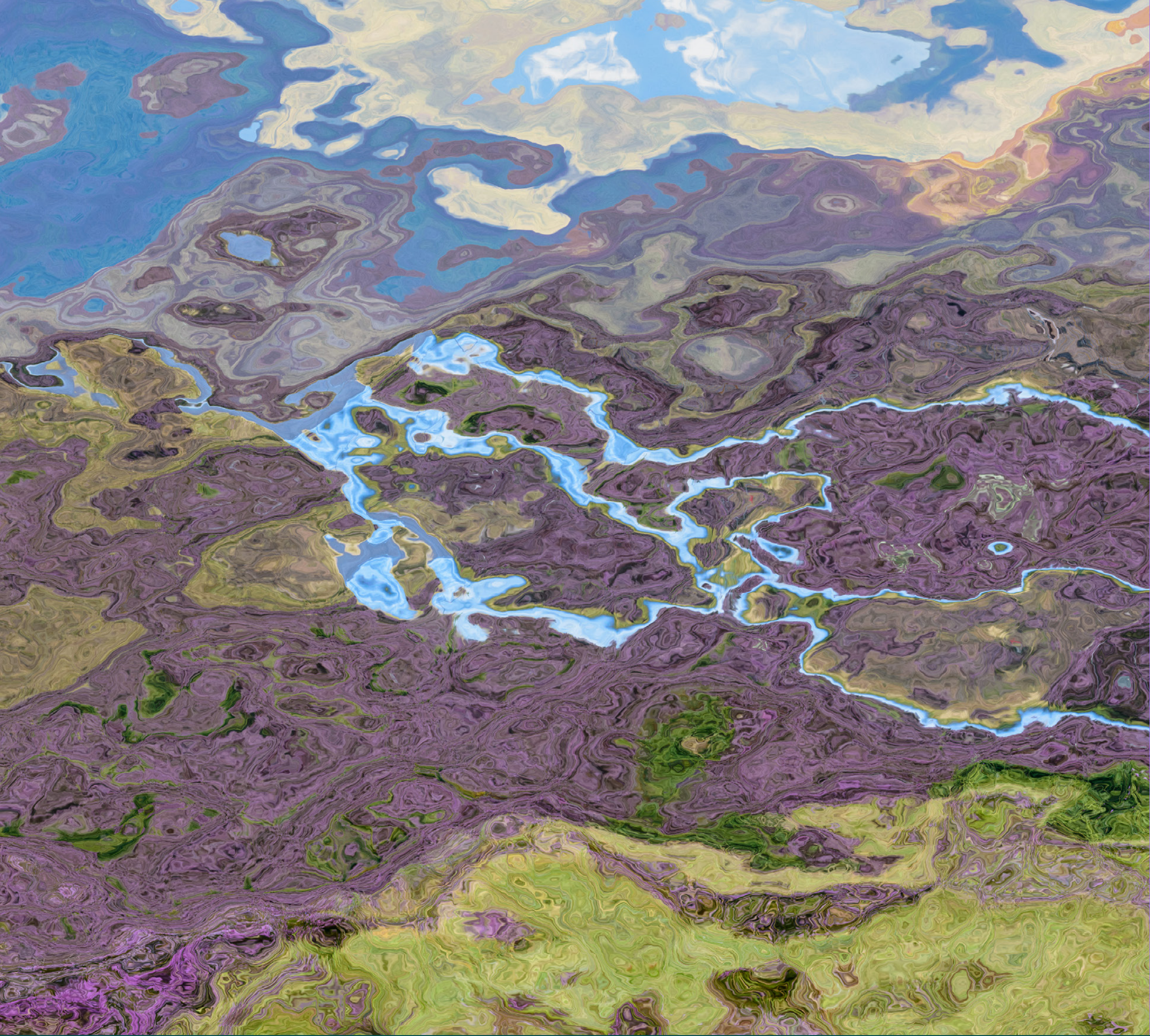

Quarterly report

Munro Climate Change Leaders Fund

MCCL.ASX

March 2025

Munro Climate Change Leaders Fund & MCCL.ASX

March 2025 – Quarterly report

MCCL Fund quarter return (net)
-6.8%

MSCI ACWI quarter return
-2.0%

MCCL.ASX Fund quarter return (net)
-6.8%

MSCI ACWI quarter return
-2.0%

QUARTERLY HIGHLIGHTS

- The Munro Climate Change Leaders Fund returned -6.8% for the March quarter (MCCL.ASX -6.8%) underperforming the benchmark's return of -2.0% by 4.8%.
- Top contributors to performane for the quarter included Constellation Energy and Saint Gobain. Top detractors included smaller cap industrial companies like Quanta Services and Comfort Systems, who gave back some of the strong 2024 gains.
- The situation around the Trump administration's tariff agenda is rapidly evolving, and we will continue to make changes to the Fund where necessary and in accordance with Munro Partners' risk management processes.

