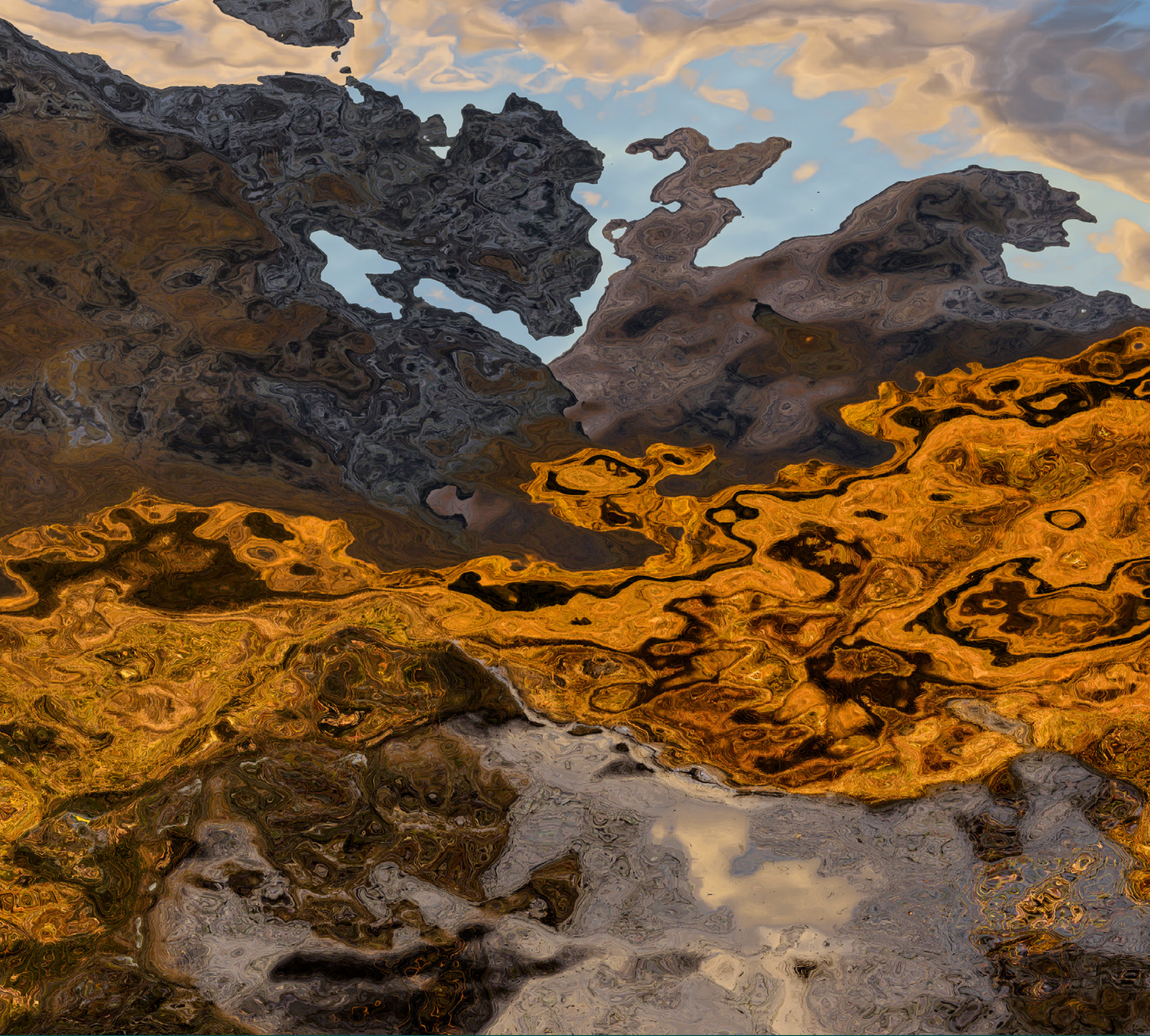


Quarterly report

Munro Concentrated Global Growth Fund

MCGG.ASX

June 2024

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

MCGG Fund quarter return
5.4%

MSCI World ex-Aus quarter return
0.3%

MCGG.ASX Fund quarter return
5.5%

MSCI World ex-Aus quarter return
0.3%

QUARTERLY HIGHLIGHTS

- The Munro Concentrated Global Growth Fund returned 5.4% for the June quarter. MCGG.ASX returned 5.5% over the same period, while the MSCI World ex-Australia Index NR returned 0.3%.

