MUNRO

Quarterly report

Munro Global Growth Fund

MAET.ASX

December 2024

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

Munro Global Growth Fund
Quarter return (net)
10.4%

MAET.ASX
Quarter return (net)
10.4%

QUARTERLY HIGHLIGHTS

- The Munro Global Growth Fund and MAET.ASX both returned 10.4% for the December quarter.

- Artificial intelligence (AI) continued to be a dominant theme, contributors came from GE Vernova, and Broadcom. Detracting from performance over the quarter were Constellation Energy and Uber.

- We expect the bull market, which began in 2023, is entering its third year. Conditions are favourable for further corporate earnings growth and, hence, equity market growth in 2025. Interest rates have stabilised, inflationary pressures are easing, and central banks can now support a stable economic upcycle via interest rate cuts if required.

MUNRO MEDIA

Australian Financial Review, 9 December 2024
Top fundies name their stock picks for 2025
Read the article here

Equity Mates Podcast, 9 December 2024
The Nvidia story is not over
Listen to the podcast episode here

Livewire Markets, 20 December 2024
A sizzling start: How Qiao Ma delivered 62.2% returns in the first year of Munro's new strategy
Read the article here

CONTENTS

INVESTMENT TEAM

Nick Griffin
CIO

Kieran Moore
Portfolio Manager

Jeremy Gibson
Portfolio Manager

Qiao Ma
Portfolio Manager

James Tsinidis
Portfolio Manager

Fund commentary

The Munro Global Growth Fund returned 10.4% for the December quarter (MAET.ASX 10.4%). The Fund's long positions and currency contributed positively to performance, whilst short positions and option hedging detracted from performance.

Global markets had mixed performance, in local terms, for the quarter, with equity market performance bifurcated by regions. The US market gained, led by technology, with the Nasdaq outpacing gains in the S&P 500, whilst many other markets were weaker such as Europe and HK/China.

The US Presidential Election was the major event of the quarter. Donald Trump won a clear mandate to govern and the Republicans gaining a majority vote in the Senate and the House of Representatives. This led to the bifurcation of the market with the US seen as having a stronger economy and lower taxes under Trump and the impact of potential tariffs threatening growth in other parts of the world including China and Europe. The market had a weak close to the quarter following the US Federal Reserve's meeting in mid-December when they disclosed a likely two rate cuts in 2025, versus market expectations of four rate cuts.

From a fund perspective, long positions contributed to performance for the quarter. Artificial intelligence (AI) continued to be a dominant theme, contributors came from electric power system company GE Vernova, and Broadcom which has emerged as the designer of choice for custom-designed semiconductor chips (known as ASICs) used as an alternative for GPUs as they are more specialised and efficient for targeted workloads. Detracting from performance over the quarter were Constellation Energy, which slumped after regulators blocked peer Talen Energy's deal to supply an Amazon data centre with nuclear power; and Uber due to a de-rating of its multiple on the threat of faster autonomous driving regulation, given Elon Musk's prominent position with President-elect Donald Trump.

Currency contributed to performance as the AUD depreciated for the quarter against the USD, driven by positive economic growth expectations in the US, following the US election and higher for longer rates post the last US Federal Reserve meeting for the year. We ended the quarter at approximately 49% hedged back to the Australian dollar.

Market outlook

For Munro's broad market outlook please refer to the Annual Letter prepared by CIO Nick Griffin, published on December 20, 2024. Alternatively, you can listen to the Invest in the Journey 2025 outlook podcast episode here.

STOCK STORY: BROADCOM

BROADCOM®

AREA OF INTEREST: **CONNECTIVITY**
MARKET CAP: **USD $1.1TR**

Broadcom contributed 94bps to Fund performance for the quarter.

Broadcom is a fabless semiconductor company that designs semiconductors for a range of different industries and applications, based in Palo Alto, California. The company plays an important role in providing semiconductors for AI, specifically, they provide hyperscale data centre companies custom silicon chips. Over time, as companies such as Meta, Alphabet, Amazon and Microsoft build out their AI offering, the critical semiconductor content will come from both custom silicon chips, designed by companies such as Broadcom, and merchant silicon chips, designed by Nvidia. Depending on the use case, or workload, the hyperscaler will use either a custom silicon semiconductor or a merchant silicon semiconductor. Therefore, over time we expect AI processes to be driven by both Nvidia designed chips and custom designed chips from Broadcom and its peers.

