

MUNRO GLOBAL GROWTH FUND

ABSOLUTE RETURNS

SEPTEMBER 2020 QUARTERLY UPDATE

QUARTERLY HIGHLIGHTS

- Munro Global Growth Fund delivered strong performance for the September quarter, +10.2%, driven by stronger equity markets but somewhat offset by the strengthening Australian dollar (page 2).
- From a stock attribution perspective, positive contributions came from our High Performance Computing winners TSMC and NVIDIA, e-commerce giants Amazon and Alibaba, and our Innovative Health performers Danaher and Thermo Fisher (page 4).
- As an absolute return fund, the Munro Global Growth Fund has a number of capital preservation tools at its disposal. With the outlook for markets murkier than usual, we have taken the opportunity to remind our clients what these tools are and whether they will work again in the future (page 3).
- We remain confident on the prospects of our portfolio over the medium term, while respectful of potential second wave or second order effects of the COVID crisis over the shorter term. From a market risk perspective, we acknowledge the uncertainty leading into the US election but it is actually the uncertainty around the spread of COVID heading into the northern hemisphere winter that continues to be our bigger concern.

QUARTER#	10.2%
----------	-------

SINCE INCEPTION (P.A.)#	16.9%
-------------------------	-------

VIDEO UPDATES



We have recently updated the Munro Partners' YouTube channel and encourage our clients to [subscribe](#).

Current short videos published in July include:

- Growth v Value Debate
- Area of Interest - High Performance Computing
- COVID Ramifications

New videos will also be released over the coming month.

FUND FEATURES

GLOBAL GROWTH EQUITIES
ABSOLUTE RETURNS
30-50 POSITIONS
CAPITAL PRESERVATION MINDSET
\$745M FUND FUM
\$2,386M STRATEGY FUM

LIVE Q&A WEBINAR

Munro Partners invites you to join a live Zoom Q&A webinar with our Chief Investment Officer, Nick Griffin:

Thursday, 15th October at 12:00pm (AEDST).

Please register [here](#)

The Q&A webinar will be hosted by GSFM and its Head of Retail Distribution, Stephen Fletcher, covering Fund performance, market outlook, valuations, capital preservation tools and Innovative Health as Munro Partners' No. 1 Area of Interest

CONTENTS

FUND AND MARKET UPDATE	PAGE 2
CAPITAL PRESERVATION TOOLS	PAGE 3
STOCK STORIES	PAGE 4
KEY STATISTICS	PAGE 5

IMPORTANT INFORMATION: #Past performance is provided for illustrative purposes only and is not a guide to future performance. As at 30 September 2020. Inception date is 1 August 2016. Returns of the Munro Global Growth Fund are net of management costs and assumes distributions have been reinvested. 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 Global Growth Fund ARSN 612 854 547 (Fund) APIR MUA0002AU 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 25 March 2019 (PDS) which may be obtained from www.gsfm.com.au, 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 quarter 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 was issued on 7 October 2020.



MUNRO GLOBAL GROWTH FUND

ABSOLUTE RETURNS

SEPTEMBER 2020 QUARTERLY UPDATE

QUARTERLY HIGHLIGHTS

FUND COMMENTARY

The Munro Global Growth Fund returned 10.2% in the September quarter. The Fund's long positions contributed 14.7% while shorts and hedging detracted 1.5%. The AUD appreciated 3.8% against the US dollar over the quarter which detracted 2.9% to performance due to the Fund's holding in USD.

Global equity markets had another positive quarter, continuing to build on the strong recovery from the COVID-19 lows in March. A flattening of the COVID infection curve helped calm market fears, while the aggressive stimulus by global central banks and governments allowed investment grade companies to access cheap funding and assist furloughed industries through the health crisis.

From a bottom up perspective, it has become increasingly clear that many large and important listed companies, particularly in the digital, healthcare and climate change sectors are well placed to grow post the pandemic. This has resulted in a bifurcated market since the March lows with structural growth stocks outstripping companies that are worse off in a post-COVID world.

