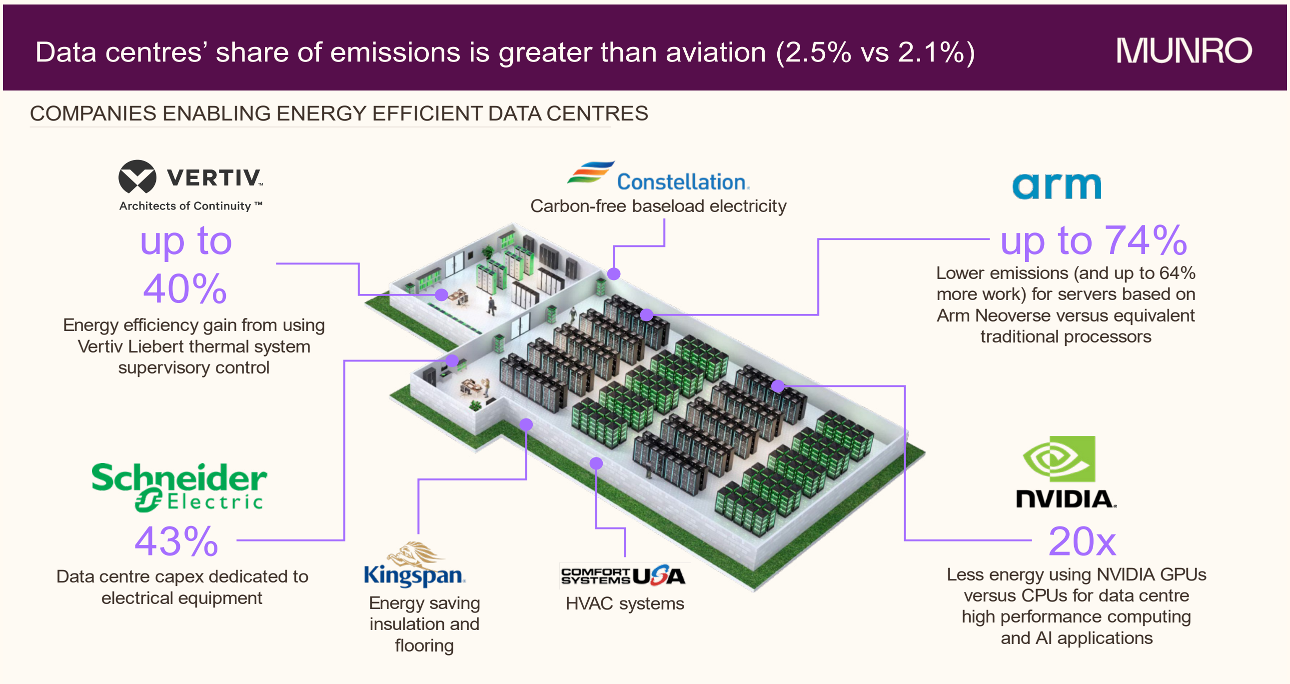
Global equity markets have performed well in the first half of the calendar year 2024, and we see potential for positive market performance in the months and years ahead, based on current trends. The outlook for inflation and interest rates remains favourable for growth equities, with inflation likely to continue moving down and the US Federal Reserve is expected to either hold or cut interest rates at the remaining meetings this year.

From an earnings perspective, we continue to see robust growth from AI-related spending driving earnings upgrades for many of the Fund's holdings. Over the last quarter, we continued to pick up more data points suggesting that the market is underestimating the long-term potential for earnings growth for the AI enablers. We maintain conviction in this area and see it as the beginning of a multi-year growth runway.