- 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 SK Hynix.

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

CONTENTS

INVESTMENT TEAM


Nick Griffin
CIO


Jeremy Gibson
Portfolio Manager


Kieran Moore
Portfolio Manager


Qiao Ma
Portfolio Manager


James Tsinidis
Portfolio Manager

QUARTERLY COMMENTARY

Fund commentary

The Munro Concentrated Global Growth Fund returned 5.4% for the June quarter (MCGG.ASX 5.5%) while the MSCI World (Ex-Australia) Index returned 0.3% over the same period.

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, Artificial intelligence (AI) was a dominant theme, contributors came from multiple different Areas of Interest (AoI) 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.

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

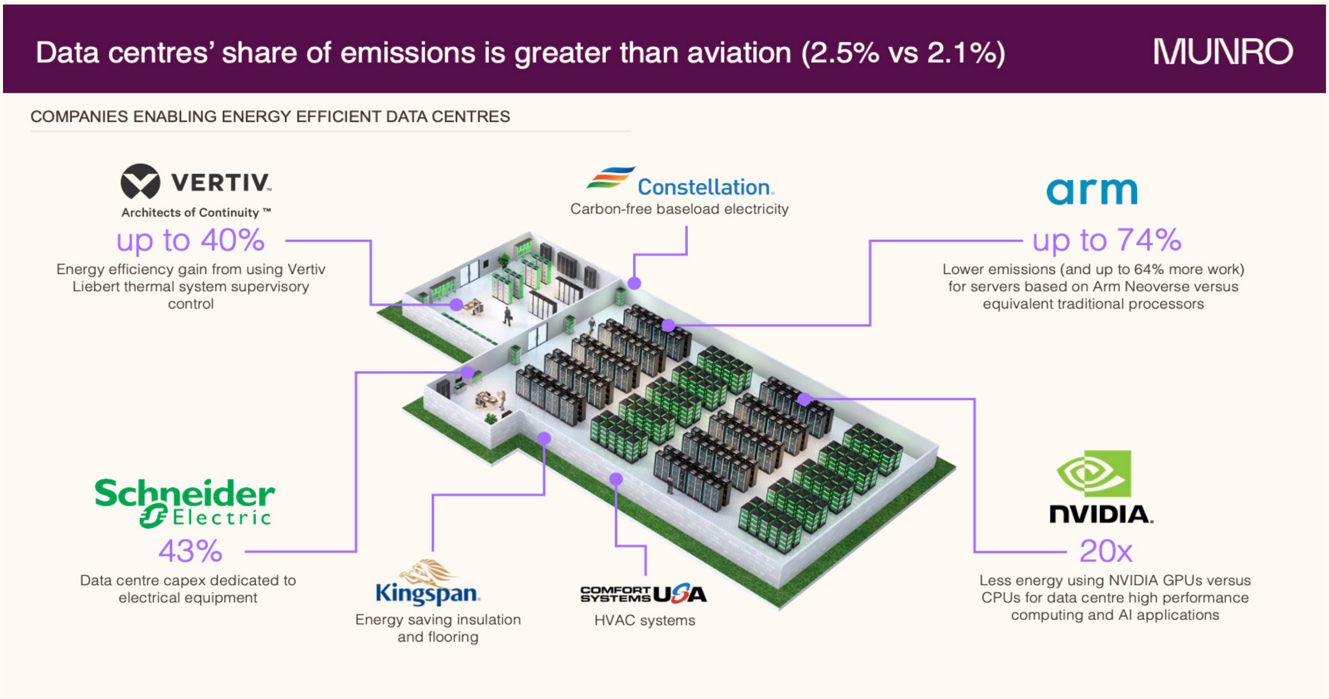
Global equity markets have performed well in the first half of the calendar year 2024, and we see potential for positive market performance in the months and years ahead, based on current trends. The outlook for inflation and interest rates remains favourable for growth equities, with inflation likely 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 $772 bn**