On their recent earnings call, Broadcom CEO Hock Tan confirmed that the company's customers are rapidly pursuing the development of a 1 million XPU cluster of chips. To translate what this means for Broadcom, Hock laid out the Serviceable Addressable Market (SAM) opportunity for the company's AI revenues over the next 3 years to 2027. In 2024, Hock noted that Broadcom's SAM was $15-20bn USD, of which the company commanded an approximate 70% share. In 2027, that SAM is expected to grow to $60-90bn USD, and assuming Broadcom captures an approximate 60% share, this gives rise to $50bn USD of AI revenue opportunity for the company over the next 3 years. For the company overall, this means that revenue has the potential to double over the next 3 years. We believe the technology road map outlined by Broadcom and the resulting revenue opportunity gives rise to a multi-year runway of earnings growth backed by a large structural change.

> **HOCK TAN (BROADCOM, CEO) AND NICK GRIFFIN (MUNRO, CIO)**

During a research trip in Palo Alto in September 2024.

AXON

AREA OF INTEREST: SECURITY
MARKET CAP: USD $45bn

Axon Enterprises contributed 45bps to Fund performance for the quarter.

Axon Enterprises is a founder-led company based in Scottsdale, Arizona. Axon is a pioneer in developing products and technology centred around ensuring public safety. Axon's core mission is to protect life, and this began when they developed a new version of a taser, with the objective of reducing gun-related death between the police and the public. Since then, they claim to have saved over 300,000 lives from death or serious bodily injury as a result of their products and aspire to cut gun-related deaths in half by 2033.

Since the launch of their taser, Axon have expanded into other products that help law enforcement, this includes the body cameras and fleet vehicle systems (police dashcams). They have reached such a scale where they now have a massive installed base of 'sensors' in the field and have been focused on layering on high-margin, recurring software revenues that now represent almost 50% of gross profit. Their most recent software offering is called DraftOne, which uses the vision captured by the Axon body camera to draft police reports, reducing a mundane task that consumes hours of an officer's day. The Fort Collins Police Department has claimed a 67% decrease in time spent by officers writing incident reports since deploying the technology. Just 3 months after the launch, DraftOne had already amassed over $100m of revenue pipeline, the fastest product in Axon's history to do so.