To date, the key area of investment in AI has been from hyperscalers such as Microsoft Azure, Amazon Web Services and Google Cloud Platform, who have seen their capex spending accelerate to ensure they have the capacity to host AI applications. Key debates around this are whether they will generate a sufficient return on this spend and when this spend will peak. Some interesting data points that came out during the quarter included Microsoft pointing to 7% of Azure growth coming from AI services and in fact this would have been higher if they had more capacity. Microsoft has guided for an increase in capex for every quarter over the past year, and we anticipate this to continue along with their peers, with the peak somewhat off, given we are still in the early innings of an accelerated capex cycle. This bodes well for continued earnings upgrades for High Performance Computing names such as Nvidia, with a large proportion of the hyperscaler capex coming in the form of Nvidia GPUs for data centres.

So, will the hyperscalers generate a sufficient return on investment? When we look back at the beginning of cloud computing, Microsoft's capex accelerated to build out the infrastructure for Azure to enable software to be cloud-based. Microsoft is again accelerating capex to enable this next computing architecture, which appears to be paying off. The revenue from Azure AI Services today – running at a $4bn annual run rate - is equivalent to the Azure business seven years after the inception of Azure. Microsoft's generative AI capex efficiency is comparable to year 4/5 of the cloud computing cycle despite being approximately one year into its rollout. Based on this analysis, it gives us confidence that the hyperscalers will get a sufficient return on investment and will continue to spend on GPUs to build out accelerated compute capacity.

The Climate Area of Interest has converged with AI, and we're forecasting strong earnings growth to continue in this AoI. The same hyperscalers building out this infrastructure have signed up to significant climate-related targets, focusing on reducing their environmental impact and transitioning to renewable energy. As a result, we have seen examples of data centres being built behind the metre where they plug straight into the nuclear power plant. Beneficiaries include Constellation Energy, the largest nuclear power provider in North America.



Source: Schneider Electric, NVIDIA, ARM, Vertiv, Kingspan, Constellation, Comfort Systems, Industry Research, World Economic Forum, slide prepared December 2023. Companies mentioned may or may not be held by Munro Partners' funds and are used for illustrative purposes.

QUARTERLY COMMENTARY

Market outlook

Other interesting data points related to AI to the Edge emerged during the quarter, a topic we discussed in the previous quarterly report (link). Two device companies, namely Apple in smartphones and Microsoft in PCs, announced their new devices that will be AI enabled. Microsoft launched AI-powered PCs called Copilot+ PCs for their new Surface devices and third-party laptops. Apple's announcements showcased their new operating system iOS18, launching in September, that included AI features under the umbrella "Apple Intelligence" such as Siri enhancements, writing tools and image tools. Whilst we are not expecting these products to work perfectly on day one, we do expect they will captivate the consumers' attention and lead to significant device refresh cycles. This may benefit key suppliers such as TSMC (see Stock Story on page 6), ARM and Qualcomm in our Connectivity Area of Interest.

As the year progresses, we foresee the market broadening out with a gradual economic recovery later in the year and a focus on the US for Presidential Election, which the market will likely become transfixed by throughout the second half of the year. Our industrial names such as Schneider Electric and GE Vernova in our Climate Area of Interest may benefit from an economic recovery, and we will look to broaden our portfolio as and when we see the catalysts for this.

We've observe that the world is undergoing various transformations that will have an impact on how people live, work and consume. Some of these transformations appear to be driven by new technologies, such as AI, while others seem to be influenced by social and environmental factors, such as health, climate and customer preferences. We believe these transformations could create new opportunities for us to enhance our process of identifying structural areas of growth, identify successful investments and aiming to deliver strong returns for our investors.

AREA OF INTEREST: **HIGH PERFORMANCE COMPUTING**
MARKET CAP: **USD $772bn**

TSMC contributed 118bps to Fund performance for the quarter.

TSMC was founded in 1987 in Taiwan and is the largest semiconductor foundry globally, fabricating more than 60% of the world's semiconductors for many of the world's largest companies such as Apple and Nvidia. The foundry model relies on scale, time-to-market and node maturity as participants work alongside 'fabless' customers to deploy their technology roadmaps.