TSMC contributed 123bps 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: GE VERNOVA

GE VERNOVA

AREA OF INTEREST: **CLIMATE**
MARKET CAP : **USD $47 bn**

GE Vernova contributed 16bps to Fund performance for the quarter.

GE Vernova (GEV) is the power business that in March 2024 spun out from the broader industrial company, General Electric (GE). After years of management challenges, American business executive Larry Culp, was appointed as the GE CEO in 2018 to restructure and simplify its businesses. Part of Culp's strategy has been to spin out GE's Healthcare and Power businesses into separately listed companies. With GEV, we have a high level of conviction that the company's dedicated board and executive team can continue to improve its recent execution and profitability trajectory. While some project obstacles remain within the portfolio, we are satisfied that the company has adequately provisioned for them and note that the company is in a strong net cash position. As these obstacles are worked through, we believe that the simplified product focus puts GEV in a strong position to benefit from the decarbonisation megatrend that its products and services enable.

GEV is a power conglomerate organised under 3 main divisions: power generation (gas, nuclear, hydro, steam), wind (onshore and offshore turbine equipment and services) and electrification (power transmission, storage, software) with a sales mix of approximately 50%, 30% and 20%, respectively.

The bull case for each division varies but each revolves around decarbonisation. Within power, the company benefits not only from coal-to-gas switching but also the ability to switch the fleet of existing gas turbines to hydrogen powered turbines. The power business is also set to benefit from the improved outlook for nuclear in a net zero world.

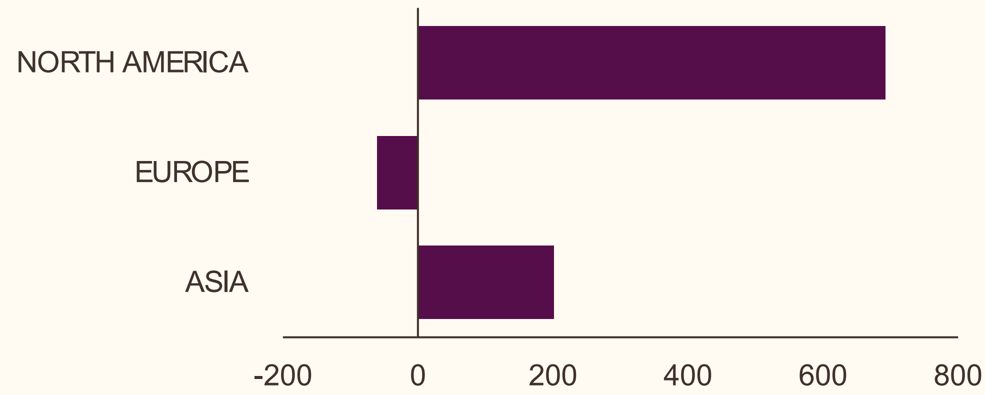
While wind has always been an area of excitement, profitability has been poor primarily due to execution missteps in offshore wind, with projects in the past bid for at low margins and with too much technology and project risk – specifically, very large turbines installed many kilometres offshore. We're anticipating GEV to withdraw this business if industry dynamics don't change once it addresses its legacy backlog.

However, we believe that the most interesting growth business within the GEV portfolio is the Electrification business, which provides electrical grid equipment and software. Electrification is driven by all the positive electrical demand drivers we talked about earlier in this report and we model the grid business to grow its sales in the mid-teens to the end of the decade.