This is most apparent in physical industries like retailing, banking, industrials, and travel. The differentiation in performance is stark when looking at the calendar year performance of the major indices in the US (S&P up 4.1% and the tech heavy Nasdaq up 24.5%). Meanwhile, indices with a higher concentration to more traditional industries have struggled with the US Russell 2000 (small caps) down 9.8% and the German DAX down 3.7%.

From a stock attribution perspective for the quarter, positive contributions came from High Performance Compute leader TSMC and dominant eCommerce companies Amazon and Alibaba. Each of these companies are well placed to succeed in a world of increased social distancing and greater need for digitalisation. Innovative Health businesses Thermo Fisher and Danaher also helped performance over the period (see page 4). Detractors for the quarter primarily came from shorts, including Japanese advertiser Dentsu and hedging related losses on put options and index futures, as markets generally rose over the quarter.

The Fund finished the quarter with net equity exposure of around 80% and has held its USD exposure at around 50%.

MARKET OUTLOOK

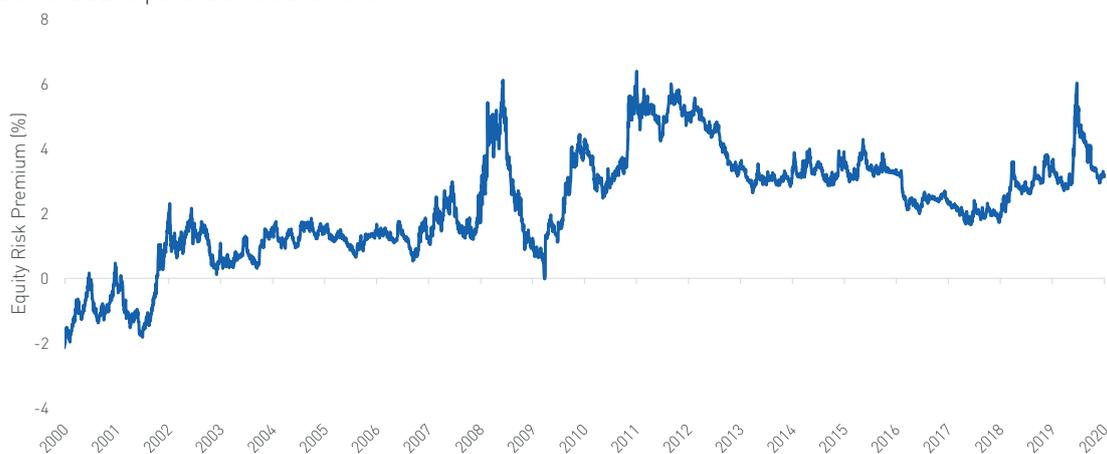
The Fund maintained a high net exposure through the quarter and is expected to maintain a reasonably high investment level heading into the coming quarters. While acknowledging the strong market performance since the COVID lows, the equity risk premium available is still attractive with rates being held low (see chart below).

Furthermore, we are excited about many of the Areas of Interest (AoI) represented in the portfolio. We expect our companies in the Digital Enterprise, Digital Payments, eCommerce, Innovative Health and Climate areas to continue to deliver strong upcoming earnings results and provide bullish outlook statements.

From a valuation perspective, we still see reasonable opportunities in these areas and note that in most cases the stock moves post COVID are simply reflecting a pull forward in market share gains. That is, much of this growth would have occurred anyway, but the disruption from COVID has accelerated these trends and pulled the gains into 2020. We would re-iterate that over the medium to long term it is far more important to correctly identify an area of structural growth and the companies set to benefit from that growth, than to try to predict the direction of the economy or market.

From a market risk perspective, we acknowledge the uncertainty leading into the US election (note: we see the primary risk here as being a contested election, or blue wave) but it is actually the uncertainty around the spread of COVID heading into the northern hemisphere winter that continues to be our bigger concern.

As such, we are prepared to use our capital preservation tools again should they be required in the months ahead, but we do caution investors that not all tools will work as effectively next time around as they did in the March quarter. This is partly due to the current high volatility causing higher put option pricing. Please read our capital preservation piece (next page) to garner a better understanding of the tools available for the Munro Global Growth Fund.



