

# MUNRO CONCENTRATED GLOBAL GROWTH FUND

## RELATIVE RETURNS

### MARCH 2020 QUARTERLY UPDATE

#### QUARTERLY HIGHLIGHTS

- The Munro Concentrated Global Growth Fund returned 1.7% over the March quarter (-11.3% from equities and 13.0% from currency) despite the difficult equity markets and economic backdrop. The MSCI World (ex-Aus) meanwhile returned -9.0% (-20.0% from equities and 11.0% from currency) (page 2).
- From a stock attribution perspective, positive contributions came from Amazon, Microsoft and NVIDIA. The biggest Fund detractors were directly impacted by repercussions of the COVID-19 including Uber, Stryker, and Moncler, as well as Airbus, which was exited during the quarter (page 3).
- It's important to remember that the recent financial market volatility is a by-product of what is actually a significant health crisis for the planet. Our thoughts are with those who are impacted during this difficult period.

FUND QUARTER#	1.7%
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MSCI QUARTER#	-9.0%
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#### FUND UPDATE WEBINAR WITH NICK GRIFFIN

##### MUNRO PARTNERS



As we navigate to the new “work from home” environment, Munro Partners invites you to join a live webinar with our Chief Investment Officer, Nick Griffin, to present on how the Fund navigated the difficult quarter and current thoughts as to how to approach the months ahead.

Wednesday, 8th April at 12:00pm (AEDST)

The webinar will be hosted by our partners, GSFM, and its Head of Retail Distribution, Stephen Fletcher.

Please use the [registration link here](#) or navigate from the homepage on our website at [www.munropartners.com.au](http://www.munropartners.com.au)

#### FUND FEATURES

GLOBAL GROWTH EQUITIES

LONG-ONLY, UNHEDGED

20-40 POSITIONS

RELATIVE RETURNS

\$7M FUND FUM

\$320M STRATEGY FUM

**IMPORTANT INFORMATION:** #Past performance is provided for illustrative purposes only and is not a guide to future performance. As at 31 March 2020. The unit price reflects the NAV price for Class A Units. The application and redemption prices will differ to reflect the buy/sell spread. Inception date is 31 October 2019. Returns of the Munro Concentrated Global Growth Fund are net of management costs and assumes distributions have been reinvested. The MSCI World (Ex-Aus) TR Index AUD refers to the MSCI World (Ex-Australia) Total Return Net Index in Australian Dollars. BPS refers to Basis Points. AOlS refers to Areas of Interest. GSFM Responsible Entity Services Limited ABN 48 129 256 104 AFSL 321517 (GRES) is the responsible entity of the Munro Concentrated Global Growth Fund ARSN 630 173 189 (Fund) APIR GSF9808AU and is the issuer of this information. This information has been prepared without taking account of the objectives, financial situation or needs of individuals. Before making an investment decision in relation to the Fund, investors should consider the appropriateness of this information, having regard to their own objectives, financial situation and needs and read and consider the product disclosure statement for the Fund dated 31 October 2019 (PDS) and the Additional Information to the Product Disclosure Statement (AIB) which may be obtained from [www.gsfm.com.au](http://www.gsfm.com.au), [www.munropartners.com.au](http://www.munropartners.com.au) or by calling 1300 133 451. None of GRES, 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. The Fund's holdings, exposure and allocations depict end of month figures and may have changed materially or not disclosed due to confidentiality reasons. Numbers may not sum due to rounding or compounding returns. This document is issued on 6 April 2020.

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# MUNRO CONCENTRATED GLOBAL GROWTH FUND

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### MARCH 2020 QUARTERLY UPDATE

#### FUND COMMENTARY

Global equity markets closed out their worst quarter since the depths of the financial crisis, with most markets globally down over 20%. What began as a virus in Wuhan, China and seemed like purely a supply chain issue, quickly spread globally with large cities and even whole countries going into lockdown. The Coronavirus, or COVID-19, has rapidly changed into a global demand-side issue that is likely to lead to a global recession.

The MCGGF returned 1.7% over the March quarter (-11.3% from equities and 13.0% from currency), while the MSCI World (ex-Aus) returned -9.0% (-20.0% from equities and 11.0% from currency). Like most managers, our long investments suffered in the market weakness detracting 11.1% from quarterly performance. The Australian dollar's depreciation of 12.7% during the quarter cushioned losses for both the Fund and the MSCI.

