

# MUNRO PARTNERS

## QUARTERLY REPORT - CLIMATE SPECIAL

### DECEMBER 2020

#### MUNRO GLOBAL GROWTH FUND

##### ABSOLUTE RETURNS

- The Munro Global Growth Fund (MGGF) returned 7.2% in the December quarter. The Fund's long positions contributed 12.3% while shorts and hedging detracted 1.5%. The AUD appreciated 7.4% against the US dollar over the quarter, which detracted a further 3.6% to performance due to the Fund's holding in USD.
- The Fund finished the quarter with net equity exposure of 90% and has reduced its US dollar exposure to 37% to protect against losses from a rising Australian dollar.
- Detractors were mainly hedging related losses on put options and index futures as the market rose over the quarter. However, we are prepared to use our capital preservation tools again should they be required ahead.

QUARTER#	7.2%
SINCE INCEPTION (P.A.)# <small>Inception Date: 1 August 2016</small>	17.8%

#### MUNRO CONCENTRATED GLOBAL GROWTH FUND

##### RELATIVE RETURNS

- The Munro Concentrated Global Growth Fund (MCGGF) returned 5.7% in the December quarter (12.0% from equities and -6.3% from currency), while the MSCI World (Ex-Aus) returned 5.7% (12.3% from equities and -6.6% from currency).
- As a long-only, currency unhedged Fund, the MCGGF's returns were dampened by the appreciation of the Australian dollar against the US dollar.
- At the end of the quarter, the Fund held 32 long positions across 10 separate Areas of Interest and 6% cash.

QUARTER#	5.7%
SINCE INCEPTION (P.A.)# <small>Inception Date: 31 October 2019</small>	32.2%

#### IN THE NEWS

The final quarter proved to be a busy period for Munro Partners with the launch of our quoted active ETF, MAET. MAET, quoted on the ASX, was designed to give investors a simple and convenient way to access an actively managed portfolio of 30-50 global growth equities via the underlying fund, The Munro Global Growth Fund.

Munro Partners also had the pleasure of participating in the Sohn's Hearts and Minds Investment Conference. Chief Investment Officer, Nick Griffin, backed up the successful 2019 The Trade Desk pitch with a 'fresh' idea, HelloFresh, the German-listed meal kit delivery service. Watch the full pitch [here](#).

During Q4, we also published the 'Education Series' a collection of short videos covering topics such as:

- Downside Protection
- Long/Short v Long Only
- Active v Passive Investing and;
- Valuing Long Term Winners.

All videos can be found on our [YouTube channel](#).

IMPORTANT INFORMATION: #Past performance is provided for illustrative purposes only and is not a guide to future performance. As at 31 December 2020. Returns 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 (GSFM Responsible Entity Services) is the responsible entity of the Munro Global Growth Fund ARSN 612 854 547 and of the Munro Concentrated Global Growth Fund ARSN 630 173 189 (together, the "Funds") and is the issuer of this information. The Funds are registered as managed investment schemes under the Corporations Act 2001 (Cth). GSFM Responsible Entity Services has appointed Munro Partners (ABN 58 295 538 057) ("Munro") as the investment manager of the Funds. Units in the Funds are available for issue by GSFM Responsible Entity Services, as responsible entity of the Funds. 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(s), 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 (PDS) for the Munro Global Growth Fund dated 25 March 2019 and/or the PDS and the Additional Information to the Product Disclosure Statement (AIB) for the Munro Concentrated Global Growth Fund dated 31 October 2019. Copies of the PDS can be obtained by calling 1300 133 451 or from [www.munropartners.com.au](http://www.munropartners.com.au) or [www.gsfc.com.au](http://www.gsfc.com.au). Applications to invest in the Fund must be made on the application form which can be downloaded from the website. MAML, Munro, GSFM Responsible Entity Services and their officers, employees, agents, and affiliates may have an interest in the Funds and may receive fees from dealing in the Funds. Management and performance fees are exclusive of GST and RITC. 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 13 January 2021.

