MUNRO PARTNERS

MUNRO GLOBAL GROWTH FUND
NOVEMBER 2018

MONTHLY PERFORMANCE BY FINANCIAL YEAR [1]

	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%	**12.9%**
2018FY	1.9%	3.3%	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%								**-3.2%**

MONTHLY SUMMARY

The Munro Global Growth Fund returned -3.1% for the month of November, comprising a return of -1.7% from equities and -1.5% from currency. The MSCI AC World Index (AUD) meanwhile returned -1.5% (+1.4% from equities and -2.9% from currency). November was a highly volatile month and was categorised by a significant rotation to defensive sectors and stocks. In the US, the S&P 500 finished up 1.8% (post a 6.5% intra-month swing) and the NASDAQ finished up 0.3%. Elsewhere, relentless selling pressure abated with Europe STOXX -0.8%, Japanese TOPIX +1.3% and the Hang Seng Index +6.1%. Outside of equities, moves in fixed income (flattening yield curve, widening credit spreads) and oil (34% fall from recent peak) were also in focus. November was a month littered with market moving events, and while each outcome passed with a somewhat benign result, market rallies were nonetheless primarily sold.

Unfortunately, in this highly volatile but sideways market, hedging tools become somewhat redundant and actually detracted value for the month as we attempted to protect further downside. Elsewhere net equity exposure has been locked at around 50% since early October helping to reduce losses, however the remaining long positions remained under pressure with two sizable underperformers Blue Prism and Activision Blizzard (see page 2).

MONTHLY OUTLOOK

Gridlock from US midterms, a dovish Fed and more conciliatory G20 trade negotiations perhaps should have sparked a relief rally but concerns have now shifted to the increasing evidence of a slowdown. A too tight Fed and the trade rhetoric have sapped confidence and it now appears that Trump and the Fed may have gone too far. Considering this dynamic, the Fund maintains 50% net market exposure, with most remaining long stocks being mega cap, net cash and all supported by structural growth trends that should largely sustain EPS growth through a moderate slowdown. In terms of raising or deploying cash from here, our primary top down focus is on determining whether the Fed can engineer a soft landing by pausing rate hikes, or whether it remains too tight and combined with trade uncertainty, this pushes the economy into recession. If the former can be achieved (our base case) at 15x forward PE, we expect markets to eventually stabilise. Elsewhere, observations from our recent travels suggest that China has tempered the 'Made in China 2025' rhetoric (technological and artificial intelligence leadership), which was seen in the US as a direct threat. The reality is that China's ambitions are enormous, and we subsequently expect that the two super powers will continue to bump up against each other for years to come. From a stock perspective, we think this favours the so called National Champions and suspect regulatory pressure will ease in the months ahead as each side boosts their domestic champions for the long road ahead.

FUND SUMMARY

KEY NUMBERS	
UNIT PRICE	$1.2459
EXIT PRICE	$1.2440
ENTRY PRICE	$1.2478
FUND FUM	$304.8m
STRATEGY FUM	$356.8m
APIR	MUA0002AU

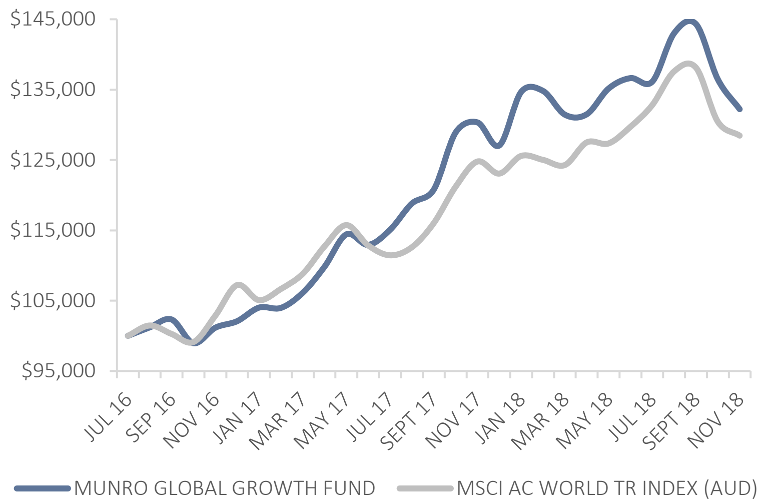
KEY FACTS	
NUMBER OF STOCKS	30-50 POSITIONS
CASH WEIGHTING	0-100%
CURRENCY HEDGING	0-100%
MANAGEMENT COSTS	1.35% P.A.
PERFORMANCE FEE	10.00%

TOP 5 HOLDINGS

STOCK	COUNTRY	INDUSTRY	WEIGHT
MICROSOFT	US	INFO TECH.	4.1%
ALPHABET	US	COMM. SERVICES	4.1%
AMAZON	US	CONSUMER DISC.	4.0%
UNITED HEALTH	US	HEALTH CARE	2.8%
BOEING	US	INDUSTRIALS	2.6%

HISTORICAL PERFORMANCE [1]