From a stock attribution perspective, positive contributions came from digital enterprise positions, Microsoft and Atlassian, as well as our largest and e-commerce holding, Amazon. The biggest Fund detractors were directly impacted by repercussions of the COVID-19 including Uber, Stryker, and Moncler, as well as Airbus, which was exited during the quarter.

#### MARKET OUTLOOK

By now, I suspect most of our readers have become quasi-epidemiologists, spending as much time as we have trying to identify when 'the curve will flatten' and when we may eventually escape our homes. Rather than add to this debate, we would instead make two simple observations:

1. most people don't want to get COVID-19; and
2. the only current health defence we have is social distancing.

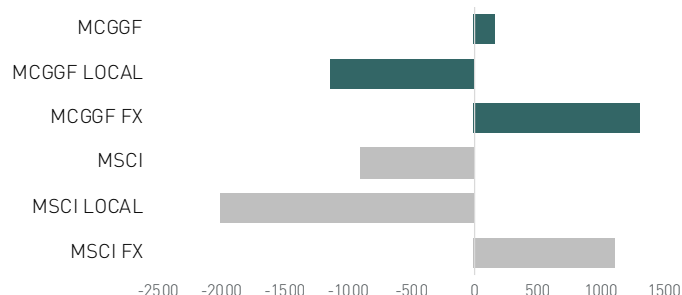
Combined, this will have a profound and lasting impact on growth and confidence. We see a relatively deep recession developing here and while buying stocks at, or near, an economic trough can result in outsized gains, we are for now broadly staying conservative in our positioning. Put simply, and we are not alone here, we don't really know how long this trough will last and what aggregate demand will look like on the other side.

The positive news is that markets have at least stabilised near term on the back of the efforts of the major central banks and governments to plug the holes with massive levels of 'stimulus'. With little in the way of moral hazard this time around, we expect fiscal and monetary policy to continue to be deployed in size to help tide over businesses and workers as the backdrop worsens.

The negative news is that it probably shouldn't be called 'stimulus', it is actually 'compensation' for lost earnings. And the more time this extends, the more 'compensation' that will be required. So, for equities, this eventually becomes a solvency crisis as few businesses can survive revenues down more than 50% for a sustained period. Government aid will help, but we also expect equity holders to have to play their part. This means that for some listed companies, equity holders may choose to be wiped out rather than contribute more capital. This is going to take time and will keep the pressure on equity markets over the medium term as ultimately, it is a source of capital when capital becomes scarce. The solvency issues highlighted suggest it is currently too early to survey the wreckage of this current crisis as one needs to be acutely focused on those companies that have the liquidity available to weather the lengthening storm.

Finally, it is worth remembering that the longer-term effects of this crisis only reinforce our conviction in our underlying portfolio of e-commerce, software and healthcare companies that are going to survive and prosper as the world changes and adapts to what may become the new normal.

MARCH 2020 QUARTERLY ATTRIBUTION BY INVESTMENT CATEGORY



# MUNRO CONCENTRATED GLOBAL GROWTH FUND

## RELATIVE RETURNS

### MARCH 2020 QUARTERLY UPDATE

#### STOCK STORY - AMAZON



AREA OF INTEREST:

E-COMMERCE

MARKET CAP:

US\$930B

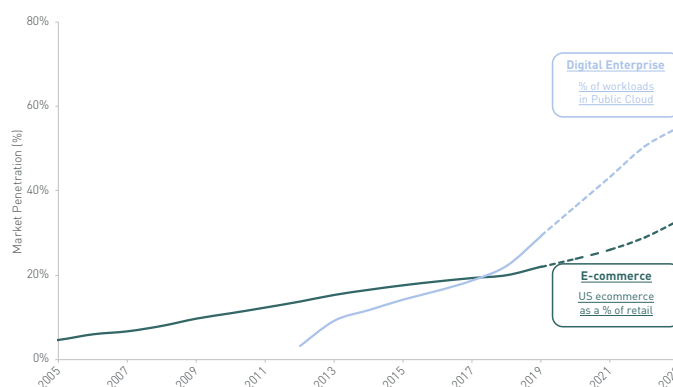
Amazon contributed 0.3% to performance during the March quarter. The mere fact that the 3rd largest company in the world can deliver a positive return during a quarter when the S&P 500 is down 20% is testament to the unique role that Amazon has built in our society.

