

MUNRO GLOBAL GROWTH FUND

ABSOLUTE RETURNS 2021 ANNUAL REVIEW

ANNUAL HIGHLIGHTS

The Munro Global Growth Fund recorded a 24.2% return for the 2021 financial year. This result was driven by a strong performance by our long equities 34.7% offset by losses on short equities 1.4% and hedging losses of 2.5%. Currencies detracted a further -6.6% from the year's return.

Equity markets were strong over the 12 months, with performance accelerating into the economic re-opening as evidence began to grow that COVID vaccines were effective. For the Fund, it was the reverse, with performance strong in the first half but waning in the 2nd half as re-opening began to pressure inflation and interest rates expectations that weighed on some of the higher multiple or longer duration ideas in the Fund.

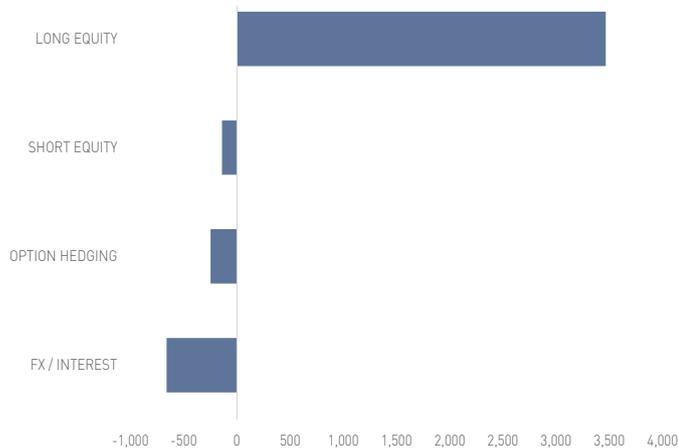
Returns for the year were driven by a strong performance from key High Performance Computing names in TSMC, Nvidia and ASML, Innovative Heath names in Danaher and Thermo Fisher and finally from many of our key digital winners in HelloFresh, Alphabet, Amazon and PayPal.

WEBINAR INVITATION

Please join us for our upcoming webinar, Tuesday July 27 at 12.00 pm AEST.

Register your interest to receive the zoom link [here](#).

2021FY ATTRIBUTION BY SECURITY TYPE



TOP 10 PERFORMERS 2021 FY

COMPANY	COUNTRY	CONTRIBUTION
TSMC	TAIWAN	3.4%
NVIDIA	U.S.	2.4%
DANAHER	U.S.	2.1%
HELLOFRESH	GERMANY	2.1%
ALPHABET	U.S.	2.1%
ASML	NETH.	2.0%
PAYPAL	U.S.	1.7%
MICROSOFT	U.S.	1.5%
AMAZON	U.S.	1.5%
THERMOFISHER	U.S.	1.3%

PERFORMANCE	1YR	2YRS (P.A.)	3YRS (P.A.)	INCEPTION (P.A.)	INCEPTION CUMULATIVE
MUNRO GLOBAL GROWTH FUND (AUD)	24.2%	23.9%	16.5%	17.0%	116.1%

IMPORTANT INFORMATION: 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. 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) 9 and the supplementary product disclosure statement dated 28 May 2021 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 year 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 22 July 2021.



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OUTLOOK AND POSITIONING

Most market observers will have noted the large sector rotations that occurred throughout the COVID-19 pandemic. Whether it was the initial shift into 'Work from Home' winners, and out of them into the post vaccine 'Re-Opening' beneficiaries and finally, out of them and into 'Inflation Winners'. Even the market commentators are struggling to keep up with which part of the 'Growth' versus 'Value' trade we should be in right now.

So rather than contribute to this ongoing narrative we make the following three observations:

- The world will probably only re-open once.
- Long term interest rates look anchored around 2%.
- Stocks follow earnings growth over the long term.