MUNRO MEDIA

Munro Partners, February 2025
Investing in Climate: A defining theme for the next generation
Read the whitepaper here

Livewire Markets, 7 March 2025
Buy Hold Sell: 5 stocks with massive growth runways
Read the article here

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INVESTMENT TEAM

Nick Griffin
CIO
Climate Co-lead

James Tsinidis
Portfolio Manager
Climate Co-lead

Kieran Moore
Portfolio Manager

Qiao Ma
Portfolio Manager

QUARTERLY COMMENTARY

Fund commentary

The Munro Climate Change Leaders Fund returned -6.8% for the March quarter (MCCL.ASX -6.8%) underperforming the benchmark's return of -2.0% by 4.8%.

Equity markets experienced heightened volatility during the quarter as investors grappled with the impact of tariffs and trade policies on the global economy and corporate earnings. The emergence of China's DeepSeek AI model also raised concerns for investors, particularly around AI server and power demand.

Market performance was bifurcated across regions. Europe gained with the proposal of additional fiscal stimulus, while China rallied as it emerged as a real contender in the AI arms race. In contrast, the US market fell into correction territory, with the S&P 500 faring better than the tech-heavy Nasdaq.

From a fund perspective, more defensive companies with longer order books, higher services mix and less cyclical end market exposures generally held up better in the deteriorating macro environment. This resulted in the relative outperformance of stocks like industrial gas behemoth Linde, solid waste and recycling company GFL environmental and power generation and electrical equipment conglomerate Siemens Energy.

Rounding out the top five positive contributors were Constellation Energy and Saint Gobain. Constellation Energy's contribution to performance, however, was because of profit taking for the Fund, after the stock spiked early in the quarter following its acquisition of power generator Calpine. The stock ultimately declined as the quarter progressed with heightened regulatory uncertainty complicating the ability of the company to contract its zero-emission nuclear power out to hyperscaler customers at premium prices. Saint Gobain rallied as the company is well placed to benefit from European fiscal stimulus. Stimulus is likely to be directed to the building construction and renovation sector and this will likely be a tailwind for demand for the company's energy efficient building materials and insulation products.

On the negative side, smaller cap industrial companies like Quanta Services and Comfort Systems gave back some of the strong 2024 gains (discussed on page 5). Elsewhere, despite holding them in reduced size, some of the more cyclically exposed industrial names in the portfolio like company Clean Harbors (hazardous waste disposal and oil recycling) and Eaton (electrical equipment) were also a drag on performance. Rounding out the top five detractors, Nvidia, also detracted as the market questioned the durability of AI-driven growth, leading to a significant de-rating in their earnings multiple.

Market Outlook

The situation around the Trump administration's tariff agenda is rapidly evolving, and we will continue to make changes to the fund where necessary and in accordance with Munro Partners' risk management processes. Over the past few weeks Munro has made the following adjustments to the portfolio:

- Pivoted the fund away from companies that are more at risk of earnings cuts in a macroeconomic slowdown. Broadly, this has resulted in the Fund reducing its weighting in commodity and cyclically exposed companies, as well as to small caps.
- Moved the Fund up the market cap curve and towards utilities and defensive industrial companies.
- Favoured businesses with longer order backlogs and higher percentage of their sales coming from services.
- Lowered the aggregate valuation of the Fund by selling more expensive stock positions.

Today the Fund's 2 year forward EV/EBITDA trades at 12x, which is the lowest valuation in 3 years. The valuation is also in line with the S&P 500, which is lower than historical relative valuation levels for the portfolio. The Fund historically trades at a 10-20% premium, given our holdings exhibit above market earnings growth. The correction has resulted in a more attractive valuation for the portfolio, although we do acknowledge that the earnings situation is evolving rapidly, and the near-term backdrop has clearly deteriorated. Medium term, we remain excited about the companies within the Climate Area of Interest as they are benefiting from the structural growth tailwind that is the $50 trillion+[1] being spent over many decades to decarbonise the planet.