Today, Axon captures only 1% of US city budget spending. They are disrupting a largely under-served market yearning for products that make them better served to protect the public. We think they can continue to capture a greater portion of these budgets over time and see a multi-decade long runway for growth. They size their total addressable market at US$77bn relative to their revenue base of US$2bn today, and we are confident that Axon can continue to penetrate not only the market opportunities they have identified today, but also those that are yet to hear about this innovative company and its revolutionising technology.
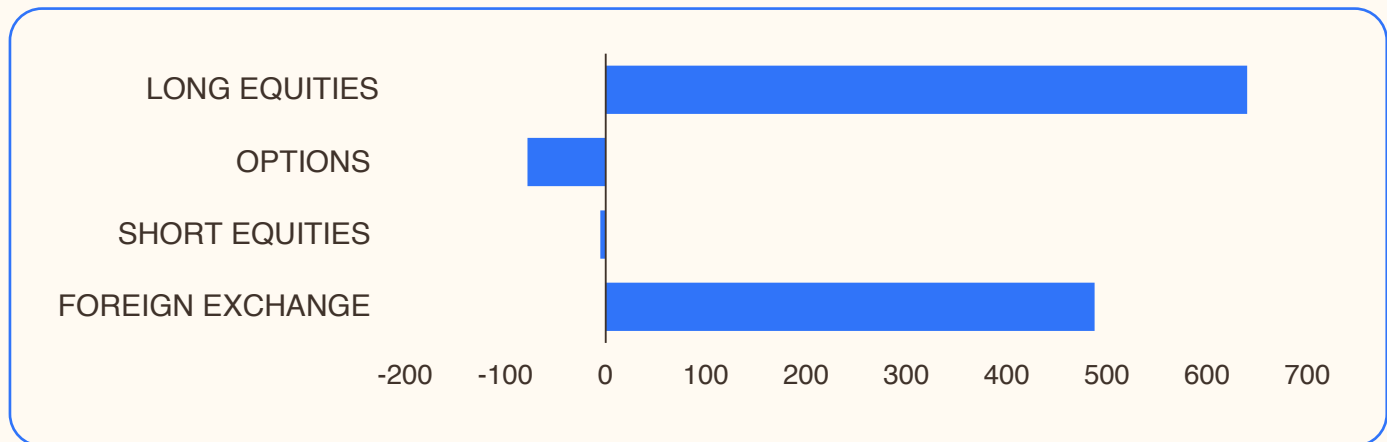
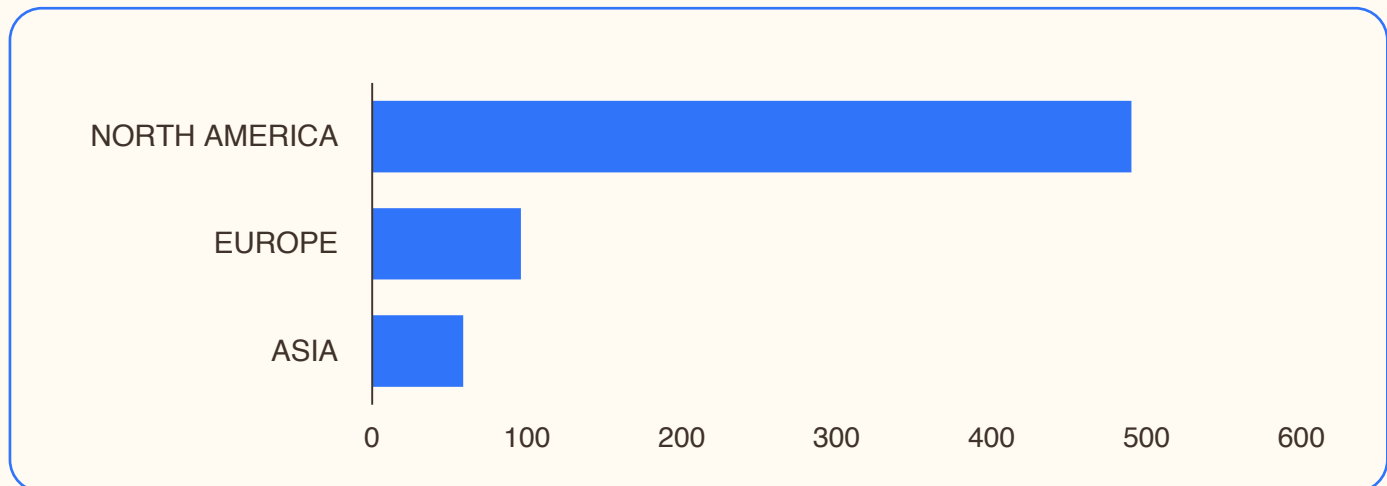## JEREMY GIBSON (MUNRO, PORTFOLIO MANAGER) AT AXON IN SEATTLE