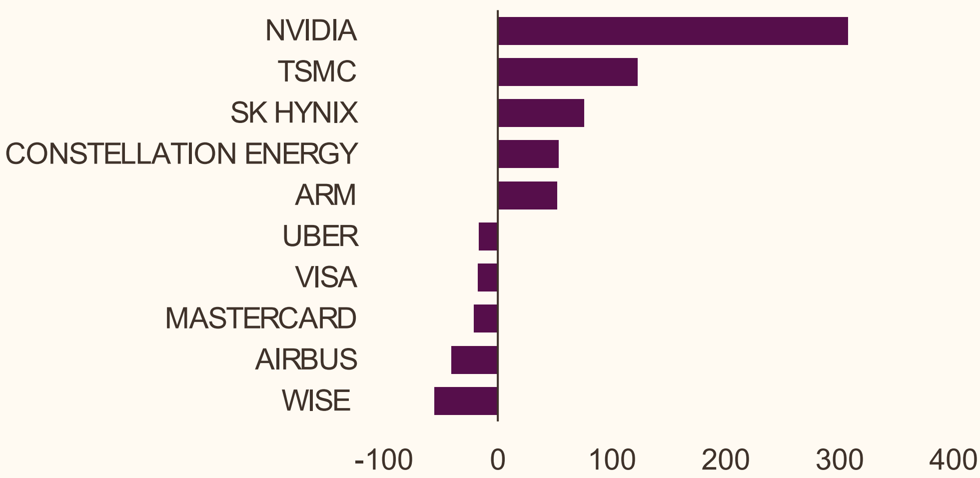
Learn more about GE Vernova in this Invest in the Journey Podcast episode with Investment Analyst, Daniel Condon.

QUARTERLY FUND ATTRIBUTION (BASIS POINTS)

By region (ex cash)



Top & bottom contributors



Category

EQUITIES	95.4%
CASH	4.6%
NO. OF POSITIONS	32

Sector

INFORMATION TECHNOLOGY	44.5%
CONSUMER DISCRETIONARY	12.0%
INDUSTRIALS	10.9%
COMMUNICATIONS SERVICES	7.8%
HEALTHCARE	6.8%
OTHER	13.3%
CASH	4.6%

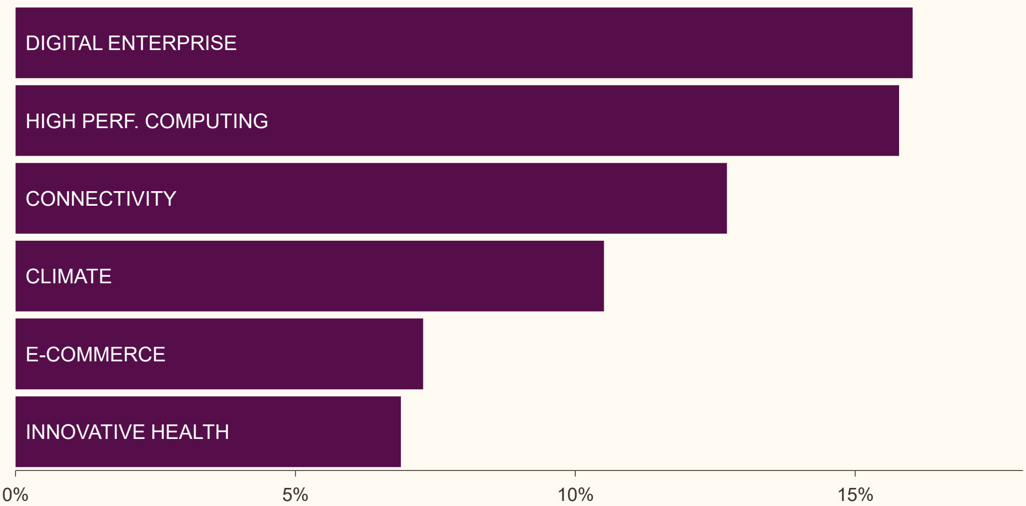
Region

	LONG
UNITED STATES	74.9%
EUROPE	10.4%
NETHERLANDS	2.4%
GERMANY	1.6%
FRANCE	3.7%
DENMARK	2.7%
UK	1.4%
SOUTH KOREA	3.3%
TAIWAN	5.4%
TOTAL	95.4%
CASH	4.6%

