

## 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%	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%		19.7%

## MONTHLY SUMMARY

The Munro Global Growth Fund returned 2.8% for the month of May, comprising a return of +3.3% from equities and -0.5% from currency. The MSCI AC World Index (AUD) meanwhile returned -0.1% for the month (+0.9% from equities and -1.0% from currency). Global equity markets were modestly higher for the month in local currency terms, with strength in the US S&P 500 +2.4% offset by weak Emerging Markets (-3.5%), Japan (-1.7%); and parts of Europe, such as the Italian FTSE MIB down -9.2%. Key events for the month included political issues in Italy, with concerns that the country may be forced into another General Election where an 'Italexit' may be on the cards. Emerging markets fell with fears that the strengthening USD vs. EM currencies would impact the ability to repay USD-denominated debt. While elsewhere trade issues and trade war concerns continued to rumble on.

On a stock-specific basis, Blue Prism, the Robotics automation software firm, updated the market with positive profit guidance. Meanwhile, several of the Fund's holdings exposed to the Chinese consumer saw strong gains (see page 2). On the negative side, the press reported that Treasury Wine Estates was having trouble with distributors in China (see page 2). On currencies, the Fund remains predominately hedged with a 35% holding in foreign currencies mainly in USD. The USD fell modestly against the AUD in the month, resulting in a 46bps loss for the Fund from foreign exchange movements.

## MONTHLY OUTLOOK

Global equity markets continue to track sideways as investors get bombarded with a myriad of concerns that could temper the earnings outlook ahead. The list of concerns is well documented and growing and we will spare readers a rehash of them here. However, the key risk facing equity markets of rising inflation, and by association rising interest rates, actually improved during the month of May. US 10 year bonds have to date struggled to get through 3% as weakness in European rates and a benign inflation outlook tempered recent rises. Elsewhere, the US Federal Reserve minutes also flagged that board members were happy to let inflation run above its target of 2% for a period to cement inflation expectations going forward. While early signs, all of this points to a more benign outlook for interest rates going forward, which would be in stark contrast to market expectations and ultimately supportive of an extended cycle and improving equity markets in the months ahead. Bottom up, we remain excited about the earnings growth characteristics of key Fund holdings, and as interest rates continue to normalise at current levels are becoming increasingly constructive on equity markets globally as we enter the 2<sup>nd</sup> half of 2018. A change in the interest rate outlook aside, trade and a potential trade war remains a risk, but one we think participants are becoming immune to as part of an ongoing negotiating narrative.

## FUND SUMMARY

KEY NUMBERS	
UNIT PRICE	\$1.3116
EXIT PRICE	\$1.3096
ENTRY PRICE	\$1.3136
FUM	\$211.3m
APIR	MUA0002AU

## KEY FACTS

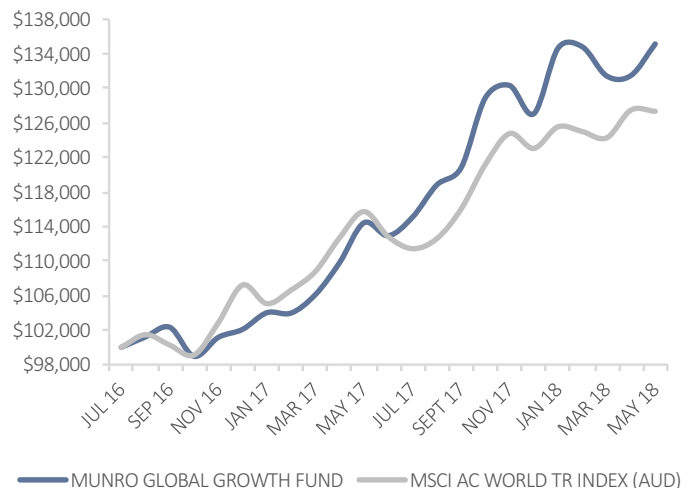
NUMBER OF STOCKS	30-50 POSITIONS
CASH WEIGHTING	0-100%
CURRENCY HEDGING	0-100%
MANAGEMENT COSTS	1.35% P.A.
PERFORMANCE FEE	10.00%

## TOP 5 HOLDINGS

STOCK	COUNTRY	INDUSTRY	WEIGHT
AMAZON	US	CONSUMER DISC.	4.5%
BLUE PRISM	UK	INFO TECH.	4.1%
MICROSOFT	US	INFO TECH.	3.8%
ACTIVISION BLIZZ.	US	INFO TECH.	3.5%
ASML	NE	INFO TECH.	3.5%

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

GROWTH OF \$100,000



## PERFORMANCE SUMMARY AS AT 31 MAY 2018<sup>1</sup>

	1MTH	3MTHS	6MTHS	1YR	INCEPTION (P.A.)	INCEPTION CUMULATIVE
MUNRO GLOBAL GROWTH FUND (AUD)	2.8%	0.3%	3.7%	18.1%	17.9%	35.1%
MSCI AC WORLD TR INDEX (AUD)	-0.1%	1.9%	2.1%	10.0%	14.1%	27.4%
OVER / UNDER PERFORMANCE	2.9%	-1.6%	1.6%	8.1%	3.8%	7.7%