Given its market position, we see TSMC as the bellwether for the semiconductor industry. Many of TSMC's key end markets (such as smartphone, IoT (internet of things) and automotive) slowed over the course of 2023 as the broader macroeconomic environment softened. Munro saw this as an attractive opportunity to build a position through December 2023 as we forecasted TSMC's earnings to rebound into 2024 and beyond as these end markets passed through their cyclical troughs.

Two key drivers beyond broad end market growth are core to our investment thesis: the first being revenue from AI servers growing as a portion of overall revenue (think Nvidia GPUs and custom ASICs for AI training/inference). TSMC expects AI server revenues to grow at a 50% CAGR over the next 5 years, representing more than 20% of their total revenue by 2028, a target they have revised upwards twice since Q2 23, emphasising how quickly this new market opportunity is emerging. The second key driver is that as AI proliferates through consumer and business applications, as recently showcased by Apple at the WWDC conference, the next generation of smartphones and PCs will need substantially more semiconductor content per device to run these applications, of which TSMC is a direct beneficiary.

We continue to find TSMC's valuation attractive at 25x blended forward consensus EPS estimates and can see a credible path to more than $60 in EPS by 2026.

Learn more about TSMC in this Invest in the Journey Podcast episode with Investment Analyst, Nicky Sun.

STOCK STORY: SHARKNINJA

Shark | NINJA

AREA OF INTEREST: **CONSUMER**
MARKET CAP: **USD $10bn**

SharkNinja added 40bps to Fund performance for the quarter.

SharkNinja operates under two key brands: Shark and Ninja. Shark focuses on home cleaning and beauty appliances, while Ninja specialises in food preparation, cooking, and beverage appliances. Spun off from JS Global Lifestyle in 2023, SharkNinja's product range spans across 33 subcategories, from vacuums to grills.

SharkNinja's innovation engine consistently produces cutting-edge products that meet market demands. They launch approximately 25 new products annually, with a focus on both iteration and invention. This translates to roughly 20 new versions of existing items and 5 entirely new products each year. Their focus on understanding and meeting customer needs has significantly contributed to their performance. SharkNinja analyses feedback to develop products, creating a strong feedback loop ensuing that its offerings are constantly evolving to meet consumer needs.

SharkNinja's commitment to innovation has contributed to positive financial results. In Q1 2024, they delivered net sales growth of 28% and a 5ppt increase in FY24 sales guidance (revised from 8% to 13%). Currently holding ~4% of the $120 billion household appliance market, SharkNinja has significant room for further growth. Their strategic partnership with David Beckham is expected to further boost global brand awareness.

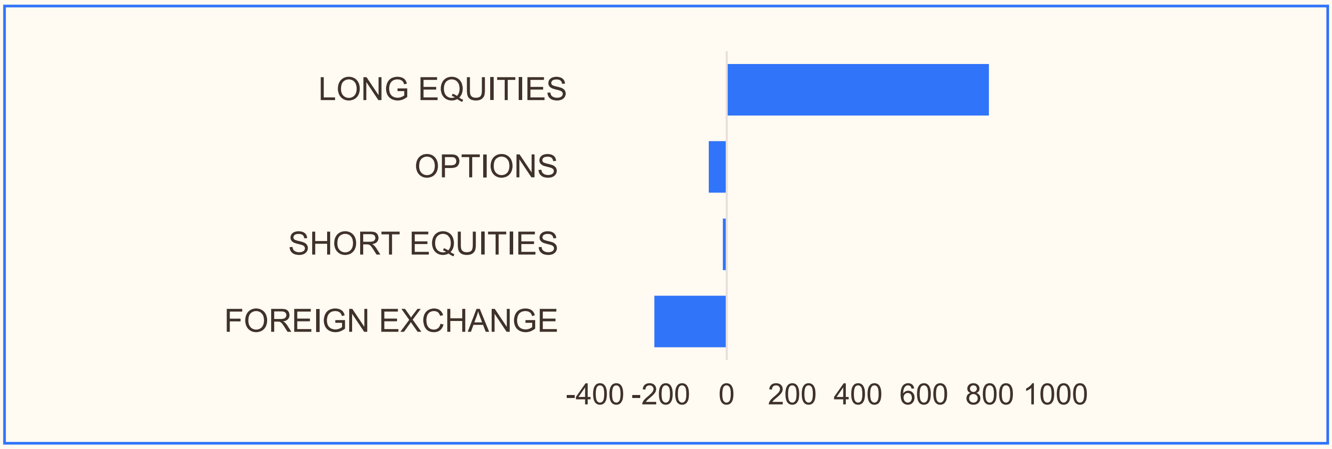
SharkNinja is an example of a consumer company who has delivered strong results through its emphasis on product innovation and effective social media marketing strategies.