Testing the Axon taser simulator during the Axon site visit in Seattle, September 2024.
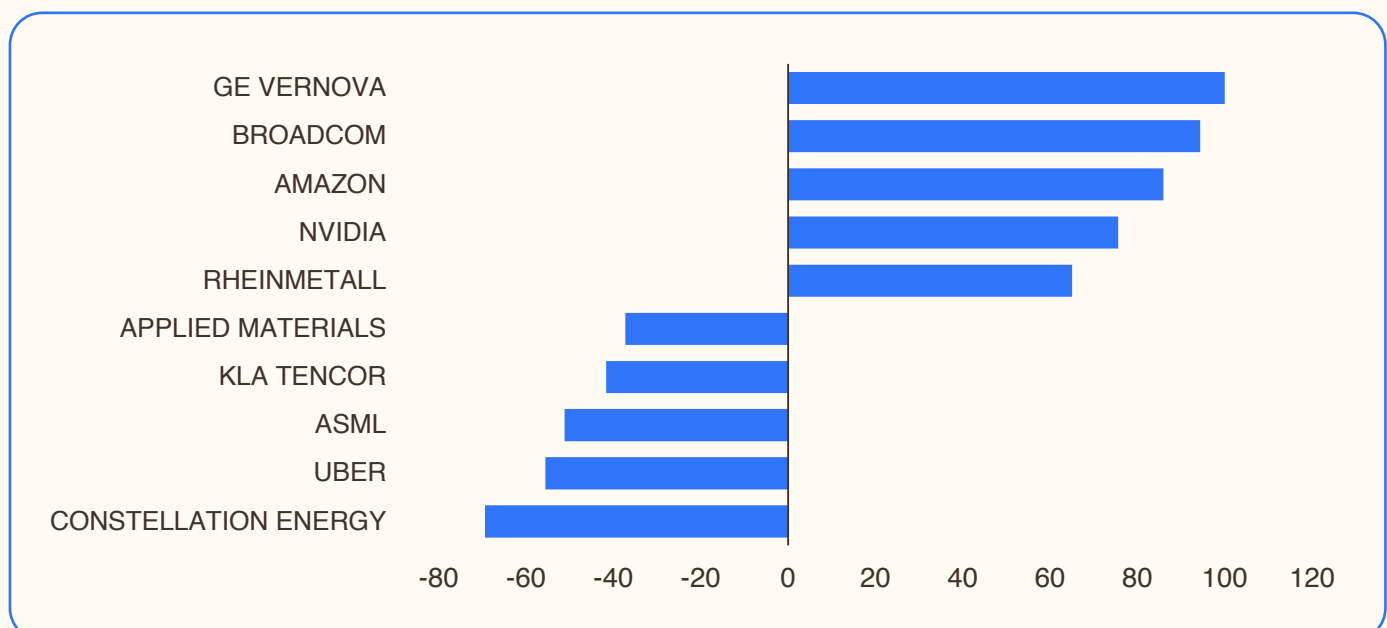
QUARTERLY FUND ATTRIBUTION (BASIS POINTS)

Security type

LONG EQUITIES	
OPTIONS	
SHORT EQUITIES	
FOREIGN EXCHANGE	

-200 -100 0 100 200 300 400 500 600 700

Region (equities only)

NORTH AMERICA

EUROPE

ASIA

0 100 200 300 400 500 600

Top & bottom contributors (equities only)

GE VERNOVA
BROADCOM
AMAZON
NVIDIA
RHEINMETALL
APPLIED MATERIALS
KLA TENCOR
ASML
UBER
CONSTELLATION ENERGY

-80 -60 -40 -20 0 20 40 60 80 100 120

Category

GROSS	111%
LONG	103%
SHORT	8%
NET	96%
DELTA ADJUSTED NET	95%
CURRENCY HEDGE (AUD)	49%

TOTAL POSITIONS	46
LONG POSITIONS	40
SHORT POSITIONS	6

Region

CURRENCY REGION	GROSS EXP	NET EXP	CURRENCY EXP
AUSTRALIA (AUD)	0.0%	0.0%	49.3%
UNITED STATES (USD)	90.6%	84.7%	50.7%
EURO (EUR)	9.3%	3.2%	0.0%
FRANCE	2.3%	2.3%	
GERMANY	7.0%	0.8%	
TAIWAN (TWD)	4.7%	4.7%	0.0%
UNITED KINGDOM (GBP)	1.8%	1.8%	0.0%
SWEDEN (SEK)	1.0%	-1.0%	0.1%
SWITZERLAND (CHF)	2.7%	2.7%	0.0%
HONG KONG (HKD)	0.5%	-0.5%	0.0%
TOTAL	110.7%	95.5%	100.0%
DELTA ADJUSTED EXPOSURE	115.1%	95.2%	

Holdings

TOP 10 HOLDINGS	
NVIDIA	6.4%
AMAZON	5.7%
CONSTELLATION ENERGY	5.3%
MICROSOFT	4.9%
TSMC	4.7%
MASTERCARD	4.2%
CRH	4.0%
SERVICENOW	3.3%
BROADCOM	3.3%
GE VERNOVA	3.1%

