MUNRO PARTNERS

MUNRO GLOBAL GROWTH FUND
MAY 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%	1.2%	3.3%	-4.1%		**0.7%**

MONTHLY SUMMARY

The Munro Global Growth Fund returned -4.1% for May, comprising a return of -4.8% from equities and 0.8% from currency. The MSCI AC World Index (AUD) meanwhile returned -4.4% (-5.8% from equities and 1.4% from currency). The global equity market weakness was broad based during May, with the US S&P 500 declining 6.4% and the technology-heavy NASDAQ Composite falling 7.8%. Asia was also particularly weak with the Japanese Nikkei declining 7.5% and Hong Kong's Hang Seng falling 8.4%. A few tweets from Donald Trump and the US-China trade war was re-escalated, leading to a strong sell-off in global markets as the likelihood of a full-blown trade war went from a tail-risk to a significantly higher threat.

In terms of stock specific highlights, the Fund's investments in infrastructure-related names held up well with good results from Cellnex, the Spanish tower company that should benefit from the rollout of 5G. The Fund's short positions and put options also offered good protection in a falling market. On the negative side, Alphabet's results disappointed the market with sales growth moderating (see page 2) and several stocks were caught up in the cross-hairs of trade war rhetoric, such as Alibaba and China Tower (see page 2). On currencies, the Fund is roughly 50% hedged back to AUD and 50% exposed to USD and hence the depreciation in the AUD resulted in 76bps of gains for the Fund. By comparison, the fully unhedged index gained 135bps from FX movements.

MONTHLY OUTLOOK

Managing equity market risk in the current political climate has been challenging lately as the leaders of the world's two largest economies chose to play out a game of economic chicken over cable news channels. Neither wants to be seen to lose out to their economic constituents, but nor can their constituents afford for this game to go on much longer. As an absolute return manager, we are compelled to hedge against the worst possible outcome even if we expect in the long run all players will be rational. The potential for a miscalculation from either the White House, Westminster or the US Federal Reserve is growing and consequently we hedged net exposure early in the month of May and are likely to stay somewhat conservatively positioned as this latest storm passes over. Politics aside, the 'maths' for some of our key holdings continues to improve. Lower interest rates combined with lower valuations and unchanged earnings outlooks make many of our key investments as cheap as we have seen them in many years. We will use these pullbacks to continue to invest in some of our key high-quality growth names. We think their earnings can grow through the cycle and see a path to them becoming significantly larger companies in the years ahead regardless of the political outcomes.

FUND SUMMARY

KEY NUMBERS	
UNIT PRICE	$1.2962
EXIT PRICE	$1.2943
ENTRY PRICE	$1.2981
FUND FUM	$368m
STRATEGY FUM	$926m
APIR	MUA0002AU

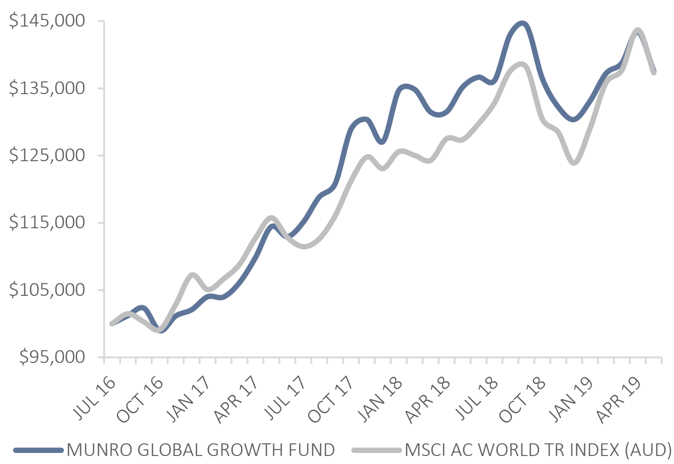
KEY FACTS	
NUMBER OF STOCKS	30-50 POSITIONS
CASH WEIGHTING	0-100%
CURRENCY HEDGING	0-100%
MANAGEMENT FEE	1.35% P.A.
PERFORMANCE FEE	10.00%

TOP 5 HOLDINGS

STOCK	COUNTRY	INDUSTRY	WEIGHT
AMAZON	US	CONSUMER DISC.	5.8%
ALPHABET	US	COMM. SERVICES	5.7%
MICROSOFT	US	INFO TECH.	5.1%
DANAHER	US	HEALTH CARE	3.2%
ADOBE	US	INFO TECH.	3.1%

HISTORICAL PERFORMANCE [1]

GROWTH OF $100,000



PERFORMANCE SUMMARY AS AT 31 MAY 2019 [1]

	1MTH	3MTHS	6MTHS	1YR	2YRS	INCEPTION (P.A.)	INCEPTION CUMULATIVE
MUNRO GLOBAL GROWTH FUND (AUD)	**-4.1%**	**0.3%**	**4.0%**	**1.8%**	**9.6%**	**11.9%**	**37.5%**
MSCI AC WORLD TR INDEX (AUD)	-4.4%	1.1%	6.9%	7.8%	8.9%	11.9%	37.3%
OVER / UNDER PERFORMANCE	**0.4%**	**-0.8%**	**-2.8%**	**-6.0%**	**0.7%**	**0.1%**	**0.2%**