Learn more about SharkNinja in this Invest in the Journey Podcast episode with Investment Analyst, Ben Chamberlain.

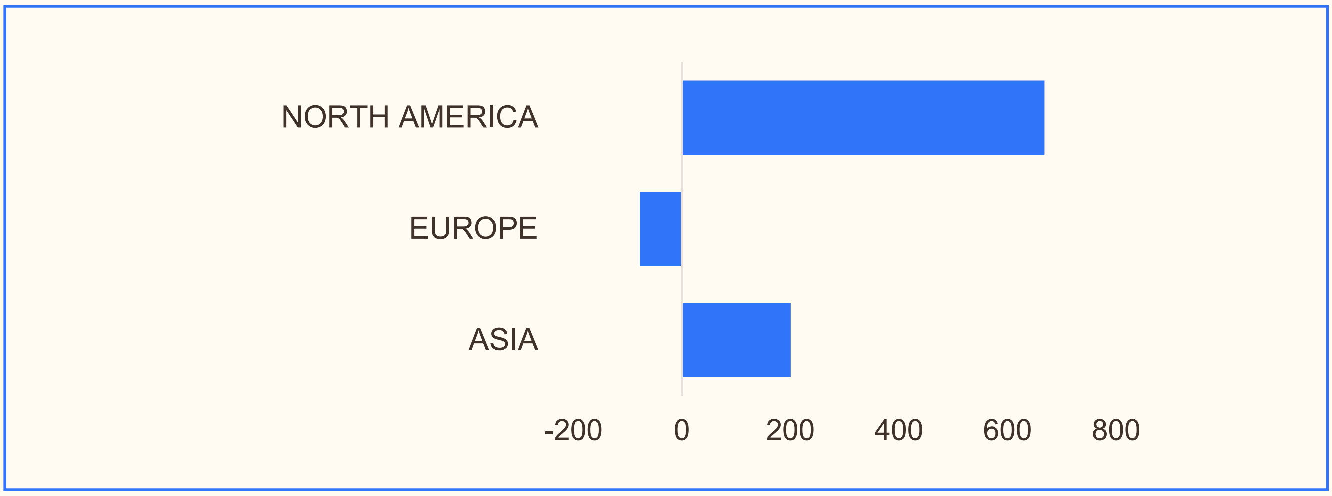
Examples of SharkNinja appliances MUNRO

QUARTERLY FUND ATTRIBUTION (BASIS POINTS)