For full market commentary, please refer to Munro Global Growth Fund report.

1 *based on industry estimates*

CLIMATE SUB AREA OF INTEREST: **Clean Energy & Energy Efficiency**
MARKET CAP: **US$37.6bn &**

Comfort Systems detracted 149bps from Fund performance for the quarter and Quanta detracted 151bps from Fund performance for the quarter.

We are grouping these two stocks together in this quarterly update because both companies are US based EPC companies (Engineering, Procurement, and Construction). Comfort Systems employs 18,000 people including electricians, plumbers, welders and service technicians, and Quanta Services employs 50,000 skilled workers primarily in the electrical sector. Both companies have had excellent performance over the past 5 years, as they are beneficiaries of mega trends including the electrification of transport (e.g. Electric Vehicles), buildings (e.g. Heating, Ventilation, Air Conditioning), data centre build growth and the reshoring of manufacturing to the US. All these thematics put greater demand on US power infrastructure and require more efficient building infrastructure. We have written about their positive contributions to Fund performance in previous quarterly updates.

Throughout the quarter, smaller industrial stocks such as Comfort Systems and Quanta Services struggled over concerns that the US economy is turning down, due to the chaos in Washington, leading to a possible slowdown in work for both companies. Additionally, there is some concern that the Trump government will roll back various Biden policies including the Inflation Reduction Act (IRA) which is important to the US energy transition in that it supports the solar, wind and electric vehicle industries via tax credits. While we doubt that Trump has the backing of congress to support the IRA repeal (which disproportionately supports rural and Republican districts), we do acknowledge this is an unhelpful headwind.

Despite the near-term uncertainties, we remain comfortable with both Comfort Systems and Quanta Services. They are in strong respective positions to benefit from decarbonisation and energy transition spending, which is structural in nature, as world's biggest companies remain committed to net zero spending. Many of these spending programs have strong ROIs for businesses customers as they are helping to not only reduce carbon footprints, but also energy bills. Beyond this, the need to spend on electrification and power generation is becoming even more critical to the US as the grid infrastructure is aging, while the costs of coal and gas power generation, is becoming increasingly uncompetitive vs renewables.

STOCK STORY: NVIDIA

CLIMATE SUB AREA OF INTEREST: **Energy Efficiency**
MARKET CAP: **US$2.5tr**

Nvidia detracted 121bps from the Fund's performance over the quarter.

As the world's demand for artificial intelligence grows rapidly, Nvidia is enabling more energy efficient data centres through their GPU chips. Nvidia's GPUs are as much as 20 times more energy efficient for certain AI and High Performance Computing workloads versus CPUs. Pleasingly newer Nvidia products are continuing to achieve large energy efficiency gains per unit of computing.

As the leading graphics processing unit (GPU) chip manufacturer and the pioneer of accelerated computing, Nvidia has positioned itself as the key enabler of AI technology. We are two years into the AI revolution, and all of Nvidia's customers are still spending at breakneck speed in order to deploy large computing clusters for training large language models. In many cases, customer ambitions are to reach clusters of one million GPUs and beyond. Scaling up these large computing clusters allows for more powerful large language models to be trained, while also reducing the cost per unit of compute. As companies rapidly scale up their AI computing resources, Nvidia is poised to capture the lion's share of this opportunity, leveraging its dominant >80% market share in AI accelerators.

Despite reporting record-breaking financial results, Nvidia's share price has been under pressure due to concerns over the durability of AI infrastructure spending and the increasing possibility of stricter export restrictions on Chinese customers. Headlines around Microsoft, one of Nvidia's major clients, stepping back from some data centre leases also raised questions about the long-term demand for AI chips. We believe that this was a result of Microsoft being unwilling to subsidise OpenAI's AI training, given that they do not recognise such revenue under the terms of their partnership. OpenAI was quick to find a new partner in Oracle, with whom they are building Stargate, the largest AI training cluster in the world that is set to cost $500 billion over 4 years.

Contrary to market concerns, we see no indication that compute demand has peaked. In fact, Nvidia's CEO, Jensen Huang reiterated that models enhanced with reasoning capabilities require 100x more compute than the basic inferencing we saw in the first iteration of ChatGPT. On top of that, their next-generation chip, the Blackwell GPU, has become the fastest product ramp in the company's history given the step-function improvements in both performance and efficiency compared to its predecessors. Therefore, we believe Nvidia has a long runway of structural earnings growth ahead as they continue to pioneer the AI revolution.