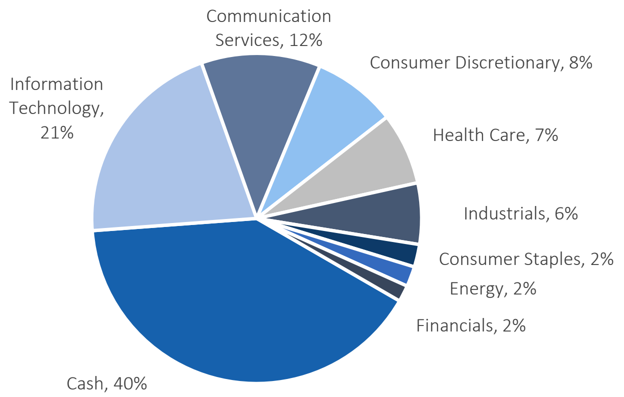
1. Past performance is provided for illustrative purposes only and is not a guide to future performance

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	
CELLNEX	SP	ALIBABA	CH
BEYOND MEAT	US	UNITED RENTALS	US
ITV	UK	AMAZON	US
PUBLICIS GROUP	FR	CHINA TOWER	CH
CME	US	ALPHABET	US

FUND EXPOSURE

CURRENCY REGION	GROSS EXPOSURE	NET EXPOSURE	CURRENCY EXPOSURE
AUSTRALIA	0.0%	0.0%	45.4%
NORTH AMERICA	61.8%	48.0%	53.4%
UNITED KINGDOM	0.7%	-0.3%	0.4%
EURO AREA	19.8%	11.1%	1.1%
BELGIUM	1.0%	-1.0%	
FRANCE	7.9%	5.0%	
GERMANY	1.0%	-1.0%	
ITALY	2.5%	2.5%	
NETHERLANDS	1.9%	1.9%	
SPAIN	5.6%	3.6%	
SWEDEN	0.4%	-0.4%	0.2%
SWITZERLAND	1.1%	-1.1%	-0.3%
HONG KONG/CHINA	0.9%	0.9%	-0.2%
EXPOSURE	**84.7%**	**58.2%**	**100.0%**
DELTA ADJ. EXPOSURE	99.0%	43.9%	

ALPHABET

Alphabet detracted 46bps from May performance. Alphabet's first quarter result demonstrated a slowdown in websites revenue (advertising revenue from Google websites). The quarterly number only came in 1% below consensus estimates (excluding the impact of any FX), with many commentators pointing out that this was the first time their websites growth has been below 20% in 17 quarters (excluding FX). Following on from the 'weak' result, sentiment has been further dented by news that the Department of Justice is set to open an investigation into Alphabet and other big tech's market power raising concerns as to a potential 'break up' of big tech to level the playing field.

While we understand the market concerns, we are a little bemused by the extent of the market reaction. Firstly, as a USD$130bn revenue company, it is inevitable that Alphabet's revenue will slow. Revenue growth at 20% year on year to a 17% year should not be a shock to analysts with Alphabet still growing at over three times the S&P 500 average. As for the DOJ investigation, Alphabet has spent the best part of the last nine years under investigation, first by the DOJ, then the European Union and now the DOJ again for a sum total of USD$9.3bn in fines (of which some are under appeal) and one enforced change to the 'Shopping' page of the Google search engine. Any DOJ investigation will be long and wide reaching and as in previous cases, Alphabet can afford good lawyers. History suggests eventual sanctions are unlikely to do significant damage to Alphabet's earning potential. Finally, we believe most of this news was already priced into the stock price at just 17x forward earnings with arguably significant hidden value in Waymo, Google Cloud and YouTube. Any attempt to take on the nuclear option and 'break up' Alphabet would be welcomed by the Fund, as the parts are worth significantly more than the whole at today's prices.

CHINA TOWER

China Tower detracted 47 bps from monthly performance. The US Administration's move to elevate Huawei to a so called 'blacklist', thereby barring the sale of US technology to Huawei, caused havoc with several of our 5G investments over the month. As regular readers may be aware, the portfolio has had a sizable investment in a range of 5G beneficiaries since December 2018 as the new technology looked set to roll out across the globe in 2019 and beyond. However, 5G appears to have rapidly become a battle ground for the ongoing trade dispute between the US and China.

Huawei is the world's largest supplier of 5G equipment and 2nd largest supplier of smartphones. By banning US technology transfer, it effectively means Huawei cannot obtain the key input components required for it to continue operating. Should the ban continue beyond the company's current inventory levels, we suspect they will cease to effectively operate within 90 days. This has a wide range of knock on effects within the semiconductor supply chain and ultimately to the speed at which 5G will be rolled out in many regions. While many of our investments in Europe and the US will be largely unaffected by this ban, our investment in China will. As China Tower is the largest operator of telecommunications towers in China, this ban will delay the 5G rollout and consequently effects our valuation. The Fund's position was sold during the month under our fall from peak stop loss trigger.