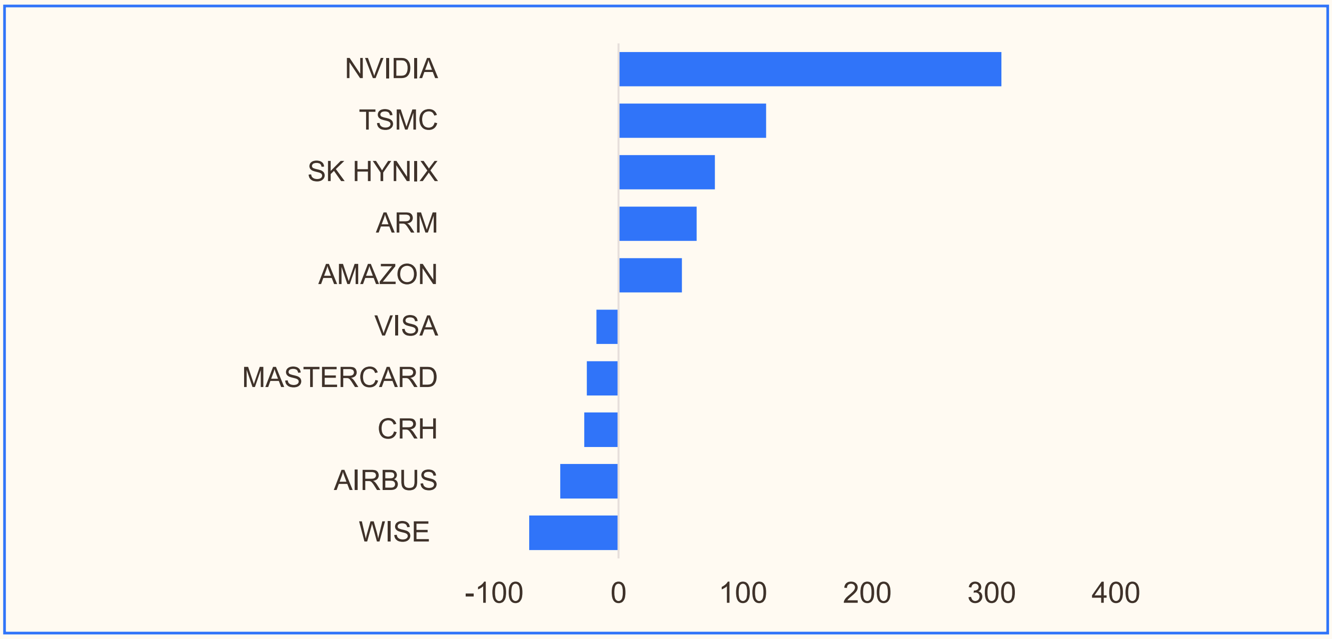
Security type



Region (equities only)



Top & bottom contributors (equities only)