#### NEW FUND AND CLIMATE VIDEOS

Munro Partners will be releasing new videos throughout the first quarter of 2021. Videos will have a range of topics, including:

- Climate Aol
- Stock stories
- Fund performance
- Market outlook

To be notified about the release of these series of videos, please register [here](#).

In addition, Munro Partners will be hosting a virtual Q&A webinar on:

Wednesday 10 February 2021 at 12pm (AEST)

We hope you can attend the Q&A and we will forward Zoom invitations prior to the webinar.



# MUNRO PARTNERS

## QUARTERLY REPORT - CLIMATE SPECIAL

### COMMENTARY

#### QUARTERLY HIGHLIGHTS

#### FUNDS COMMENTARY

Global equity markets had another positive quarter, continuing to build on the strong recovery from the COVID-19 lows in March. The announcements of vaccines for the COVID-19 virus helped to reassure markets that a recovery was in sight. The US election came and went with much fanfare, with the overall impact on markets being modestly positive. Joe Biden's election victory was much closer than was predicted, and while the Democrats do now control both houses of government, the slender nature of the margin reduces the risk of drastic policy measures such as a large increase in tax rates.

In terms of Areas of Interest (Aoi), the big winner from the Democrats victory in the US elections was Climate. Joe Biden is much more climate focused than his predecessor, and significant policy measures will be put in place that should benefit the stocks in this Aoi. There was some market rotation away from "COVID winners" to "Re-opening Stocks" during the quarter following the announcement from Pfizer-BioNTech of a vaccine for COVID-19 that had a higher efficacy than the market had anticipated. The Fund had prepared for such an event with an increased weighting in the Emerging Consumer Aoi that had been largely dormant since the beginning of the pandemic.

From a stock attribution perspective for the quarter, positive contributions came from High Performance Compute leader TSMC and market leading Climate Change companies Orsted and Vestas. Detractors for the quarter included Alibaba, following the withdrawal of the much-anticipated Ant Financial IPO and increased regulatory oversight.

#### MARKET OUTLOOK

The Fund maintained a high net exposure throughout the quarter and we expect to maintain high net exposure heading into 2021. While acknowledging the strong performance since the market lows, the case for equities remains strong with a backdrop of low interest rates and economic recovery post-COVID.

#### MARKET OUTLOOK (continued)

Furthermore, we are excited about many of the Areas of Interest (Aoi) represented in the portfolio. Climate, which includes investment in renewables and electric vehicle OEMs and suppliers, will likely continue to see strong tailwinds from policies from The European Union and a Biden-led US presidency. We also expect to continue to reap the benefits of digitisation, as our holdings in the Digital Enterprise, Digital Payments, and eCommerce areas should continue to deliver strong upcoming earnings results and provide bullish outlook statements. The habits formed in 2020 during the pandemic are likely to stick and lead to an acceleration of growth in many of these areas.

From a valuation perspective, we still see the market as being reasonably priced with the equity risk premium elevated relative to history. There is a long growth runway for many companies in the digital areas of interest and climate, and the runways' visibility has become clearer because of the pandemic as we have seen the growth rates accelerate and the size of the market opportunities expand.

From a market perspective, the two big possible risks relate to the pandemic and inflation. We are mindful of the uncertainty around the spread of COVID heading into the northern hemisphere winter, the timing of the roll-out of the COVID vaccine and people's willingness to be vaccinated. Elsewhere, with Democrats now in control of both houses of government, the risk of over-stimulation is building. Any return of inflation and a subsequent rise in long term interest rates would pose a headwind to growth equities and remains a key risk that we monitor closely.

Finally, while it seems that there are currently many macro risks, it is important to acknowledge that we have just been through one of the most eventful periods in living memory with most of the uncertainty created now either priced into markets or in the rear vision mirror. While we remain respectful of the issues of the day, we do see a backdrop of declining volatility and stability ahead and consequently a reasonable period for equity investing as we head into 2021.



Source: Bloomberg Finance L.P 30 September 2020



# MUNRO PARTNERS

## QUARTERLY REPORT - CLIMATE SPECIAL

### STOCK STORIES

#### CLIMATE AoI - ORSTED & VESTAS



AREA OF INTEREST:  
MARKET CAP:



CLIMATE  
DKK 555B



AREA OF INTEREST:  
MARKET CAP:



CLIMATE  
DKK308B

Climate AoI companies, Orsted and Vestas Wind Systems, added 2% to Fund performance over the December quarter.