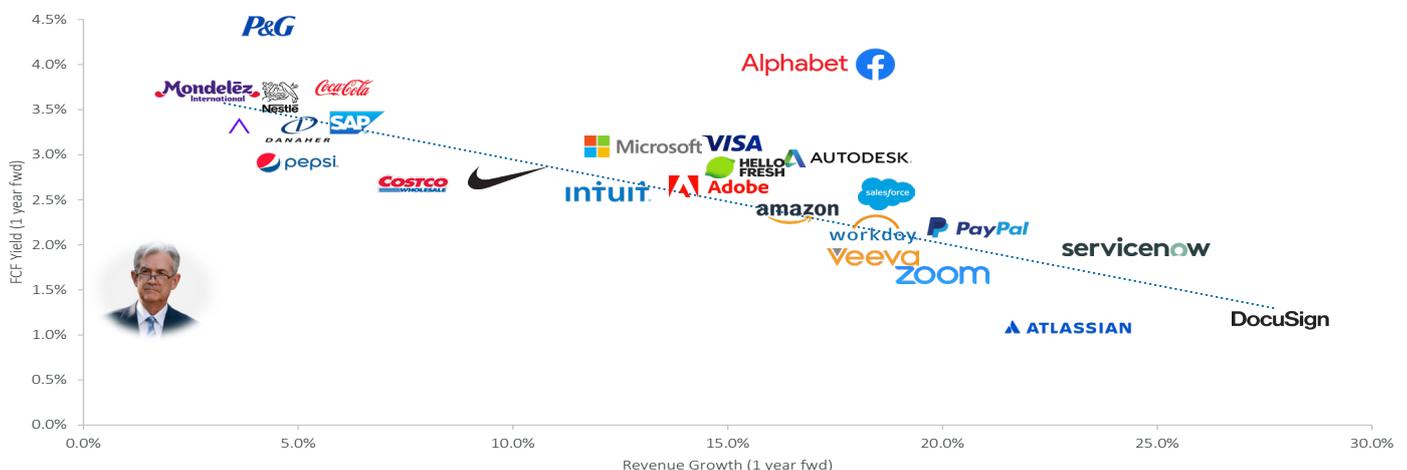
Much of the last six months has been focused on the re-opening phenomenon and the resulting pressure we have seen on supply chains and inflation. It is important to remember that the world closing and then re-opening is really a one-time event, and the second quarter results season should probably be the high point for re-opening earnings growth. Market participants are already looking to beyond the re-opening and it is noteworthy that long term interest rates and inflation expectations are yet to breach pre COVID highs and have more recently began to retrace.

The US Federal reserve's acknowledgement of the potential inflation pressures has had the effect of anchoring long term interest rates below 2%. Should this be the high point for this cycle, then this makes equities the asset class of choice for investors looking to generate adequate returns.

Within the equities market, we would note the long-term earnings growth potential of many of our digital winners has only been enhanced by the pandemic. Whether its hybrid work environments or groceries delivered to home, these conveniences discovered during the pandemic are unlikely to be relinquished and points to strong medium-term earnings growth ahead for many of our digital winners. Furthermore, we would highlight the prodigious growth and free cashflow characteristics these companies offer versus bonds and other similarly stable equities, which should see them remain equity winners for some time as stocks follow earnings growth over the long term.

The key risk to this outlook remains that long term interest rates have further to rise. While, in our view, moderately higher rates are very manageable for growth stocks, we do watch for an overshoot if the Federal Reserve is forced into hiking more aggressively. For risk management purposes, we are running a slightly more balanced portfolio by Areas of Interest and by stock valuations. We also re-iterate that we have portfolio management and hedging tools available to manage the situation should things get more difficult.

SEEKING CASH RETURNS... BONDS, STAPLES OR THE NEW STAPLES?



FREE CASH FLOW YIELD v REVENUE GROWTH

Source: Bloomberg Finance L.P 7 July 2021



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CLIMATE - THREE BIG TAILWINDS CONVERGING

It would be remiss to conclude without acknowledging the decarbonisation phenomenon that has dominated all corporate, government and investor communication over the last eighteen months. We see three big tailwinds converging here: firstly, investors are judging prospective investments on their ability to be responsible corporate citizens. Secondly, this in turn forces corporates to set targets for carbon emissions. Finally, governments are also under pressure from their constituents to commit to zero carbon targets by 2050, which is likely to see its crescendo at COP 26 in Glasgow in November.



From our point of view, all this momentum essentially ensures that the world will attempt to decarbonize the planet and thereby kickoff one of the biggest investment themes of our generation. Conservative estimates suggest it could cost roughly \$30 trillion to achieve zero carbon for the developed world by 2050 and thereby provide a boom for a wide range of businesses that will help enable decarbonisation. These businesses range from the obvious in electric vehicles, renewable energy and battery technology, to the less obvious in building materials, HVAC equipment and packaging alternatives. Many of these enabling businesses are now represented in the Fund, which sees Climate as one of the largest investment themes and something we expect to be talking about for many years to come.

Thank you for your ongoing support.

INVESTMENTS BY THEME: NET POSITIONING OF THE MGGF BY 'AoI' AS AT 30 JUNE 2021

AREAS OF INTEREST (AoI)	No. of Long Holdings	Indicative Position
DIGITAL ENTERPRISE	4	servicenow
CLIMATE	7	TRANE TECHNOLOGIES
E-COMMERCE	3	HELLO FRESH
DIGITAL PAYMENTS	4	PayPal
INTERNET DISRUPTION	4	Google
HIGH PERFORMANCE COMPUTING	3	ASML
INNOVATIVE HEALTH	2	DANAHER