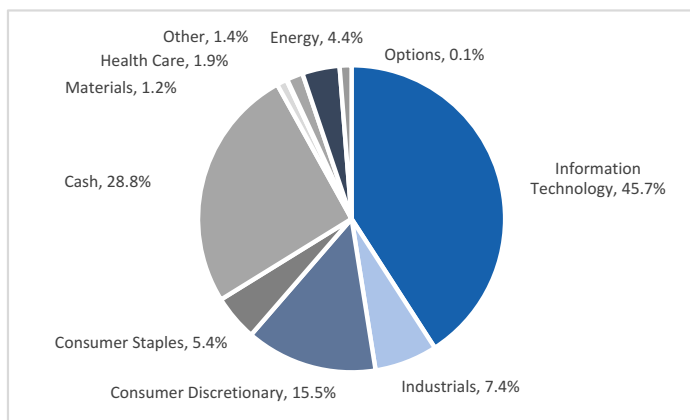
1. Past performance is provided for illustrative purposes only and is not a guide to future performance

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.

## GROSS PORTFOLIO SECTOR EXPOSURE & CASH



## NOTABLE STOCK CONTRIBUTORS

TOP 5 CONTRIBUTORS		BOTTOM 5 CONTRIBUTORS	
BLUE PRISM	UK	TREASURY WINE	AU
FACEBOOK	US	PEARL ABYSS	KR
KWEICHOW MOUTAI	CH	AENA	SP
APTIV	US	WORLDPAY	US
ALPHABET	US	SONY	JP

## FUND EXPOSURE

CURRENCY REGION	GROSS EXPOSURE	NET EXPOSURE	CURRENCY EXPOSURE
AUSTRALIA	1.8%	1.8%	60.5%
NORTH AMERICA	56.2%	51.5%	33.7%
UNITED KINGDOM	4.1%	4.1%	0.9%
EURO AREA	9.4%	7.2%	3.6%
IRELAND	1.6%	1.6%	
FRANCE	3.0%	0.7%	
ITALY	1.4%	1.4%	
NETHERLANDS	3.5%	3.5%	
SINGAPORE	0.9%	-0.9%	0.0%
DENMARK	0.9%	-0.9%	0.0%
SWEDEN	1.9%	1.9%	0.8%
ISRAEL	1.2%	1.2%	0.0%
POLAND	0.7%	0.7%	0.0%
HONG KONG/CHINA	4.5%	4.5%	0.2%
KOREA	0.8%	0.8%	0.0%
JAPAN	0.5%	-0.5%	0.3%
<b>EXPOSURE</b>	<b>82.8%</b>	<b>71.2%</b>	<b>100.0%</b>
DELTA ADJ. EXPOSURE	86.6%	67.5%	

## 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 7 June 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.

## LUXURY GOODS

May was a strong month for our luxury goods holdings where Moncler in Italy, Louis Vuitton in France and Kweichow Moutai in China collectively added 40bps for monthly performance.

Looking from the top down, China's premium consuming class is forecast to double from the size of the population of France (63m) today, to the size of the population of Mexico (128m) over the next ten years, creating accelerating demand for a limited subset of truly high-end products.

Kweichow Moutai, the Chinese spirits manufacturer of high-end Baiju, is one such product and saw their shares appreciate for the month on the back of reports of inventory shortages in the channel, suggesting the demand/supply outlook is very positive. Elsewhere LVMH, with its eponymous luxury brands of Louis Vuitton in handbags/apparel and Moët & Hennessy in the Champagne and Spirits segment; and Moncler, with its famous high-end down-jackets both continued their strong recent performance in May. First quarter results for both companies saw a clear acceleration in demand for high-end goods with the companies reporting 13% and 28% year-on-year sales growth respectively in the first quarter.

Looking ahead, with strong tailwinds and true scarcity of supply we feel these results can continue not just for the next few quarters but well into the next decade and hence these companies are likely to exhibit strong earnings growth for years to come.

## TREASURY WINE

Treasury Wine Estates detracted 24bps from Fund performance during May. Treasury Wine appeals to us due to its strong wine sales into China, but it was the weak leg of our luxury investments in May. Treasury's operating profit from sales of wine into China make up approximately 40% of the overall company profit, and sales into the region grew over 36% in the first half of fiscal 2018 as Chinese wine consumption and the prices paid for wine continues to grow. Despite this strong profitability and growth, the company has come under negative scrutiny in the financial press for two principal reasons: firstly, speculation that the above mentioned strong sales into the region may have left mainland distributors with large inventory imbalances; and secondly, as a victim of the recent deterioration in relations between China and Australia which has led to slowdowns in imported wine clearing customs in China.

While both issues are relatively short term in nature, it does point to a potentially larger problem with Treasury Wine versus the peers discussed above. Ultimately, all luxury goods rely on their 'perceived scarcity' to drive price rises and popularity. This is not a perception that is easy to create, otherwise all consumer brands would be doing it. LVMH has proved masters of this trait across numerous brands over an extended period. Treasury on the other hand has proved this with one product, 'Penfolds', and the jury is out as to whether they can leverage its success across the rest of the group. Reports of inventory issues with distributors on non-Penfolds product will feed into these concerns and hence need to be monitored closely.