Danish multinational power company, Orsted, is the largest Offshore Wind developer globally, while Vestas, also listed in Denmark, is the leading Onshore Wind turbine manufacturer globally.

The fact that the two leading global players in the development of Wind power are listed in Denmark is testament to the country's early adoption of renewable power and a national zero carbon target. Collectively, they now represent over \$140bn in market capitalisation and alongside Lego and Novo Nordisk, have become a major Danish success story, debunking the theory that lower emissions equal lower economic competitiveness... and the rest of the world is now taking notice.

While the pandemic has taken most of the headlines over 2020, it was accompanied by another epidemic of sorts - as countries, states and corporates alike clambered over each other to announce zero carbon aspirational targets. Whether it was superpowers like Europe or China, companies like Microsoft or BHP, or even states, cities, or councils, all are now committing themselves to zero carbon emissions by 2050.

Joe Biden winning the US presidency has only added to this momentum seeing strong gains for our Climate names this quarter. The great energy transition has actually been happening for a while now, and our job as investors is to 'follow the money' to the new winners that will be created from this transition.

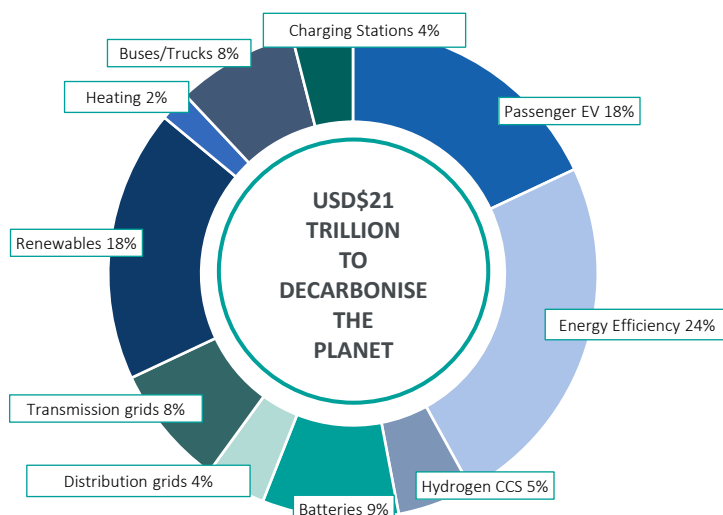
Orsted and Vestas are leading players in the renewable energy side of this opportunity.

Orsted focuses on offshore wind development, with offshore wind coming from a lower market share base than onshore wind and solar and is one of the fastest growing parts of the renewables industry.

Offshore wind only really exists in Europe today, with US and Asian opportunities now starting to open up. Analysis of net-zero targets around the world suggest that offshore capacity can grow from ~40GW today to ~200GW in 2030 and then substantially again beyond this to 2050. While Orsted will lose some share as the industry matures and oil companies compete, we estimate that given the increasing complexity of projects and the company's considerable head start, it will maintain a strong industry position and participate in this growth to become be one of the next energy 'Supermajors'.

Vestas, on the other hand, is the world's leading onshore wind turbine manufacturer with a 35% market share ex-China. Onshore wind development looks set to benefit from increased interest in renewables from industry and business. As the leading player, most project financing of wind development projects rely on using a reputable manufacturer, giving Vestas a strong barrier to new competition. As its installed base grows, so to does its services business (maintenance) which ultimately improves the business' margin profile and provides strong visibility into future earnings. The company recently bought out its JV partner in Offshore Wind turbines, giving Vestas an improved chance of also competing in this fast-growing area of the industry.

Both companies remain core holdings in the Fund, and while recent performance has been strong, the Climate opportunity presented by the transition to net zero emissions is still in its infancy.



