MUNRO PARTNERS

MUNRO GLOBAL GROWTH FUND
FEBRUARY 2019

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%	-1.4%	2.1%	3.1%					**0.4%**

MONTHLY SUMMARY

The Munro Global Growth Fund returned 3.1% for February, comprising a return of 2.1% from equities and 0.9% from currency. The MSCI AC World Index (AUD) meanwhile returned 5.2% (3.1% from equities and 2.2% from currency). The global equity market strength was broad based during February, with the US S&P 500 adding +3.2%, Euro Stoxx 600 increasing +4.2%, the Japanese Nikkei rose +3% and Hong Kong's Hang Seng climbed +2.7%. The US Federal Reserve outlook remained patient on rate increases during the month, helping to buoy global equites. The ongoing US and China trade dispute rhetoric that has shaken markets for much of the past twelve months, softened in nature.

In terms of stock specific highlights, Munro Partners' Digital Payments Area of Interest was a strong contributor adding 93bps, with particularly positive results from WorldPay, the US online payments processing company. Danaher, the US designer and manufacturer of medical and environmental products added 39bps following the acquisition of GE Biopharma (see page 2 for details). On the negative side, exposure to US managed care providers, UnitedHealth and Centene, were caught up in adverse headlines from far-left Democrat candidates, that if elected would threaten the status quo for these companies. On currencies, the Fund is roughly 60% hedged back to AUD and 40% exposed to USD and hence the depreciation in the AUD resulted in 94bps of gains for the fund. By comparison, the fully unhedged index gained 216bps from FX movements.

MONTHLY OUTLOOK

The US S&P 500 has now "roundtripped" the falls from early December with the consensus being the Fed can manufacture a soft landing in the US, while a trade deal and some stimulus means China can stabilise. Under this scenario, 2019 potentially sets up like 2016, where US rates were low and global growth was recovering from the European crisis. The year 2016 ended with markets grinding higher, partly driven by the "there is no alternative" to the equities trade (vs. bonds). The S&P 500 P/E multiple held around 16-17x, while EPS growth came in around single digits. Like 2019 expectations. While this narrative is a reasonable base case, and should favour our 'Growth' style, we see a heightened risk that EPS expectations are still too high for the market more broadly. We see little proof of a calendar 2H earnings recovery and hence with the move up in valuations multiples, this potentially leaves many stocks vulnerable. Even more than usual, we see the current environment as being one where finding companies that can exceed expectations is critical. With this backdrop, we remain comfortable with our company holdings across Digital Enterprise, Payments, Innovate Health and e-Commerce, which remain well supported by structural tailwinds. We are likely to deploy more hedging, in the form of shorts and put options over the coming months, in line with this view that many stocks (particularly more cyclical companies) are now pricing in overly optimistic earnings for 2019.

FUND SUMMARY

KEY NUMBERS	
UNIT PRICE	$1.2926
EXIT PRICE	$1.2907
ENTRY PRICE	$1.2945
FUND FUM	$342.2m
STRATEGY FUM	$837.0m
APIR	MUA0002AU

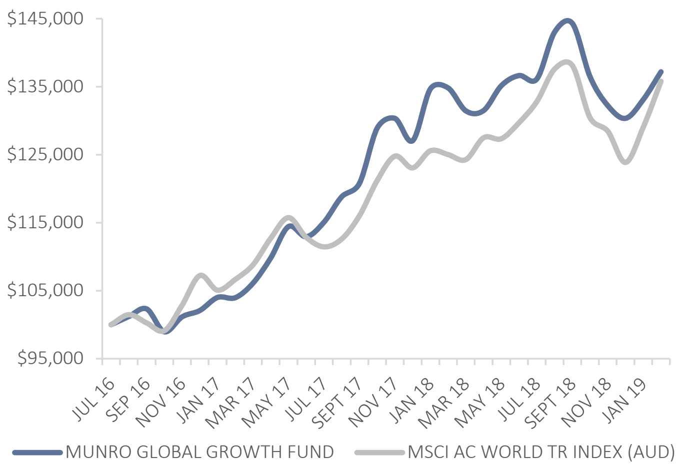
KEY FACTS	
NUMBER OF STOCKS	30-50 POSITIONS
CASH WEIGHTING	0-100%
CURRENCY HEDGING	0-100%
MANAGEMENT COSTS	1.35% P.A.
PERFORMANCE FEE	10.00%

TOP 5 HOLDINGS

STOCK	COUNTRY	INDUSTRY	WEIGHT
AMAZON	US	CONSUMER DISC.	5.2%
ALPHABET	US	COMM. SERVICES	4.9%
MICROSOFT	US	INFO TECH.	4.5%
CISCO SYSTEMS	US	INFO TECH.	3.6%
KERING	FR	CONSUMER DISC.	3.2%

HISTORICAL PERFORMANCE [1]