GROWTH OF $100,000



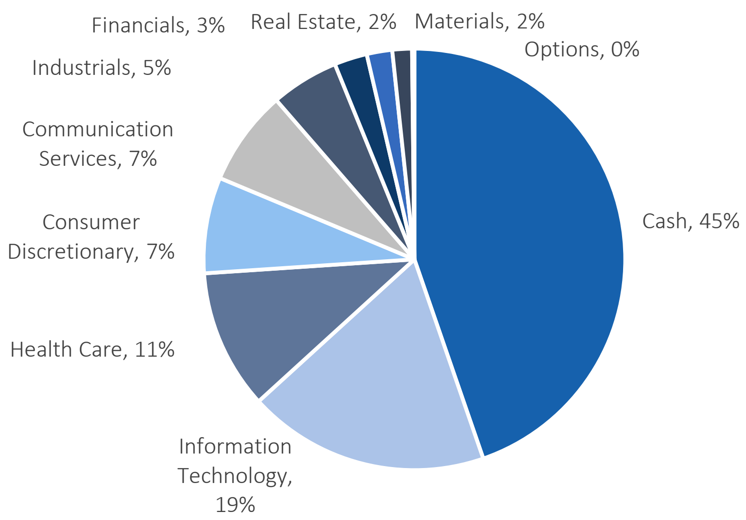
PERFORMANCE SUMMARY AS AT 30 NOVEMBER 2018 [1]

	1MTH	3MTHS	6MTHS	1YR	2YRS	INCEPTION (P.A.)	INCEPTION CUMULATIVE
MUNRO GLOBAL GROWTH FUND (AUD)	**-3.1%**	**-7.6%**	**-2.2%**	**1.4%**	**14.3%**	**12.7%**	**32.2%**
MSCI AC WORLD TR INDEX (AUD)	-1.5%	-6.6%	0.9%	2.9%	11.8%	11.3%	28.5%
OVER / UNDER PERFORMANCE	**-1.6%**	**-1.0%**	**-3.0%**	**-1.5%**	**2.6%**	**1.4%**	**3.7%**

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.

NET PORTFOLIO SECTOR EXPOSURE & CASH



NOTABLE STOCK CONTRIBUTORS

TOP 5 CONTRIBUTORS		BOTTOM 5 CONTRIBUTORS	
DANAHER	US	ACTIVISION BLIZZARD	US
AMAZON	US	BLUE PRISM	UK
UNITED HEALTH	US	NETFLIX	US
MICROSOFT	US	SALESFORCE	US
CENTENE	US	MONCLER	IT

FUND EXPOSURE

CURRENCY REGION	GROSS EXPOSURE	NET EXPOSURE	CURRENCY EXPOSURE
AUSTRALIA	0.0%	0.0%	65.5%
NORTH AMERICA	48.2%	46.3%	34.3%
UNITED KINGDOM	4.6%	3.7%	0.3%
EURO AREA	2.9%	2.0%	0.2%
BELGIUM	0.5%	-0.5%	
ITALY	1.4%	1.4%	
GERMANY	1.0%	1.0%	
SWITZERLAND	1.0%	-1.0%	-0.1%
TAIWAN	0.9%	0.9%	0.0%
JAPAN	2.0%	2.0%	0.3%
HONG KONG/CHINA	1.2%	1.2%	-0.5%
EXPOSURE	**60.9%**	**55.1%**	**100.0%**
DELTA ADJ. EXPOSURE	66.2%	52.7%	

BLUE PRISM

Blue Prism detracted 64bps from performance over the month of November. As our best performing stock since inception, and a small cap stock holding, Blue Prism was a target for profit-taking and short sellers during the month of November. Regular readers will be familiar with our views on UK listed software company Blue Prism, which is one of just a handful of emerging players in the Robotic Process Automation (RPA) space, one of the fastest growing software markets in the world today. Blue Prism's unlisted competitor Ui Path was recently crowned the 'fastest growing Unicorn on the planet,' raising $265mn in funding from Google and other investors, giving it a $3bn valuation. Elsewhere Softbank has injected $300mn into the number three player, Automation Anywhere, at a $2.6bn valuation. Blue Prism is the founder and inventor of the technology with a 15-year history, but just a $1.1bn valuation, and here in lies investor concerns. Despite Blue Prism's 100% revenue growth rate, its competitors are now growing faster and are better funded. This doesn't mean all three players can't win together, but it is likely to cost more than previously thought and investors are betting that Blue Prism needs to raise more money to stay in the race. We see this concern and have reduced our holding in line with our risk controls, but considering the options for partnership and its technology leadership, we suspect this race still has a long way to run yet.

ACTIVISION BLIZZARD

Activision Blizzard detracted 64bps from monthly performance over the month of November as the company reported disappointing Q3 results. Despite strong reviews, Activision reported just in-line sales from its core Call of Duty franchise and slowing sales in other key games such as Destiny and Overwatch. This was compounded by a delay to another title, Diablo, and hence Activision Blizzard suffered a material de-rating post its Q3 results with the stock down over 20% for the month. As long-time champions of the Video Game space from 2013, it has been a key Area of Interest and a large source of profits over the last three years, however as 2018 has progressed, we have been reducing our holdings in the space as multiples pushed higher and the outlook became uncertain. We sold our holdings in EA Sports and Ubisoft in June, and coming into November had reduced holdings in Take Two Entertainment and Activision Blizzard. It has become clear that the digital shift for these companies has now largely played out, with digital sales now 70% of group sales across the four companies, ultimately meaning that margin expansion has likely peaked. Costs are also rising due to increased competition, giving rise to slower earnings growth, meaning that the market is unwilling to pay the premium multiples it has previously. Having identified this issue, we were disappointed to still have some exposure when this came to the forefront. We had assumed that the best content creators could still grow through this headwind, but we were wrong and have since exited the position.