Source: Goldman Sachs, Munro Partners Estimates (31 December 2020)

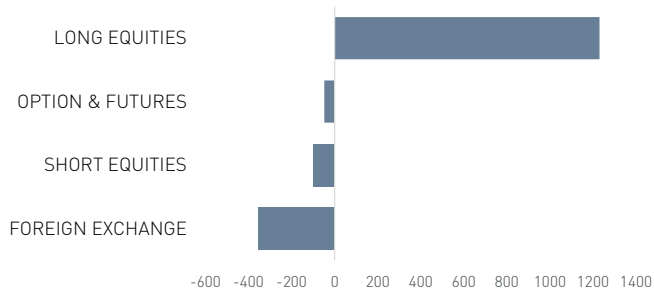


# MUNRO GLOBAL GROWTH FUND

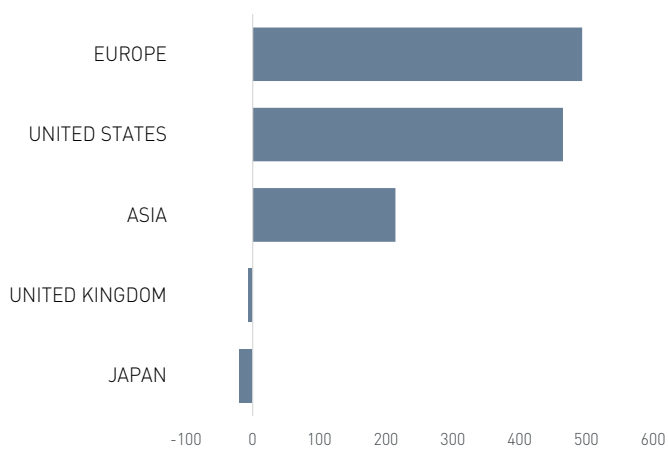
## ABSOLUTE RETURNS THE NUMBERS

### QUARTERLY FUND ATTRIBUTION (BASIS POINTS)

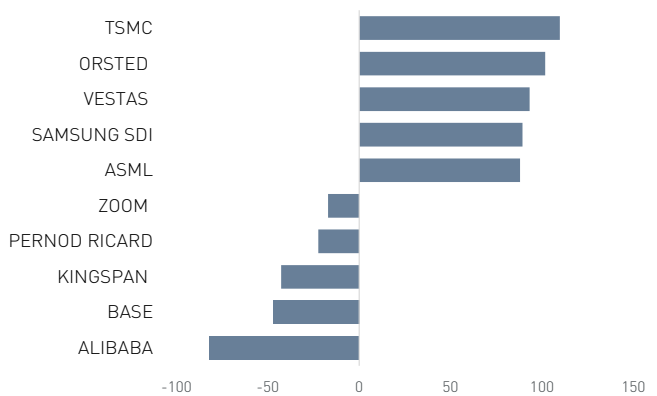
#### BY INVESTMENT CATEGORY



#### BY REGION (EQUITIES ONLY)



#### TOP & BOTTOM CONTRIBUTORS (EQUITIES ONLY)



### QUARTER END EXPOSURE

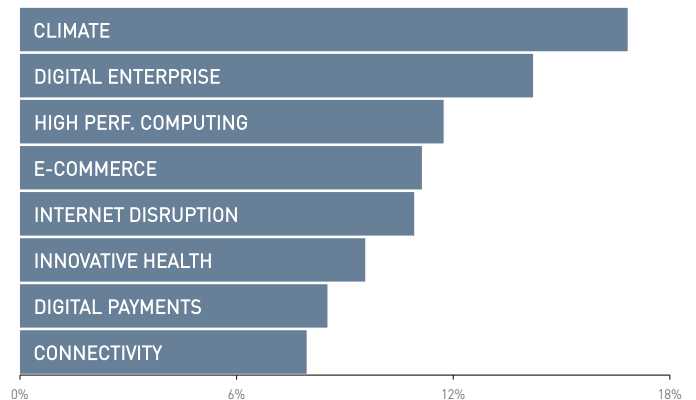
#### BY INVESTMENT CATEGORY

GROSS	110%	TOTAL POSITIONS	44
LONG	100%	LONG POSITIONS	39
SHORT	10%	SHORT POSITIONS	5
NET	90%		
DELTA ADJUSTED NET	81%		
CURRENCY HEDGE (AUD)	62%		