How a sample of companies in the Munro Climate Change Leaders Fund are enabling decarbonisation

The Munro investment process seeks to identify companies across a range of industries and countries whose earnings prospects would improve with increased investment and focus on decarbonisation, as the global economy moves towards reducing carbon emissions. Companies Munro considers climate change leaders and decarbonisation enablers generally fit one or more of the following sub themes:

- Clean Energy – Companies benefiting from the demand for carbon-free and renewable energy including energy generation covering wind, solar, nuclear, renewable diesel and electrical grid equipment
- Clean Transport – companies benefiting from the growth of electric vehicles, battery technology and other low carbon transportation
- Energy Efficiency – companies offering insulation products, electrical switches, lighting, metering and other energy efficient technologies
- Circular Economy – companies benefiting from efforts to improve recycling, alternative packaging materials and management of waste, water-waste, agricultural technologies and other services aimed at reducing reliance on raw materials.

How some of the Fund's holdings meet Munro's defintion of a climate change leader:

Constellation Energy

Clean Energy

Constellation Energy owns the largest fleet of nuclear power stations in the US.

Nuclear energy is a carbon free source of electricity.

Nearly 90% of their annual output is carbon-free*.

Quanta Services

Clean Energy

Quanta Services develops electricity infrastructure, which is essential in the transition to decarbonise the planet because it allows things including cars, heating and cooling to be electrified.

Separately, Quanta has a dedicated business which develops renewable energy projects.

Nvidia

Energy Efficiency

As the world's demand for artificial intelligence grows rapidly, Nvidia is enabling more energy efficient data centres through their GPU chips

Nvidia's GPUs are as much as 20 times more energy efficient for certain AI and High Performance Computing workloads versus CPUs.

And, pleasingly newer products are continuing to achieve large energy efficiency gains per unit of computing.

Clean Harbors

Circular Economy

Clean Harbors collects, manages and destroys or stores hazardous industrial waste. Some of this waste has high global warming potential (GWP) if it is released into the atmosphere. Clean Harbors' safe destruction helps avoid emissions.

Clean Harbors also recycles used motor oil, this process is less emissions intensive than making oil from crude.

Linde

Energy Efficiency

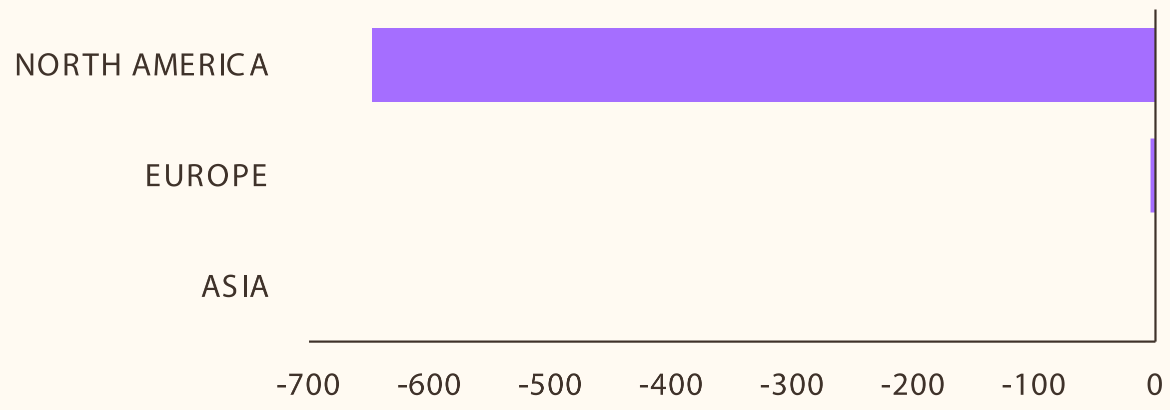
Linde enables decarbonisation through providing industrial gases, some of which help industrial operations run more efficiently with lower emissions.

Linde is also developing large clean energy projects, specifically 'blue hydrogen', which is hydrogen produced with natural gas where the carbon is captured and stored. Hydrogen, which has no carbon emissions when combusted, can help decarbonise industrials and heavy transport.