Holdings

TOP 10 HOLDINGS	
NVIDIA	10.3%
MICROSOFT	8.3%
AMAZON	7.3%
CONSTELLATION ENERGY	5.5%
TSMC	5.4%
SERVICENOW	3.6%
SK HYNIX	3.3%
SYNOPSYS	3.1%
META	3.0%
APPLIED MATERIALS	3.0%

Top 6 Areas of interest (AOI)



Net Performance - MCGGF

	3 MTHS	6 MTHS	1 YEAR	3 YRS	INCEPT (P.A.)	INCEPT CUM.
MUNRO CONCENTRATED GLOBAL GROWTH FUND (AUD)	5.4%	31.5%	39.0%	13.5%	18.4%	120.2%
MSCI WORLD (EX-AUS) TR INDEX (AUD)	0.3%	14.4%	19.9%	11.2%	12.8%	75.4%
EXCESS RETURN	5.1%	17.1%	19.0%	2.3%	5.6%	44.8%

INCEPTION: 31 OCTOBER 2019

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
2020FY				0.0%	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%	2.4%	5.3%	1.7%	22.7%
2024FY	0.5%	3.4%	-5.2%	1.1%	5.3%	0.8%	8.5%	12.0%	2.8%	-3.8%	5.3%	4.0%	39.0%

Net Performance - MCGG.ASX

	3 MTHS	6 MTHS	1 YEAR	INCEPT P.A.	INCEPT CUM.
MCGG.ASX (AUD)	5.5%	31.6%	38.8%	16.3%	43.7%
MSCI WORLD (EX-AUS) TR INDEX (AUD)	0.3%	14.4%	19.9%	10.9%	28.3%
EXCESS RETURN	5.2%	17.2%	18.9%	5.4%	15.4%

INCEPTION: 3 FEBRUARY 2022

	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%	2.5%	5.2%	1.4%	22.0%
2024FY	0.5%	3.5%	-5.2%	1.0%	5.1%	0.8%	8.4%	11.9%	2.8%	-3.7%	5.3%	4.0%	38.8%

Differences in performance between the Munro Concentrated Global Growth Fund and MCGG.ASX (ASX quoted fund) may be due to cashflow movements, the buy/sell spread of the iNAV for MCGG.ASX, the timing difference between the issuing of units during the day on the ASX for MCGG.ASX and the purchase of units in the Munro Concentrated Global Growth Fund at the end of the day. This may result in variances 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 2024 unless otherwise specified. The inception date of the Munro Concentrated Global Growth Fund (MCGGF) is 31 October 2019. MCGG.ASX invests in MCGGF and cash, the inception date of MCGG.ASX 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. AoI refers to Area of Interest. EM refers to Emerging Markets (including China). 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 and the Munro Concentrated Global Growth Fund (Managed Fund) (MCGG.ASX), collectively the Funds. GRES is the issuer of this information. 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 (PDS) for the relevant Fund. The MCGGF PDS is dated 30 September 2022 and the Additional Information to the Product Disclosure Statement (AIB) and the MCGG.ASX PDS is dated 21 January 2022, these can be obtained from www.gsfm.com.au, www.munropartners.com.au or by calling 1300 133 451. GSFM Responsible Entity Services has produced a TMD in relation to the Munro Concentrated Global Growth Fund and MCGG.ASX Fund. The TMD sets out the class of persons who comprise the target market for the Funds and is available at www.gsfm.com.au. 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 10 July 2024.