EQUITY RISK PREMIUM (ERP) = 1/PE S&P500 - US 10 YEAR

Source: Bloomberg Finance L.P 30 September 2020



MUNRO GLOBAL GROWTH FUND

ABSOLUTE RETURNS

SEPTEMBER 2020 QUARTERLY UPDATE

CAPITAL PRESERVATION TOOLS

With the outlook for equity markets murkier than usual, we wanted to take this opportunity to remind investors that the Munro Global Growth Fund has several capital preservation tools at its disposal.

Below we outline the range of tools we use and some historical examples of when they may be effective. We caution that these tools may not always be in place and there is no guarantee that they will prove as effective in the future as they have been in the past.

However, investors should gain some comfort that the Fund has a long history of using these tools with formal processes in place that govern how we act in all scenarios.

Cash:

The Fund has a flexible mandate and can hold up to 100% cash. We will reduce net market exposure and raise cash levels if we are uncomfortable with the market outlook and/or risks to the downside are judged to be elevated. In addition to judgement, the Fund has portfolio stop loss rules in place, with the investment team explicitly required to address the portfolio's net market exposure at a 5% drawdown.

Put Options:

Where risks in the market are judged to be elevated, the Fund often buys short-dated put option protection on major market indices. Option protection is also used on upcoming binary events such as major government elections, central bank meetings or exogenous events (e.g. COVID). Please note that put options are not always in place and may become too expensive a form of 'insurance' if volatility is already high.

Short Positions:

The Fund can short sell and consequently take advantage of falling stock prices as well as rising stock prices. The Fund does this when it has a negative view on a particular company, but it can also be used to hedge the underlying portfolio, for instance, by shorting futures contracts on the Nasdaq index. Shorts generally make up between 5-30% of the portfolio, but the Fund can go periods with no short selling at all.

Currency:

The Fund generally holds 50/50 AUD/USD exposure but during market sell offs, the US dollar often rises as a 'flight to safety' currency, causing the AUD to fall. The Fund can hold higher exposure to USD assets as another tool to help preserve capital. Conversely, the Fund can also increase AUD hedging to protect capital if the expectation is the AUD is entering a period of appreciation.

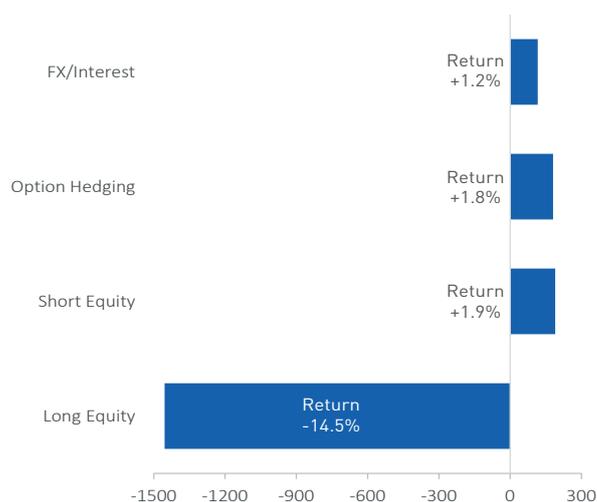
Stocks:

Lastly, stock selection is a critical tool to help preserve capital: the Fund runs a detailed stop loss process on all its positions and when triggered instigates a formal position review process. While the Fund is not compelled to sell on these triggers, the review process is invaluable to identify at risk companies when the risks may not have immediately been apparent. This process has been instrumental in seeing the Fund step the sidelines on investments like Boeing, Uber and Las Vegas Sands before material damage occurred at the Fund level.

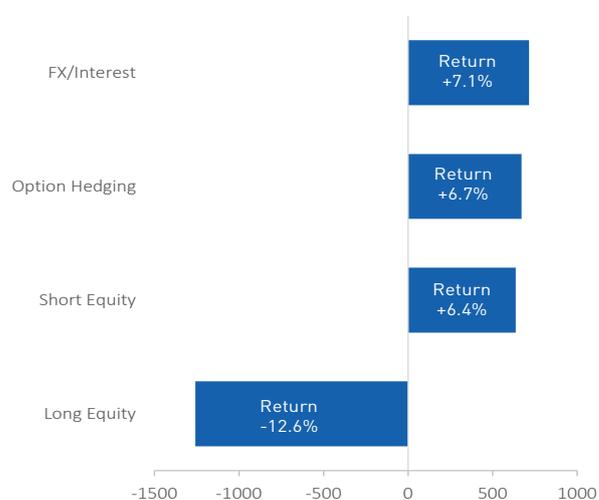
Attribution:

The varying degrees of protection these tools can add is best illustrated by what they have added in the past. Since the inception of the Munro Global Growth Fund in 2016, the two worst quarters for the US S&P 500 were December 2018 (down 14%) and March 2020 (down 20%). The Fund attribution components for these two quarters is shown in the charts below.

As illustrated, despite the capital preservation tools available in the December 2018 quarter, the Fund still generated a loss as the currency, put options and short positions did not add enough to offset the decline in the long portfolio, which suffered considerably that quarter. By contrast, the March 2020 quarter's capital preservation tools worked to more than offset the Fund's long positions' decline, partly because they were used more successfully, but also because the underlying long portfolio performed considerably better than the overall market.



DECEMBER QUARTER 2018 ATTRIBUTION



MARCH QUARTER 2020 ATTRIBUTION

Source: Munro Partners



MUNRO GLOBAL GROWTH FUND

ABSOLUTE RETURNS

SEPTEMBER 2020 QUARTERLY UPDATE

INNOVATIVE HEALTH AoI - DANAHER

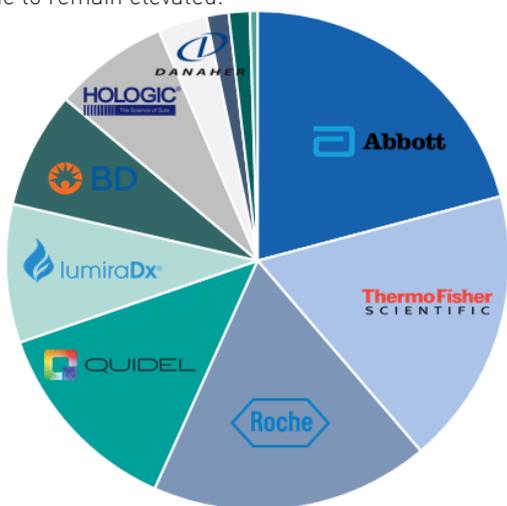


AREA OF INTEREST: INNOVATIVE HEALTH
 MARKET CAP: US\$150B

DanaHER contributed 95bps to Fund performance during the quarter.

DanaHER designs, manufactures and markets products and services in the sectors of life sciences, diagnostics testing and environmental sciences. We first invested in DanaHER in February 2018 given the attractive end markets they were exposed to, with the characteristics of structural growth, resiliency during recessions and high recurring revenue from consumables. They have one of the best management teams and investment philosophies we have seen with their "DanaHER Business Systems" (DBS) framework. Rather than grow margins by cost-cutting, the DBS process increases cost lines such as Research & Development (R&D) leading to more innovation and higher priced products and expanding gross margins. Those higher gross margins can then be partially re-invested back into R&D and sales & marketing (S&M), whilst letting some margin fall to the bottom-line.

Since COVID-19, we have increased our position size in DanaHER substantially. The arrival of COVID-19 gave the recent acquisition of Cytvia (GE's biopharma business) an added growth driver – vaccine development and production. DanaHER is the global leader in supplying instruments and consumables to the biopharma manufacturing industry (see chart below). The rush to develop and build increased capacity for COVID-19 vaccine development and production led to sales growth of >20% for DanaHER's operating businesses in this segment, up from a run-rate of high single digits. Assuming COVID-19 vaccines are developed and production occurs at large scale, growth for DanaHER should continue to remain elevated.