QUARTER END EXPOSURE

Category

GROSS	104.4%
LONG	98.6%
SHORT	6.0%
NET	92.7%
DELTA ADJUSTED NET	86.7%
CURRENCY HEDGE (AUD)	50.5%

TOTAL POSITIONS	37
LONG POSITIONS	34
SHORT POSITIONS	3

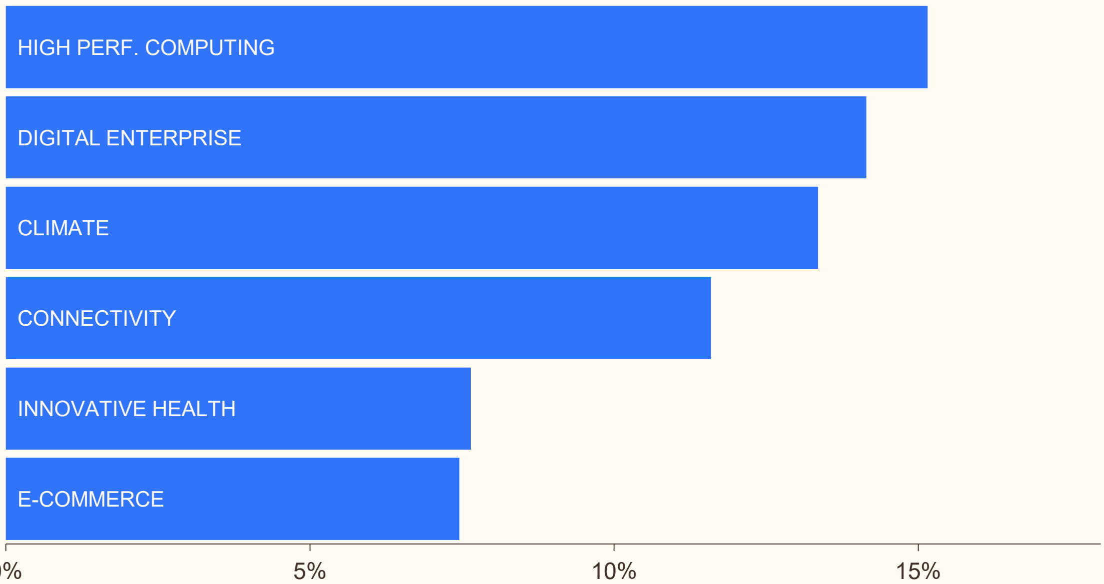
Region

CURRENCY REGION	GROSS EXP	NET EXP	CURRENCY EXP
AUSTRALIA	0.0%	0.0%	50.5%
UNITED STATES	81.9%	72.1%	49.6%
EURO	8.5%	8.5%	0.0%
FRANCE	3.5%	3.5%	
NETHERLANDS	3.3%	3.3%	
GERMANY	1.7%	1.7%	
IRELAND	0.0%	0.0%	
TAIWAN	5.6%	5.6%	0.0%
SOUTH KOREA	3.1%	3.1%	0.0%
DENMARK	2.8%	2.8%	0.0%
UK	1.6%	1.6%	0.0%
HONG KONG	1.0%	-1.0%	0.0%
TOTAL	104.4%	92.7%	100.0%
DELTA ADJUSTED NET	110.4%	86.7%	

Holdings

TOP 10 HOLDINGS	
NVIDIA	8.8%
AMAZON	7.5%
MICROSOFT	6.9%
TSMC	5.6%
CONSTELLATION ENERGY	5.6%
SERVICENOW	3.9%
ASML	3.3%
SK HYNIX	3.1%
APPLIED MATERIALS	3.1%
META	3.0%

Top 6 Areas of Interest (AOI)



Net Performance - MGGF

	3MTHS	6MTHS	1YR	3YRS (P.A.)	5YRS (P.A)	7YRS (P.A.)	INCEPT (P.A.)	INCEPT CUM.
MUNRO GLOBAL GROWTH FUND (AUD)	5.1%	26.4%	34.0%	7.9%	14.0%	13.3%	13.4%	171.2%

INCEPTION: 1 AUGUST 2016

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
2017FY		1.2%	1.1%	-3.3%	2.2%	0.9%	1.9%	0.0%	2.1%	3.5%	4.2%	-1.3%	12.9%
2018FY	1.9%	3.2%	1.7%	6.7%	1.1%	-2.5%	6.0%	0.1%	-2.5%	0.0%	2.8%	1.1%	21.0%
2019FY	-0.4%	5.1%	0.9%	-5.4%	-3.1%	-1.4%	2.1%	3.1%	1.2%	3.3%	-4.1%	2.4%	3.1%
2020FY	0.9%	-0.6%	-1.4%	-0.3%	4.6%	0.7%	5.6%	0.6%	1.3%	4.1%	3.9%	2.1%	23.6%
2021FY	6.1%	4.7%	-0.8%	2.2%	2.7%	2.2%	1.5%	0.9%	-1.4%	2.7%	-3.5%	4.9%	24.2%
2022FY	3.9%	3.8%	-4.2%	2.0%	2.7%	-1.7%	-8.3%	-3.2%	-1.1%	-4.7%	-2.1%	-1.2%	-13.9%
2023FY	3.3%	-1.9%	1.3%	0.9%	1.1%	-5.1%	-0.3%	-2.1%	4.6%	0.8%	4.6%	1.6%	8.7%
2024FY	0.6%	1.4%	-4.9%	0.2%	6.8%	2.2%	6.1%	11.0%	2.1%	-4.0%	5.8%	3.5%	34.0%