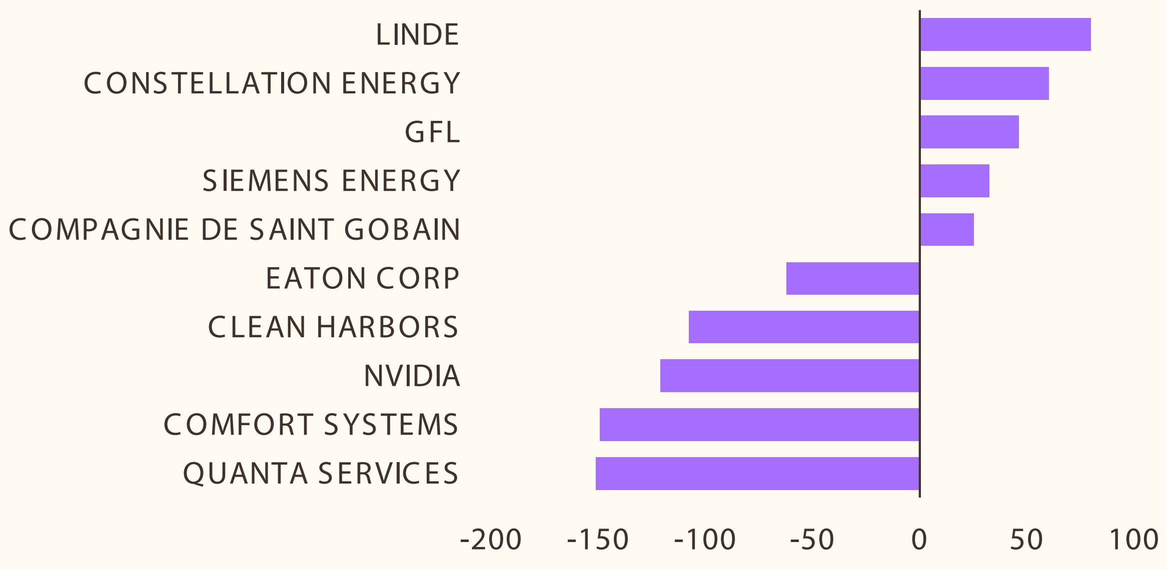
The full list of fund holdings, presented on a one-month lag basis, is available on our website. *Source: Munro Partners & Constellation Energy 31 March 2025.

QUARTERLY FUND ATTRIBUTION (BASIS POINTS)

Region (equities only)



