MUNRO PARTNERS

MUNRO GLOBAL GROWTH FUND
JULY 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%	2.4%	**3.1%**
2020FY	0.9%												**0.9%**

MONTHLY SUMMARY

The Munro Global Growth Fund returned 0.9% for July, comprising a return of 0.4% from equities and 0.5% from currency. The MSCI AC World Index (AUD) returned 2.1% (0.9% from equities and 1.2% from currency).

Developed equity markets were generally positive during July, with the US S&P +1.4%, the European STOXX 600 +0.3% and the Japanese Nikkei +1.2% all finishing in positive territory. The Hong Kong HSI -2.3% and the MSCI Emerging Markets -1.2% were both down for the month on the back of the strengthening USD and global trade tensions.

The month of July was generally positive for equity markets on the back of a positive earnings season but was marred late in the month by a more hawkish than expected speech by Federal Reserve Chair, Jerome Powell.

On a stock level, positive performance attribution came from Alphabet (see page 2), along with US coffee chain Starbucks and Dutch semi-conductor ASML. Negative contributors included Kering (see page 2), after missing consensus earnings expectations, along with Netflix and Aena.

On currencies, given the Fund's 40% holding in USD, the appreciation of the USD against the AUD added 50bps to performance. By comparison, the fully unhedged index gained 118bps.

MONTHLY OUTLOOK

The ongoing trade war continues to sap confidence and maintain the trend of subdued economic growth and declining global interest rates. With fresh US tariffs slated for 1 September, equity markets will again enter a period of heightened near-term volatility, as questions swirl around whether the Fed can do enough to offset the negative trade implications. It appears central banks will need to do more to extend the cycle and with the outcomes again riding on the whims of just a few policy makers, we have since lowered equity exposure from the end of July to manage downside volatility.

On the positive front, recent US and European corporate results have confirmed the resiliency of many of the portfolio's key structural growth investments. With most companies showing good growth and outlooks despite the uncertainties, we continue to remain comfortable with the Fund's core holdings. Elsewhere the falling AUD, while positive for absolute returns, continues to undermine our relative returns. As a reminder, the Fund approaches currency in an absolute, not relative sense, and consequently is reluctant to hold a fully unhedged position. The Fund currently holds 60% AUD, 40% USD based on the view that betting against the AUD below 70c is becoming a game of diminishing absolute returns.

FUND SUMMARY

KEY NUMBERS	
UNIT PRICE	$1.3392
EXIT PRICE	$1.3372
ENTRY PRICE	$1.3412
FUND FUM	$393m
STRATEGY FUM	$997m
APIR	MUA0002AU

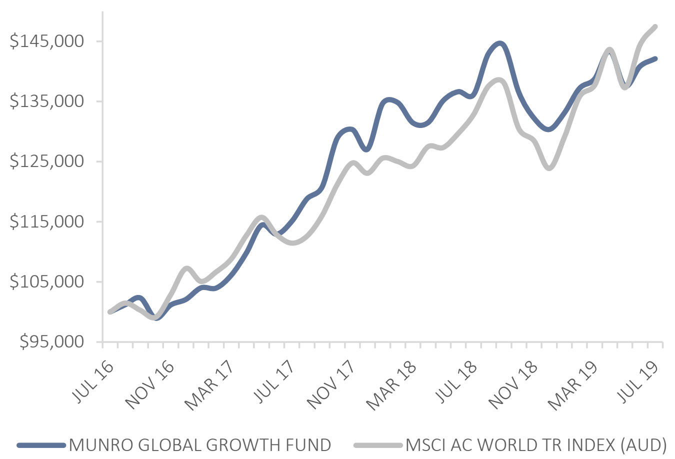
KEY FACTS	
NUMBER OF STOCKS	30-50 POSITIONS
CASH WEIGHTING	0-100%
CURRENCY HEDGING	0-100%
MANAGEMENT FEE	1.35% P.A.
PERFORMANCE FEE	10.00%

TOP 5 HOLDINGS

STOCK			WEIGHT
ALPHABET	US	COMM. SERVICES	6.3%
AMAZON	US	CONSUMER DISC.	6.3%
MICROSOFT	US	INFO TECH.	6.0%
AIRBUS	FR	INDUSTRIALS	3.4%
DANAHER	US	HEALTH CARE	3.2%

HISTORICAL PERFORMANCE [1]

GROWTH OF $100,000



PERFORMANCE SUMMARY AS AT 31 JULY 2019 [1]