Net Performance - MAET.ASX

	3MTHS	6MTHS	1YR	3YRS (P.A.)	INCEPT (P.A.)	INCEPT CUM.
MAET.ASX (AUD)	5.1%	26.4%	34.0%	7.9%	9.5%	39.6%

INCEPTION: 2 NOVEMBER 2020

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
2021FY					3.4%	2.2%	1.6%	1.0%	-1.5%	2.8%	-3.6%	5.1%	11.2%
2022FY	4.1%	3.8%	-4.1%	2.0%	2.7%	-1.7%	-8.3%	-3.2%	-1.1%	-4.7%	-2.1%	-1.2%	-13.7%
2023FY	3.3%	-1.9%	1.3%	0.9%	1.1%	-5.1%	-0.3%	-2.2%	4.6%	0.8%	4.6%	1.6%	8.6%
2024FY	0.6%	1.4%	-4.9%	0.2%	6.8%	2.2%	6.1%	11.0%	2.1%	-4.0%	5.7%	3.5%	34.0%

Differences in performance between the Munro Global Growth Fund and MAET.ASX (ASX quoted fund) may be due to cashflow movements, the buy/sell spread of the iNAV for MAET.ASX, the timing difference between the issuing of units during the day on the ASX for MAET.ASX and the purchase of units in the Munro Global Growth Fund at the end of the day. This may result in variances in performance.

RG240 DISCLOSURE

The fund is classified as a hedge fund in accordance with ASIC RG240. The following disclosures are provided in accordance with the requirements of RG240 covering the financial year to 30 June 2024.

Investment Strategy:

The Funds (Munro Global Growth Fund and MAET.ASX) are concentrated long/short global equities products that are fundamentally driven with a focus on growth. The investment strategy has not changed since the date of its inception (1 August 2016 for the Munro Global Growth Fund and 2 November 2020 for MAET.ASX).

Asset Allocation

In accordance with the Fund's investment strategy, asset classes invested in by the Fund over the course of the 2024 financial year were listed international equities, swaps on listed international equities, exchange traded options, with the balance in cash. The percentage of assets held by class, at the close of business on 30 June 2024 was:

Australian listed equities	0.0%
International listed equities	94.7%
Swaps on international equities	0.0%
Exchange traded derivatives	0.0%*
Cash	5.3%
Total	**100.0%**

** Exchange traded derivatives used are predominantly equity options, futures contracts / options and foreign currency futures / swaps. These are used for hedging against losses on specific long positions, against the overall portfolio and / or managing foreign currency risk.*

Asset allocation by class and industry sector are reported on a monthly basis in the monthly updates. The swap exposure data provided above includes the underlying market value of swap positions, the cash exposures have been adjusted to allow for this.

Liquidity

The Fund is invested in asset classes whereby it can reasonably be expected to realise at least 80% of its individual positions, at the value ascribed to those assets in calculating the Fund's NAV, within 10 days at all times. The liquidity profile of the Fund was met throughout the 2024 financial year. At 30 June 2024, 100% of its assets are capable of being realised within ten business days.

Leverage & Maturity Profile

The maximum gross exposure limit set for the Fund taking into account leverage is 200% of the NAV of the Fund.

Leverage levels were well within this maximum limit during the 2024 financial year. Based on the Fund's closing position at 30 June 2024, the Fund is long 98.6% and short 3.9%. The resultant gross exposure is 102.5%, and net exposure is 94.7%. The Fund had no other borrowings over the course of the financial year.

Key Service Providers:

GSFM Responsible Entity Services Limited appointed UBS AG, Australia Branch and UBS Nominees Pty Ltd as a Prime Broker and Custodian for the Funds in addition to the existing Prime Broker and Custodian, Morgan Stanley and Co International.

For further information on the services provided by the Prime Broker and Custodian please refer to the Product Disclosure Statement for each Fund.