FY21 PCR + ANTIGEN TEST REVENUE OPPORTUNITY
 USD\$26.8BN

Source: JP Morgan, 2020

INNOVATIVE HEALTH AoI - THERMO FISHER



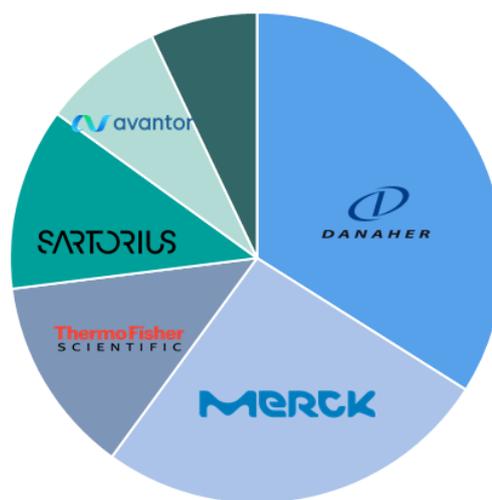
AREA OF INTEREST: INNOVATIVE HEALTH
 MARKET CAP: US\$170B

Thermo Fisher contributed 96bps to Fund performance during the quarter.

Thermo, like DanaHER, is a leading life sciences equipment manufacturer. We invested in Thermo alongside DanaHER because of how well positioned it was to benefit from some of the most important trends in healthcare, including the advancement of biologics, the advent of cell and gene therapy and personalised medicine, molecular diagnostics and, in materials science, the development of nanotechnology. The company's leading market share across many of its addressed markets, combined with the depth of its product offering, enhances its ability to support growth and gain share.

We also increased our position in Thermo Fisher considerably on the back of the COVID-19 pandemic. Like DanaHER, Thermo is a key supplier of instruments and consumables to the bioprocessing industry and so will benefit from the vaccine development and production. However, in the nearer term, the biggest tailwind from COVID-19 is on the testing side. Whilst DanaHER also has some exposure via their Cepheid business, Thermo has a larger exposure to this end market (see chart above).

Thermo saw a \$1.5bn COVID tailwind in 1H20 and expects another \$3bn in 2H20, driven by the sale of COVID related tests (now making over 10m kits per week, which will step up to 20m tests a week in October) and related reagents and consumables. This additional \$4.5bn of revenue equates to an uplift of 18% on their 2019 revenue base of \$25.5bn. This testing tailwind, along with the vaccine development tailwind, will persist for years to come for Thermo Fisher.



FY21 BIOPROCESSING/TOOLS REVENUE OPPORTUNITY
 USD\$20.4BN

Source: Citi, 2020

DanaHER and Thermo Fisher together look set to benefit for years to come from increased demand for their testing products as the virus remains, increased demand for their biopharma manufacturing equipment as the vaccine is developed and finally, from a step change in overall healthcare spending as governments seek to prevent further pandemics in the future.



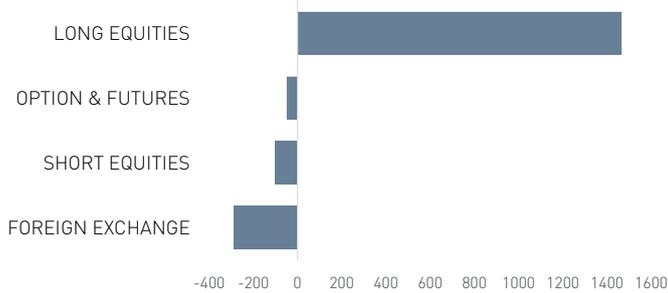
MUNRO GLOBAL GROWTH FUND

ABSOLUTE RETURNS

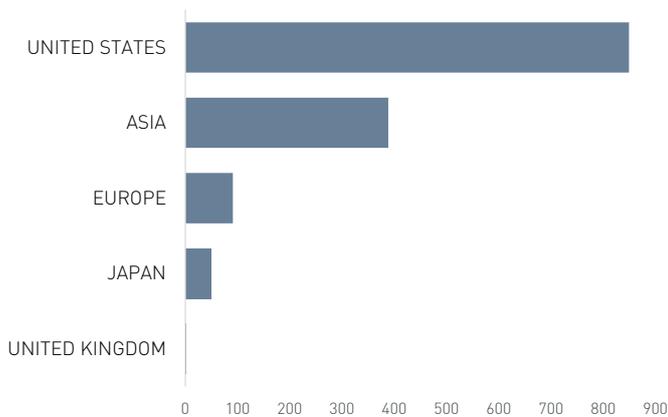
SEPTEMBER 2020 QUARTERLY UPDATE

QUARTERLY FUND ATTRIBUTION (BASIS POINTS)