GROWTH OF $100,000



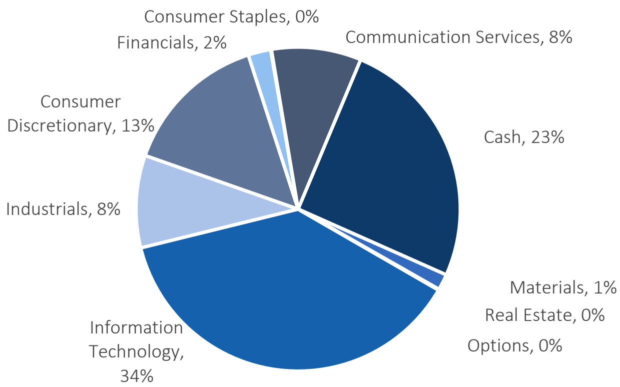
PERFORMANCE SUMMARY AS AT 28 FEBRUARY 2019 [1]

	1MTH	3MTHS	6MTHS	1YR	2YRS	INCEPTION (P.A.)	INCEPTION CUMULATIVE
MUNRO GLOBAL GROWTH FUND (AUD)	**3.1%**	**3.8%**	**-4.1%**	**1.8%**	**14.9%**	**13.1%**	**37.2%**
MSCI AC WORLD TR INDEX (AUD)	5.2%	5.7%	-1.3%	8.6%	12.8%	12.6%	35.8%
OVER / UNDER PERFORMANCE	**-2.2%**	**-1.9%**	**-2.8%**	**-6.9%**	**2.0%**	**0.4%**	**1.4%**

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, while maintaining a capital preservation mindset. The Fund's flexible mandate allows it to dynamically manage its market exposure and 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	AMAZON	US
BOEING	US	UNITED HEALTH	US
MICROSOFT	US	IFF	US
CISCO	US	BOOKING HOLDINGS	US
WORLDPAY	US	TAKE-TWO INTERACTIVE	US

FUND EXPOSURE

CURRENCY REGION	GROSS EXPOSURE	NET EXPOSURE	CURRENCY EXPOSURE
AUSTRALIA	1.3%	1.3%	58.4%
NORTH AMERICA	67.5%	59.8%	40.4%
UNITED KINGDOM	2.1%	2.1%	0.2%
EURO AREA	11.9%	9.9%	0.4%
FRANCE	7.2%	7.2%	
ITALY	2.4%	2.4%	
SPAIN	1.3%	1.3%	
BELGIUM	1.0%	-1.0%	
SWITZERLAND	1.3%	-1.3%	-0.2%
SWEDEN	1.9%	1.9%	0.4%
HONG KONG/CHINA	3.5%	3.5%	0.4%
EXPOSURE	**89.5%**	**77.3%**	**100.0%**
DELTA ADJ. EXPOSURE	91.3%	75.4%	

DANAHER

Danaher was a strong contributor to Fund performance for the month (+39bps), after announcing the acquisition of GE Biopharma. Danaher is a designer and manufacturer of medical and environmental products, with highly recurring revenue and secular growing end markets.

Danaher has a tremendous track record in acquiring businesses and improving them and this latest acquisition is a very clear fit. The market viewed this acquisition very favourably for three key reasons: 1) The strategic fit was very good, together with Danaher's existing business, Pall, the Group now has an end-to-end solution for bioprocessing; 2) Bioprocessing is seen as a strong secular growth area, driven by the shift to large molecule drugs, that open up many different types of treatment such as gene therapy and cell therapy; 3) The price paid was very reasonable, with the multiple being similar to that of Danaher, despite GE Biopharma having faster secular growth with less cyclicality.

Danaher has forecast EPS accretion of 50c per share post acquisition, which equates to an additional 10% EPS growth the first year after the transaction settles. We believe the acquisition to be of high quality and in combination with increased biopharma exposure and the planned reduction in dental exposure, we see the shares re-rating with the organic growth increases in the coming years.

MICROSOFT

Microsoft contributed 33bps to Fund performance during February. The company again reported solid earnings growth, with one of the clear themes emerging was the durability of the growth in Microsoft's cloud product, Azure.

In its most recent result, Microsoft reported 76% year-on-year growth in their Azure product, clearly indicating strong enterprise IT spending on cloud transitions and Microsoft's strong position in cloud services. Businesses are now seeing Microsoft as a one-stop shop for cloud-based enterprise solutions, which has meant Microsoft is not only benefiting from an increasing penetration of organisations moving to the cloud, but also an increasing amount of upsells once a customer has moved on to Azure.

We estimate that spending on cloud infrastructure and services is only 6% of global IT spending, providing Microsoft a clear path to structural growth over the long term as the second largest player (behind Amazon Web Services).

Finally, as was uniquely described to us at a recent conference by Dave O'Hara, Microsoft's Head of Cloud and Enterprise, once in the cloud work loads are not governed by seats or users like traditional software sales. They are only limited by their imagination as to what each enterprise will do with its data. The transition of data to the cloud is just the beginning of the journey, as the opportunities for enterprises to analyse and interpret their data is virtually limitless, it provides Microsoft years of monetisation opportunities ahead.