

## 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%	1.1%	-2.5%	6.0%	0.1%					<b>19.4%</b>

## MONTHLY SUMMARY

The Munro Global Growth Fund returned 0.1% for the month of February, comprising a return of -0.8% from equities and +0.9% from currency. The MSCI AC World Index (AUD) meanwhile returned -0.5% for the month, with a -3.6% move in equities and +3.1% from currency, with the falling AUD helping to flatter index returns.

February was a difficult month for stocks with an intra-month fall of approximately 10% for the US S&P 500, before the index ultimately recovered to finish the month with a 3.8% decline. Elsewhere, other major global markets were weak with the European STOXX index -4.0%, Hang Seng -6.1% and the Japanese TOPIX -3.7%.

Equity market volatility was caused by concerns around inflation and interest rates, with added impetus from the forced unwinding of geared funds positioned to short volatility. For the Fund, stocks positively contributing to performance for the month included Amazon and Netflix, which both continue to benefit from their strong January reports, while detractors included Alibaba and Take-Two Interactive. On currencies, the declining AUD benefited the Fund by 87 basis points (with the Fund maintaining 65% hedging back to the AUD). The fully unhedged index by comparison received a 310bps tailwind from foreign exchange movements.

## MONTHLY OUTLOOK

Globally inflation pressures are rising and a new Fed Chair Jerome Powell is signalling up to four interest rate hikes in 2018 and a further three rate hikes are now priced in for 2019. Assuming all these hikes actually happen, equity markets will eventually have to price in an end to this cycle. Whether this occurs quickly via a large correction in markets, or more slowly via a long de-rating of markets, will depend on how 'in front' or 'behind the curve' central banks currently are. Inflation measures are now the key indicator for markets and ultimately their kryptonite should they come in too high. From our point of view, we think much is now already priced in, and suspect the glide path for interest rates and inflation could end up being slower than most market participants are now fearing.

From a Fund perspective and market risks notwithstanding, we continue to find attractive bottom up investment opportunities, and are cognisant of not selling companies with strong longer term structural growth drivers (e.g. cloud computing, video games, outdoor active companies) because of shorter term macro worries. For this reason, the Fund maintains a reasonably high net market exposure of around 85%. Having said this, we continue to employ a range of downside protection tools should we be wrong and hence overleaf (Page 2), we outline some of the tools we use and how we used them in February help us protect capital in times of volatility.

## FUND SUMMARY

### KEY NUMBERS

UNIT PRICE	\$1.3083
EXIT PRICE	\$1.3063
ENTRY PRICE	\$1.3103
FUM	\$154.2m
APIR	MUA0002AU

### KEY FACTS

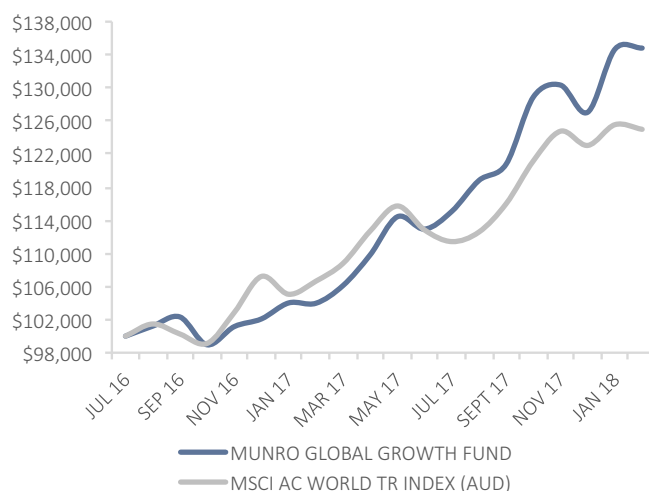
NUMBER OF STOCKS	30-50 POSITIONS
CASH WEIGHTING	0-100%
CURRENCY HEDGING	0-100%
MANAGEMENT COSTS	1.35% P.A.
PERFORMANCE FEE	10.00%

## TOP 5 HOLDINGS

STOCK	COUNTRY	INDUSTRY	WEIGHT
AMAZON	US	CONSUMER DISC.	4.5%
ASML	NE	INFO TECH.	4.5%
BLUE PRISM	UK	INFO TECH.	4.0%
FACEBOOK	US	INFO TECH.	3.7%
ALPHABET	US	INFO TECH.	3.5%

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

GROWTH OF \$100,000



## PERFORMANCE SUMMARY AS AT 28 FEBRUARY 2018 <sup>1</sup>

	1MTH	3MTHS	6MTHS	1YR	SINCE INCEPTION (P.A.)	SINCE INCEPTION
MUNRO GLOBAL GROWTH FUND (AUD)	<b>0.1%</b>	<b>3.4%</b>	<b>13.5%</b>	<b>29.7%</b>	<b>20.8%</b>	<b>34.8%</b>
MSCI AC WORLD TR INDEX (AUD)	-0.5%	0.2%	11.0%	17.2%	15.2%	25.0%
OVER / UNDER PERFORMANCE	<b>0.6%</b>	<b>3.3%</b>	<b>2.4%</b>	<b>12.5%</b>	<b>5.7%</b>	<b>9.8%</b>

