

## MONTHLY PERFORMANCE BY FINANCIAL YEAR <sup>1</sup>

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL RETURN
2017FY		1.2%	1.1%	-3.3%	2.2%	0.9%	1.9%	0.0%	2.1%	3.5%	4.2%	-1.3%	<b>12.9%</b>
2018FY	1.9%	3.3%	1.7%	6.7%									<b>14.1%</b>

## MONTHLY SUMMARY

The Munro Global Growth Fund returned 6.7% for the month of October, comprising a return of 6.1% from equities and 0.6% from currency. The MSCI AC World Index (AUD) meanwhile returned 4.5% for the month (2.7% from equities and 1.8% from currency).

It was a positive month for global equity markets with the US S&P 500 up 2.3%, the European STOXX 600 added 1.9%, the Japanese TOPIX rose 5.5% and the Hong Kong Hang Seng increased 2.6%. The major event in the month was US Q3 reporting season. With over half the companies of the S&P500 now reported, 78% beat earnings forecasts and the aggregate earnings beat, at the index level, was 4.5%. A key takeaway were the positive moves in the so-called FANG (Facebook, Amazon, Netflix, Google) stocks, which many saw as fully priced, but have to date seen strong results and significant consensus earnings upgrades.

On a stock-specific basis, positive performance for the Fund was driven by Amazon, which reported strong sales growth (see page 2); Sumco (see page 2), and Blue Prism. On the negative side, Kion Group, the German machinery company, downgraded guidance of their recently acquired Dematic business. On currencies, the Fund remains predominately hedged, with just a 30% holding in USD. Given the AUD depreciated during the month, this resulted in a 59bps gain from FX, whilst the fully unhedged index gained 176bps from currencies.

## MONTHLY OUTLOOK

We have had a positive view on equity markets for the second half of the year and have subsequently maintained a high net equity exposure through this period (with some put option protection to guard against any unforeseen risk events). Our bullish view was largely based on the belief that Q3 reporting season in the US would be strong and this in turn would force analysts to lift forecasts for the rest of 2017, but also more importantly their views for 2018 earnings. This has been proved correct and it is important to highlight that most stock moves, and therefore the broader market, has been predominately driven by earnings upgrades.

Whilst we are mindful that we will need to bank some of these profits, for the moment, we expect strong corporate results to continue for the remainder of the reporting season, and see further earnings upgrades ahead for many of our companies.

In terms of positioning by 'Area of Interest', we remain comfortable with the Fund's largest exposures (Connectivity, Outdoor Active). We have more recently added to the Digital Payments, Car of the Future and Intelligent Industry Aols, which we believe will continue to deliver positive performance into 2018. The key risk to equity markets in the short term is higher interest rates given current positive economic momentum. Consequently, we are monitoring inflation measures and the appointment of a new Fed Chairperson as a guide for lowering our market exposure.

## FUND SUMMARY

### KEY NUMBERS

UNIT PRICE	\$1.2510
EXIT PRICE	\$1.2491
ENTRY PRICE	\$1.2529
FUM	\$103.3m
APIR	MUA0002AU

### KEY FACTS

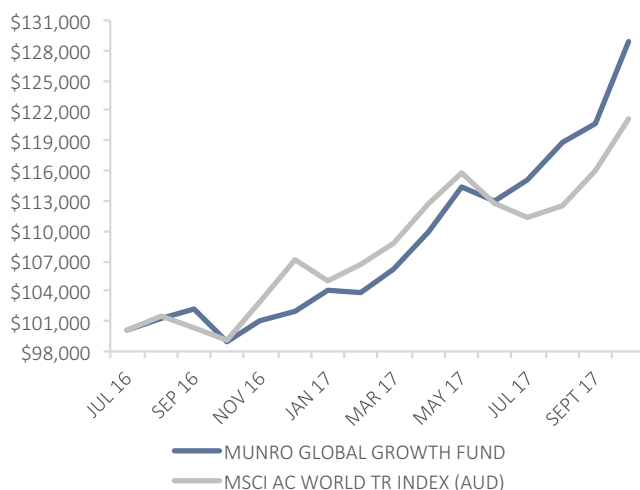
NUMBER OF STOCKS	30-50 POSITIONS
CASH WEIGHTING	0-100%
CURRENCY HEDGING	0-100%
MANAGEMENT COSTS	1.39% P.A.
PERFORMANCE FEE	10.25%