	1MTH	3MTHS	6MTHS	1YR	2YRS	INCEPTION (P.A.)	INCEPTION CUMULATIVE
MUNRO GLOBAL GROWTH FUND (AUD)	**0.9%**	**-0.9%**	**6.8%**	**4.4%**	**11.1%**	**12.4%**	**42.1%**
MSCI AC WORLD TR INDEX (AUD)	2.1%	2.7%	14.3%	11.0%	15.0%	13.9%	47.5%
OVER / UNDER PERFORMANCE	**-1.2%**	**-3.5%**	**-7.5%**	**-6.6%**	**-3.9%**	**-1.5%**	**-5.4%**

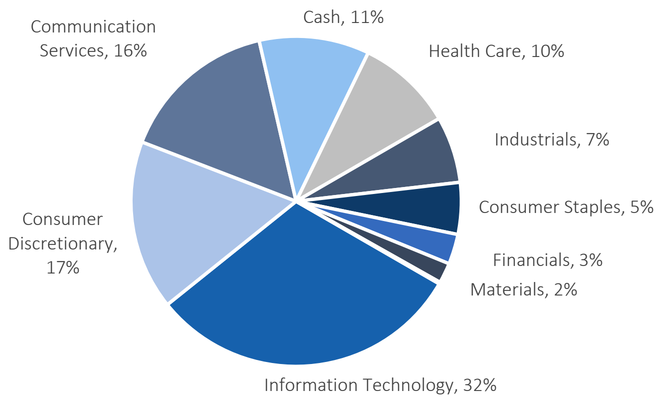
1. Past performance is provided for illustrative purposes only and is not a guide to future performance

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	
ALPHABET	US	KERING	FR
STARBUCKS	US	NETFLIX	US
ASML	NE	AENA	SP
CELLNEX	SP	BOEING	US
MICROSOFT	US	THERMO FISHER	US

FUND EXPOSURE

CURRENCY REGION	GROSS EXPOSURE	NET EXPOSURE	CURRENCY EXPOSURE
AUSTRALIA	0.0%	0.0%	65.8%
UNITED STATES	72.3%	66.3%	34.6%
UNITED KINGDOM	0.0%	0.0%	0.4%
HONG KONG/CHINA	3.6%	3.6%	0.0%
EURO AREA	22.3%	16.9%	-0.4%
BELGIUM	0.7%	-0.7%	
FRANCE	10.5%	7.5%	
ITALY	2.7%	2.7%	
NETHERLANDS	3.6%	2.6%	
SPAIN	4.8%	4.8%	
SWITZERLAND	2.1%	2.1%	-0.4%
EXPOSURE	**100.3%**	**88.8%**	**100.0%**
DELTA ADJ. EXPOSURE	107.5%	81.6%	

ALPHABET

Alphabet, the parent company of Google, contributed 71bps to July performance. In its second quarter results, Alphabet showed a re-acceleration in top line growth from 16.7% growth in Q1 to 19.3% in Q2. Investors reacted favourably to a return to the status quo for Alphabet, with core search (advertising) revenue back towards its revered 20% growth rate.

Considering Alphabet's advertising business is now generating over $130bn in annualised revenue, any growth rate above 10%, never mind an acceleration, is still staggering growth for this digital advertising behemoth. Given that Google and Facebook now share over half of every incremental advertising dollar in the US, it is evident at some point the growth will slow, however the return on investment for an advertiser clearly still remains compelling.

On the earnings call, management also discussed the Google Cloud business as now being on an $8bn annualised run rate, up approximately 4x since management's last commentary in 2017. Many of the sell side analysts have suggested that Google Cloud is growing around 70% year-on-year, which is in line with Microsoft's Azure, and in front of the number 1 player, Amazon's AWS. This further validates our thesis that cloud computing is still in its relative infancy, and Alphabet is now a sizeable competitor. Lastly, management also increased their buyback authorisation for an additional $25bn, something that was welcomed by Wall Street but is relatively minor compared to the Alphabet balance sheet.

KERING

Kering detracted 29bps from July performance after delivering a result that was below expectations for the second half. Luxury stocks have performed well in recent months, benefiting from the significant scale and wealth of the emerging Chinese consumer. At its second quarter result, Kering produced a small sales miss in its key brand Gucci, where revenues grew at 13% versus consensus expectations of 15%. The company pointed to the US market as the cause, and management highlighted their plans to increase investment to re-energise the brand in the US in particular. Whilst we understand this result may bring about some broader concern for a slowing 2019 second half in luxury goods, we believe Kering is still well placed from a valuation perspective compared to luxury peers.

The company is now trading on 16x forward earnings, with low-mid teens growth rate and a 30% operating margin. Compared to peers trading closer to 25x earnings for similar growth and profitability metrics, we believe the Kering share price has over-compensated for Gucci's slightly weaker result.