Top 8 Areas of Interest (AOI)

CLIMATE

DIGITAL ENTERPRISE

SECURITY

DIGITAL MEDIA & CONTENT

INNOVATIVE HEALTH

INFRASTRUCTURE

CONNECTIVITY

HIGH PERF. COMPUTING

0%　　5%　　10%　　15%
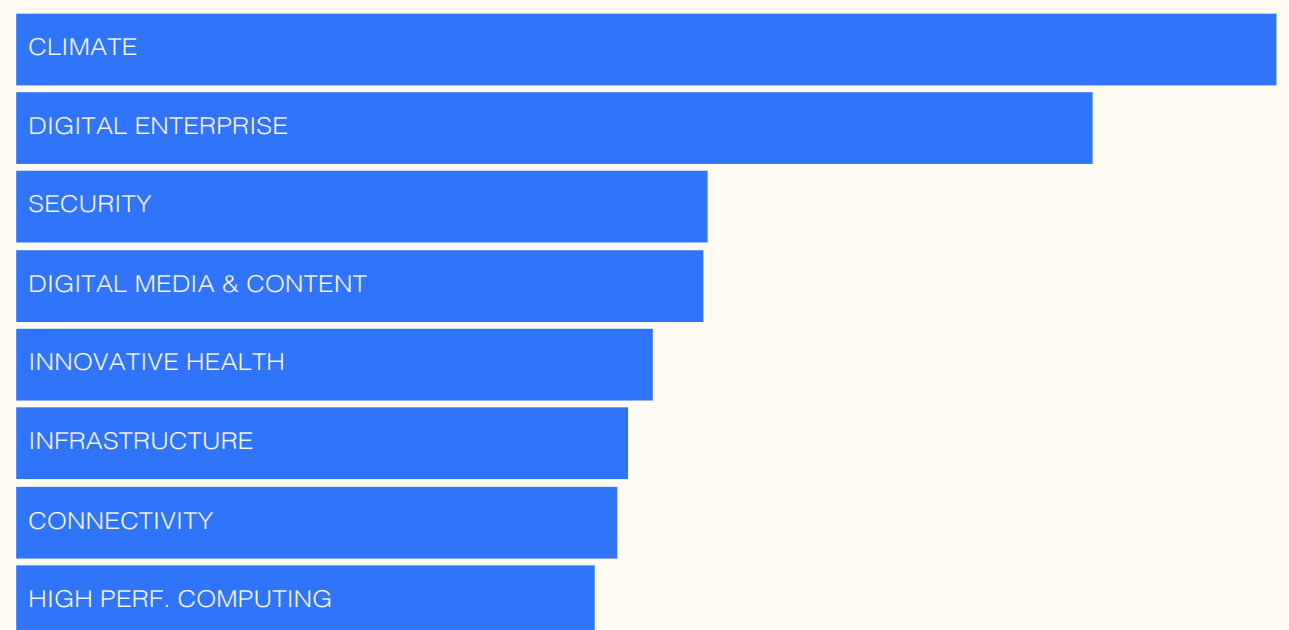
Net Performance - MGGF

	3MTHS	6MTHS	1YR	3YRS (P.A.)	5YRS (P.A.)	7YRS (P.A.)	INCEPT (P.A.)	INCEPT CUM.
MUNRO GLOBAL GROWTH FUND (AUD)	10.4%	8.6%	37.2%	8.6%	15.0%	12.8%	13.7%	194.4%

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%
2025FY	-2.5%	-0.7%	1.5%	3.1%	6.7%	0.4%							8.6%

Net Performance - MAET.ASX

	3MTHS	6MTHS	1YR	3YRS (P.A.)	INCEPT (P.A.)	INCEPT CUM.
MAET.ASX (AUD)	10.4%	8.6%	37.2%	8.6%	10.5%	51.6%

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%	6.7%	2.2%	6.1%	11.0%	2.1%	-4.0%	5.7%	3.5%	34.0%
2025FY	-2.4%	-0.6%	1.4%	3.1%	6.7%	0.4%							8.6%

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.