## TOP 5 HOLDINGS

STOCK	COUNTRY	INDUSTRY	WEIGHT
AMAZON	US	CONSUMER DISC.	5.6%
BLUE PRISM	UK	INFO TECH.	5.4%
FACEBOOK	US	INFO TECH.	4.5%
ASML HOLDING	NA	INFO TECH.	3.8%
MICRON TECH.	US	INFO TECH.	3.6%

## HISTORICAL PERFORMANCE <sup>1</sup>

GROWTH OF \$100,000



## PERFORMANCE SUMMARY AS AT 31 OCTOBER 2017 <sup>1</sup>

	1MTH	3MTHS	6MTHS	1YR	SINCE INCEPTION (P.A.)	SINCE INCEPTION
MUNRO GLOBAL GROWTH FUND (AUD)	<b>6.7%</b>	<b>12.0%</b>	<b>17.4%</b>	<b>30.3%</b>	<b>22.5%</b>	<b>28.9%</b>
MSCI AC WORLD TR INDEX (AUD)	4.5%	8.8%	7.5%	22.3%	16.6%	21.2%
OVER / UNDER PERFORMANCE	<b>2.3%</b>	<b>3.3%</b>	<b>9.8%</b>	<b>8.0%</b>	<b>5.9%</b>	<b>7.7%</b>

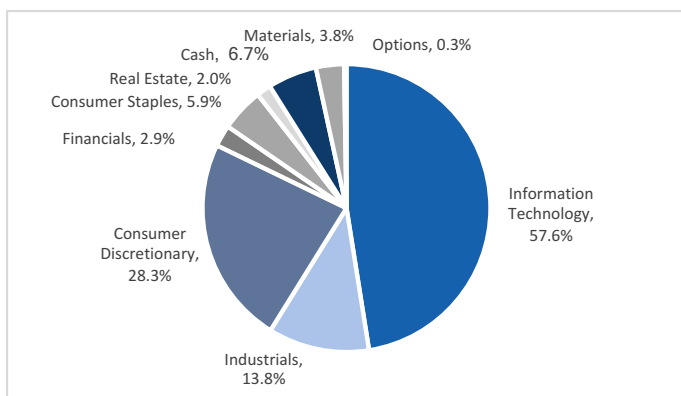
1. Past performance is provided for illustrative purposes only and is not a guide to future performance

Inception date is 1 August 2016. Returns of the Munro Global Growth Fund are net of management costs and assumes distributions have been reinvested. The MSCI AC World TR Index (AUD) refers to the MSCI All Country World Net Index in Australian dollars



The Munro Global Growth Fund is an absolute return international equities fund with a core focus on growth equities. The Fund is index-unaware, aiming for meaningful absolute returns through the investment cycle, whilst maintaining a capital preservation mindset. The Fund's flexible mandate allows it to dynamically manage its market exposure and predominantly hedges currency exposure to protect clients capital and to enhance the long term returns of our investments.

### GROSS PORTFOLIO SECTOR EXPOSURE & CASH



### NOTABLE STOCK CONTRIBUTORS

TOP 5 CONTRIBUTORS		BOTTOM 5 CONTRIBUTORS	
BLUE PRISM	UK	KION GROUP	GY
SUMCO	JP	FIRST RREPUBLIC BANK	US
AMAZON	US	MASTEC	US
MICRON TECHNOLOGY	US	IHS MARKIT	US
KIDMAN RESOURCES	AU	RAYTHEON	US

### FUND EXPOSURE

CURRENCY REGION	GROSS EXPOSURE	NET EXPOSURE	CURRENCY EXPOSURE
AUSTRALIA	1.8%	1.8%	66.2%
NORTH AMERICA	71.7%	59.9%	30.1%
UNITED KINGDOM	7.8%	7.8%	1.0%
EURO AREA	15.6%	13.8%	1.2%
IRELAND	5.0%	5.0%	
ITALY	2.2%	2.2%	
GERMANY	4.6%	2.8%	
NETHERLANDS	3.8%	3.8%	
NEW ZEALAND	1.2%	1.2%	0.0%
JAPAN	2.2%	2.2%	0.7%
TAIWAN	2.0%	2.0%	0.0%
SWEDEN	4.0%	1.2%	0.7%
ISRAEL	2.0%	2.0%	0.0%
HONG KONG/CHINA	3.7%	3.7%	0.2%
SWITZERLAND	2.3%	-2.3%	-0.1%
<b>EXPOSURE</b>	<b>114.2%</b>	<b>93.3%</b>	<b>100.0%</b>
DELTA ADJ. EXPOSURE	125.8%	93.7%	