Amazon has been a top position in the Munro Concentrated Global Growth Fund since inception at 31 October 2019. We have always been attracted to its leadership in two areas of major structural change in e-commerce and cloud computing. At the end of January, Amazon delivered results that closed out an incredible decade of company growth, surpassing consensus expectations again.

As we enter the next decade, Amazon looks set to benefit from its rapid expansion over the last 10 years as it becomes an increasingly important to our way of life in a post COVID-19 world. In this time of social distancing, Amazon's e-commerce business has been vital to keeping the wheels of commerce moving. Consumers are increasingly relying on e-commerce as a form of accessing goods, while sellers can also rely on Amazon's extensive 3rd party e-commerce platform to help them get their products to market.

In cloud computing, it's important to recognise that Amazon's AWS platform powers over 50% of all cloud workloads on the planet today. Every Netflix movie you watch, large parts of the software ecosystem and many of the social or fitness platforms you subscribe to, are all powered by Amazon Web Services. As 'work from home' becomes 'WFH' and a more permanent part of our life, cloud adoption should accelerate faster than we previously envisaged. Despite the turmoil, Amazon's next decade looks likely to continue where the last one left off.

#### S-CURVE ALWAYS TRUMPS THE MACRO



Source: Company Reports, Magna, Morgan Stanley, Munro estimates, 31 March 2020

#### STOCK STORY - AIRBUS



AREA OF INTEREST:

EMERGING CONSUMER

MARKET CAP:

US\$40B

Airbus detracted 0.8% from performance in the March quarter. The company had been a core holding and made up part of the 'Emerging Consumer' Area of Interest. We have been long term bulls on the company with air travel growing consistently double GDP for the last decade, propelled by growing consumer spending preference for 'experiences' over 'things', as well as strong demographic trends particularly in emerging markets.

Airbus is half of the duopoly which has been characterised by long backlogs, steadily increasing production rates and rising margins and profitability. Further, their airline customers had become financially healthier over time, particularly in the US where there had been consolidation, and in China, where supporting travel growth had been a major government priority.

Airbus was also the far stronger of the two OEMs, with Boeing's MAX woes weakening its product offering in the critical narrow-body market. Unfortunately, with the COVID-19, 50% of global airplane fleets are now parked and many of their airline customers may be unable to pay for new deliveries. Further, airlines that do have access to capital may be unwilling to take their orders; with little visibility into future travel demand and low oil prices disincentivising the switch to the more fuel-efficient Airbus fleet. The stock triggered a stop loss under our 20% price fall from peak rule and was cut from the portfolio with this dramatic change in industry fundamentals.

While Airbus will survive and bounce back when the virus clears and the economy recovers, we do suspect a slower and more gradual recovery for the aerospace industry than the market seems to be currently modelling. We think that personal and business travel habits may have changed, and we do not anticipate the travel market to exceed 2019 levels for several years. For similar reasons, we have also moved away from other Emerging Consumer exposed positions in the portfolio.



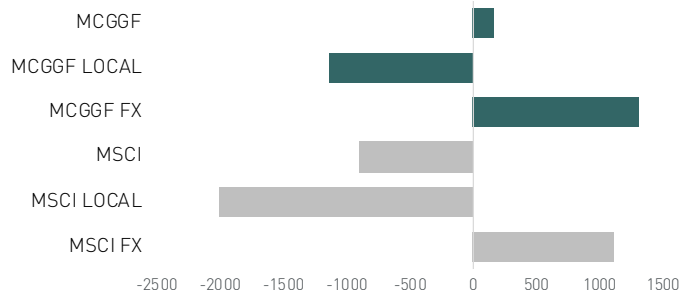
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## RELATIVE RETURNS