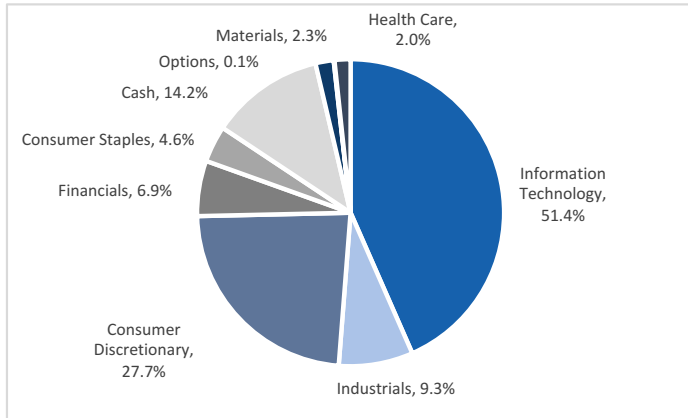
1. Past performance is provided for illustrative purposes only and is not a guide to future performance

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	FRUTAROM	IS
APPLIED MATERIALS	US	TAKE-TWO INTERACTIVE	US
MICRON TECHNOLOGY	US	ALIBABA	CH
SERVICE NOW	US	EQUINIX	US
AMAZON	US	FACEBOOK	US

### FUND EXPOSURE

CURRENCY REGION	GROSS EXPOSURE	NET EXPOSURE	CURRENCY EXPOSURE
AUSTRALIA	2.4%	2.4%	65.6%
NORTH AMERICA	66.9%	62.0%	26.9%
UNITED KINGDOM	5.3%	5.3%	1.3%
EURO AREA	16.2%	9.0%	4.6%
IRELAND	3.2%	3.2%	
FRANCE	1.0%	1.0%	
ITALY	1.5%	1.5%	
GERMANY	5.9%	-1.2%	
NETHERLANDS	4.5%	4.5%	
SINGAPORE	1.2%	-1.2%	0.0%
JAPAN	1.0%	1.0%	0.7%
SWITZERLAND	2.0%	-2.0%	-0.1%
SWEDEN	2.0%	2.0%	0.5%
ISRAEL	2.3%	2.3%	0.0%
HONG KONG/CHINA	4.9%	4.9%	0.5%
<b>EXPOSURE</b>	<b>104.1%</b>	<b>85.7%</b>	<b>100.0%</b>
DELTA ADJ. EXPOSURE	106.0%	83.8%	

### IMPORTANT INFORMATION

The information contained in this document reflects, as of the date of publication, the views of Munro Partners and sources believed by Munro Partners to be reliable. There can be no guarantee that any projection, forecast or opinion in these materials will be realised. The views expressed in this document may change at any time subsequent to the date of issue.

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Past performance information given in this document is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. None of Grant Samuel Fund Services, Munro Partners its related bodies or associates nor any other person guarantees the repayment of capital or the performance of the Fund or any particular returns from the Fund. No representation or warranty is made concerning the accuracy of any data contained in this document. This document is issued on 5 March 2018.

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.

### CAPITAL PROTECTION TOOLS

With volatility returning to markets, we wanted to take the opportunity to detail some of the capital protection tools that Munro Partners use to help protect capital in the Munro Global Growth Fund, with the month of February being used as a timely example.

#### Net Exposure

Firstly, the Munro Global Growth Fund has a flexible mandate and can hold up to 100% cash. As at the end of January, the Fund was sitting at 92% net exposure and 108% gross exposure, and as such, we were not positioned for the volatility that ensued. However, due to the high levels of liquidity, the Fund was able to quickly raise 10% cash on Monday 5/2 and a further 5% on Tuesday 6/2 by realising multiple positions and reducing other positions that were close to price targets. Some of this cash was then re-invested at lower levels later in the month.

#### Option Protection

As has been the case since inception, the Fund was running short term put option protection on the various market indices, with these puts rising 10-fold through the sell off and thus provided a further 10% short position on markets at the height of the sell-off. Most of these puts were realised on Friday 9/2, however some of the profits were re-invested at lower put option strikes to boost capital protection had the sell-off continued.

#### Short Positions

The Fund held 10% in short equity positions prior to the sell-off; with these positions rising in value as the market fell. Many of these positions were closed during the month as our risk controls require us to reduce our gross and net exposure during drawdowns to reduce our overall exposure to markets.

#### Currency

As is often the case during market sell offs, the USD rises as a flight to safety currency, causing the AUD to fall 3.6% versus the USD over the month. While the Fund is predominately hedged, we did hold 30% exposure to USD assets, which added 87bps to monthly performance.

#### Stocks

As we often like to say: "it's a market of stocks not a 'stock market'", but during times of volatility it's often hard to remember that. Despite the US S&P being down 3.8% for the month, somewhat counter intuitively, some of its most expensive constituents Amazon and Netflix were both up 4.2% and 7.8% respectively. With both being Fund holdings, it is important to highlight that in depth fundamental research and high conviction in our core investments represent the first line of defence to dealing with market volatility.

Finally, we would like to stress that while the above tools are useful, they by no means guarantee that we can protect capital in future bouts of volatility. We merely hope to provide comfort that they are available and utilised, and also to provide further transparency into how we used them to negotiate February to a positive outcome.