### IMPORTANT INFORMATION

Munro Asset Management Limited (ABN 28 163 522 254, AFSL 480509) is the product issuer of the Munro Global Growth Fund (ARSN 612 854 547), inception date 1 August 2016, the Product Disclosure Statement (PDS) is available at [www.munropartners.com.au/access/](http://www.munropartners.com.au/access/). Munro Partners (ABN 58 295 538 057) is the investment manager of the Fund, together Munro. Grant Samuel Funds Management Pty Limited ABN 14 125 715 004 AFSL 317587 ('GSFM') has a distribution arrangement with Munro to represent their products in the Australia and New Zealand markets. For more information see [www.gsfm.com.au](http://www.gsfm.com.au). The information contained in this monthly report is for general information purposes only and does not constitute financial product advice. This monthly report may contain information about securities, opinions and forecasts, all of which may change without notice and none of which has been prepared taking into account your objectives, financial situation or needs. While this information is provided in good faith and is derived from sources believed to be accurate and reliable at the time of publication, Munro makes no warranty as to the accuracy or reliability of the information. To the extent permitted by law, Munro accepts no responsibility for any loss arising in any way (including by way of negligence) from anyone acting or refraining from acting as a result of this information. This document remains the property of Munro and must not be forwarded or otherwise distributed to any other recipient without the express written consent of Munro.

The management costs are inclusive of GST and RITC. The Fund Exposure and Top 5 Holdings depict end of month figures and may have changed materially from holdings during the month or not disclosed due to confidentiality reasons. The Delta Adjusted Exposure includes impact of options hedging. Numbers may not sum due to rounding or compounding returns. The currency exposure of 0-100% is biased to maintaining high levels of hedging. The performance fee is calculated once the Fund exceeds the high watermark and hurdle rate. You should consider the PDS in its entirety before making a decision to acquire or continue to hold an interest in the Munro Global Growth Fund. Please also see our Financial Services Guide, Privacy Policy, Continuous Disclosure and Terms of Use via [www.munropartners.com.au/legals/](http://www.munropartners.com.au/legals/).

### NOTABLE STOCK MOVES

#### AMAZON

Amazon contributed 65bps to performance during October. Amazon shares were boosted by its strong Q3 results which saw the stock rise more than 13% on the day of its announcement. As described previously, Amazon's edge in e-commerce is their ability to provide superior fulfilment as opposed to competing on price. The Amazon Prime offering provides customers with guaranteed free delivery of all their purchases within 48 hours and often within the same day. The convenience and reliability of this offering means Amazon customers change their shopping behaviour once becoming a Prime member. On average, an Amazon Prime member orders five times as much on Amazon within three years of joining. This Prime flywheel saw Amazon's US retail revenues accelerate to 35% YoY growth, from just 25% growth a year earlier, confounding analysts. Leveraging its Prime flywheel, Amazon continues to dominate e-commerce, now with over 50% of all e-commerce transactions in the US.

Somewhat concerningly for the wider retail industry, Amazon is now the 2<sup>nd</sup> largest US retailer at \$220bn in GMV (Gross Merchandise Value) traded, despite this still only representing 4% of all US retail spending. Consequently, with growth now accelerating, Amazon's runway, in even its most mature market the US, is still long and the damage they will cause to the greater retail universe seems to be only just beginning. This is without considering their opportunity in retail outside of the US or the AWS cloud business.

#### SUMCO

Japanese silicon wafer manufacturer Sumco contributed 76bps to monthly performance. Sumco is one of five global manufacturers of 200mm and 300mm silicon wafers, the starting canvas so to speak of every semiconductor produced in the world. Similar to the memory semiconductors we discussed last month, wafer manufactures have historically been in a very cyclical industry, but in the new Artificial Intelligence (AI) world of connected cars, industrial facilities and hyperscale data centres, silicon wafer demand has taken on structural characteristics not currently reflected in market valuations.

This sandstorm of silicon demand has meant the wafer prices are now forecast to rise over 40% between 2017-2019 with many customers now underwriting new capacity for the wafer manufacturers with long term contracts at 50% higher prices. These price moves, in an industry that has endured continuous price declines over a decade, clearly caught the market offside. But like the memory plays, it was something we could predict by analysing the changing nature of their consumers and their spending plans.

Looking ahead, while all these names have had good moves, the demand trends and content gains are accelerating, with 2017 likely to be just the first year of 3-5 years of strong growth.