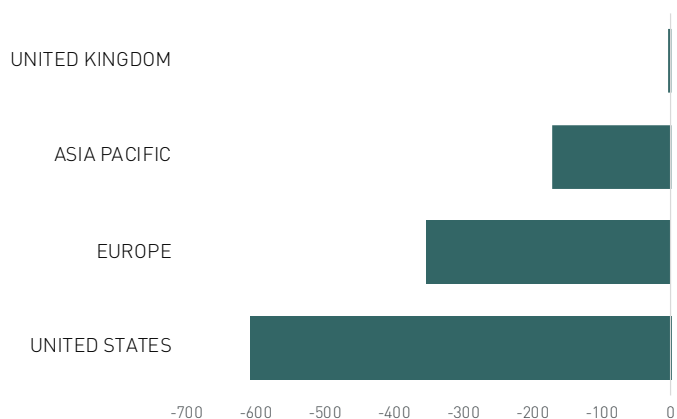
### MARCH 2020 QUARTERLY UPDATE

#### QUARTERLY FUND ATTRIBUTION

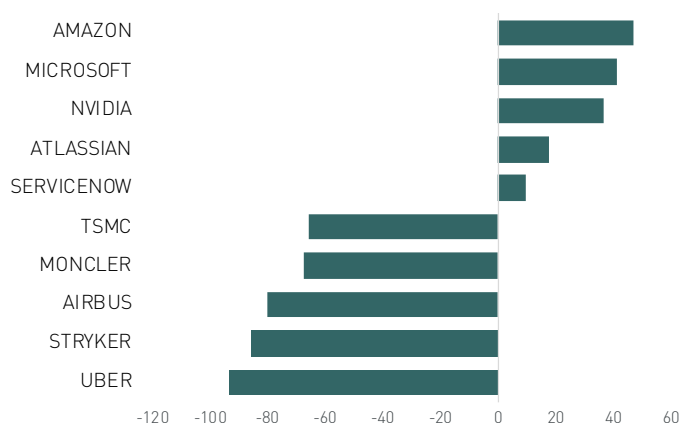
##### BY INVESTMENT CATEGORY



##### BY REGION



##### BY CONTRIBUTORS (TOP & BOTTOM)



#### QUARTER END EXPOSURE

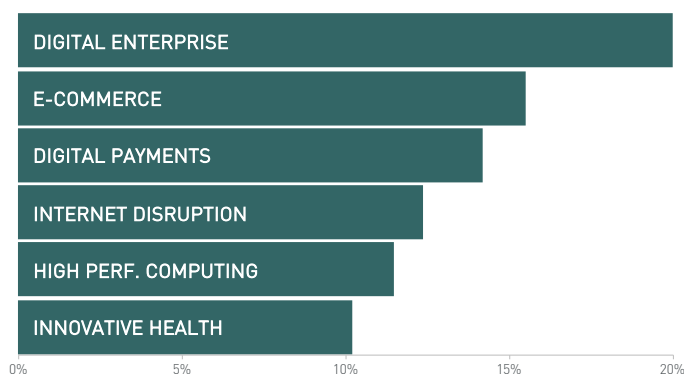
##### BY INVESTMENT CATEGORY

LONG	96%	INFO TECH	47%
CASH	4%	CONS DISC	17%
NO. OF LONG POSITIONS	27	COMM SERV	11%
		HEALTH CARE	10%
		OTHER	11%

##### BY REGION

Region	LONG	CURR.
AUSTRALIA	0.0%	0.9%
UNITED STATES	76.5%	76.9%
UNITED KINGDOM	0.0%	0.9%
HONG KONG/CHINA	6.5%	6.5%
EURO AREA	9.7%	11.5%
FRANCE	3.3%	
NETHERLANDS	5.2%	
PORTUGAL	3.2%	
DENMARK	3.0%	3.0%
JAPAN	0.3%	0.3%
EXPOSURE	96.0%	100.0%
CASH	4.0%	

##### BY AREAS OF INTEREST (AOI)



PERFORMANCE	1 MTHS	2 MTHS	3 MTHS			INCEPTION CUMULATIVE
MUNRO CONCENTRATED GLOBAL GROWTH FUND (AUD)	-4.2%	-5.3%	1.7%			5.5%
MSCI AC WORLD (EX-AUS) TR INDEX (AUD)	-8.3%	-12.8%	-9.0%			-5.5%

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL RETURN
2020FY					4.9%	-1.2%	7.4%	-1.1%	-4.2%				5.5%