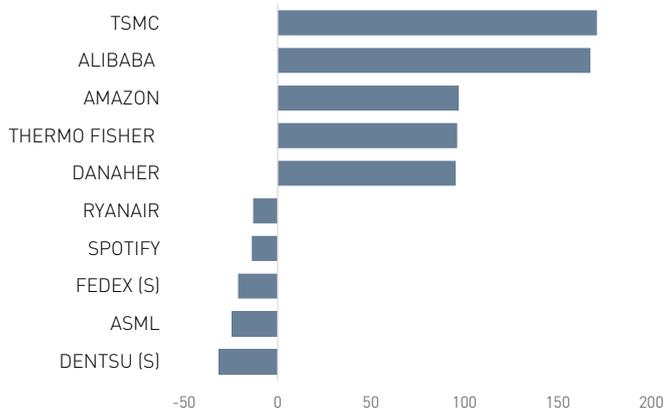
BY INVESTMENT CATEGORY



BY REGION (EQUITIES ONLY)



TOP & BOTTOM CONTRIBUTORS (EQUITIES ONLY)



QUARTER END EXPOSURE

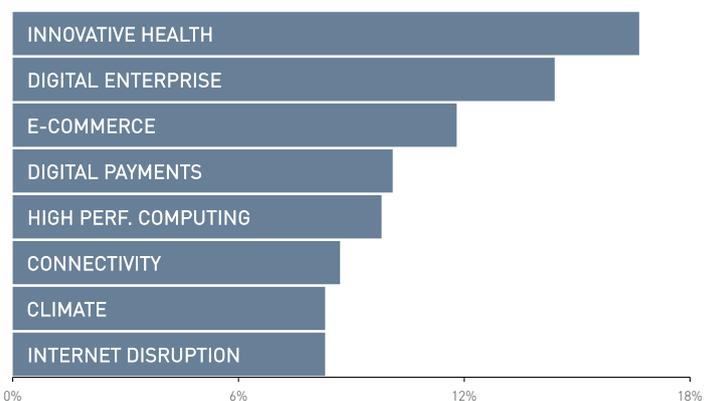
BY INVESTMENT CATEGORY

GROSS	110%	TOTAL POSITIONS	44
LONG	98%	LONG POSITIONS	35
SHORT	13%	SHORT POSITIONS	9
NET	85%		
DELTA ADJUSTED NET	79%		
CURRENCY HEDGE (AUD)	51%		

BY REGION

Region	GROSS	NET	CURR.
AUSTRALIA	0.0%	0.0%	50.9%
UNITED STATES	66.1%	54.4%	49.2%
HONG KONG/CHINA	13.5%	13.5%	-0.2%
EURO AREA	14.9%	5.5%	0.0%
GERMANY	6.0%	-1.6%	
IRELAND	2.7%	2.7%	
NETHERLANDS	5.2%	5.2%	
SPAIN	0.9%	-0.9%	
SWITZERLAND	3.5%	1.3%	0.1%
DENMARK	4.9%	4.9%	0.0%
NORWAY	0.5%	-0.5%	0.0%
SWEDEN	2.4%	2.4%	0.0%
JAPAN	2.9%	1.5%	0.0%
SOUTH KOREA	1.9%	1.9%	0.0%
EXPOSURE	110.5%	84.8%	100.0%
DELTA ADJ. EXPOSURE	116.3%	79.0%	

BY AREAS OF INTEREST (AOI)



PERFORMANCE	3MTHS	6MTHS	1YR	2YRS (P.A.)	3YRS (P.A.)	INCEPTION (P.A.)	INCEPTION CUMULATIVE
MUNRO GLOBAL GROWTH FUND (AUD)	10.2%	21.8%	37.7%	15.3%	16.7%	16.9%	91.9%

	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%	2.4%	3.1%
2020FY	0.9%	-0.6%	-1.4%	-0.3%	4.6%	0.7%	5.6%	0.6%	1.3%	4.2%	3.9%	2.1%	23.6%
2021FY	6.1%	4.7%	-0.8%										10.2%

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