Top & bottom contributors



QUARTER END EXPOSURE

Category

EQUITIES	96.5%
CASH	3.5%
NO. OF POSITIONS	21

Sector

INDUSTRIALS	57.8%
UTILITIES	18.9%
INFORMATION TECHNOLOGY	10.3%
MATERIALS	8.8%
OTHER	0.8%
CASH	3.5%

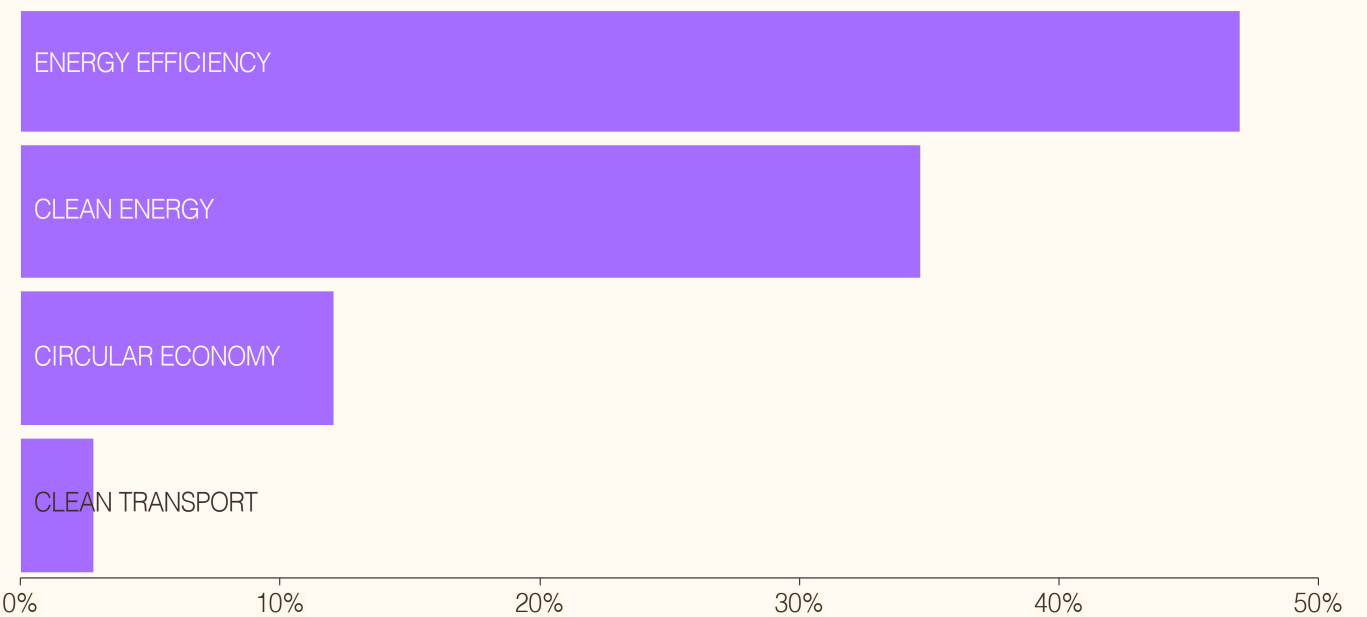
Region

	LONG
UNITED STATES	70.1%
EUROPE	26.4%
FRANCE	13.0%
IRELAND	3.5%
GERMANY	10.0%
TOTAL	96.5%
CASH	3.5%

Top 5 holdings

LINDE	8.8%
NEXTERA	8.5%
SIEMENS ENERGY	7.2%
NVIDIA	5.9%
SAINT GOBAIN	5.8%

Sub-Areas of Interest



Net Performance - MCCL

	3MTHS	6MTHS	1YR	3 YRS	INCEPT P.A.	INCEPT CUM.
MUNRO CLIMATE CHANGE LEADERS FUND (AUD)	-6.8%	2.3%	15.4%	18.9%	12.8%	51.1%
MSCI ACWI TR INDEX (AUD)	-2.0%	8.8%	12.2%	13.8%	10.7%	41.5%
EXCESS RETURN	-4.8%	-6.4%	3.1%	5.1%	2.2%	9.6%

INCEPTION: 29 OCTOBER 2021

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
2022FY					3.5%	0.8%	-10.5%	-3.9%	0.2%	-4.5%	-1.1%	-6.6%	-20.7%
2023FY	10.6%	0.8%	-2.4%	3.3%	2.9%	-7.2%	-0.5%	1.6%	6.1%	-1.8%	4.1%	3.1%	21.3%
2024FY	2.5%	0.3%	-6.2%	-3.4%	4.9%	4.1%	4.4%	21.3%	5.7%	-1.7%	9.9%	-2.9%	42.8%
2025FY	2.9%	-1.0%	5.5%	5.6%	7.0%	-2.8%	3.8%	-5.1%	-5.4%				10.0%

Net Performance - MCCL.ASX

	3MTHS	6MTHS	1 YR	3 YRS	INCEPT P.A.	INCEPT CUM.
MCCL.ASX (AUD)	-6.8%	2.3%	15.4%	18.9%	15.8%	59.9%
MSCI ACWI TR INDEX (AUD)	-2.0%	8.8%	12.2%	13.8%	11.2%	40.4%
EXCESS RETURN	-4.8%	-6.4%	3.1%	5.1%	4.6%	19.5%

INCEPTION: 20 JANUARY 2022

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
2022FY								-3.9%	0.2%	-4.5%	-1.1%	-6.6%	-16.1%
2023FY	10.6%	0.8%	-2.4%	3.3%	2.9%	-7.2%	-0.5%	1.6%	6.2%	-1.8%	4.1%	3.1%	21.3%
2024FY	2.6%	0.3%	-6.2%	-3.4%	4.9%	4.1%	4.4%	21.3%	5.7%	-1.7%	9.9%	-2.9%	42.8%
2025FY	2.9%	-1.0%	5.5%	5.6%	7.0%	-2.8%	3.8%	-5.1%	-5.4%				10.0%

Differences in performance between the Munro Climate Change Leaders Fund and MCCL (ASX quoted share class of the Fund) relate to their respective inception dates, the buy/sell spread of the iNAV for MCCL.ASX, and the timing difference between the issuing of units during the day on the ASX for MCCL.ASX. This may result in reporting small differences in performance.