#### BY REGION

Region	GROSS	NET	CURR.
AUSTRALIA	0.0%	0.0%	62.4%
UNITED STATES	72.9%	56.6%	37.4%
UNITED KINGDOM	0.6%	-0.6%	-0.1%
HONG KONG/CHINA	4.1%	4.1%	0.2%
EURO AREA	16.5%	16.5%	0.2%
SWITZERLAND	0.5%	-0.5%	0.0%
DENMARK	5.2%	5.2%	0.0%
NORWAY	0.5%	-0.5%	0.0%
SWEDEN	2.1%	2.1%	0.0%
JAPAN	1.1%	1.1%	0.0%
SOUTH KOREA	2.4%	2.4%	0.0%
TAIWAN	3.9%	3.9%	
EXPOSURE	109.8%	90.3%	100.0%
DELTA ADJ. EXPOSURE	119.5%	80.5%	

#### 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)	7.2%	18.2%	40.5%	25.7%	17.4%	17.8%	105.8%

	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%	2.2%	2.7%	2.2%							18.2%

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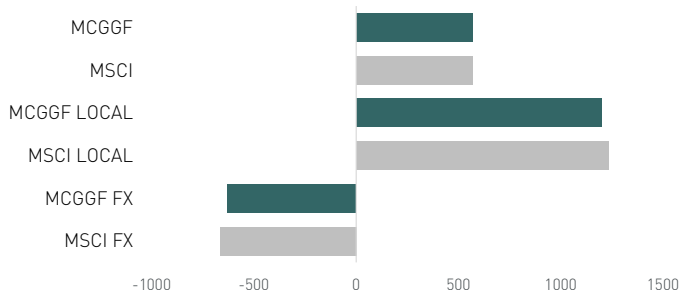


# MUNRO CONCENTRATED GLOBAL GROWTH FUND

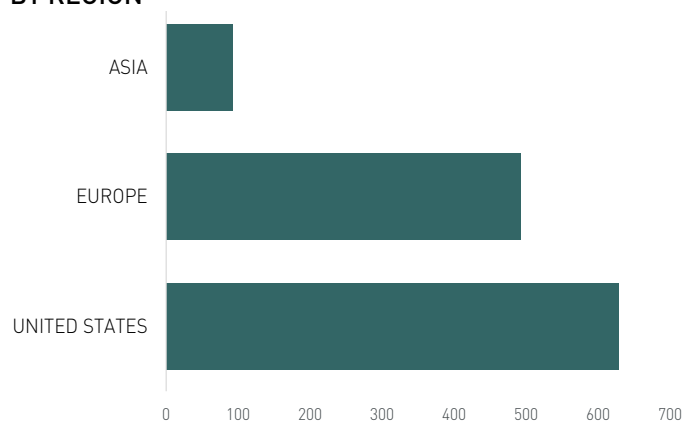
## RELATIVE RETURNS THE NUMBERS

### QUARTERLY FUND ATTRIBUTION (BASIS POINTS)

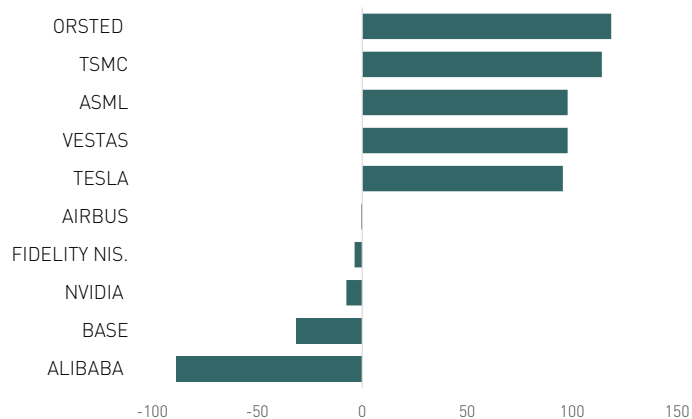
#### BY INVESTMENT CATEGORY



#### BY REGION



#### BY CONTRIBUTORS (TOP & BOTTOM)



### QUARTER END EXPOSURE

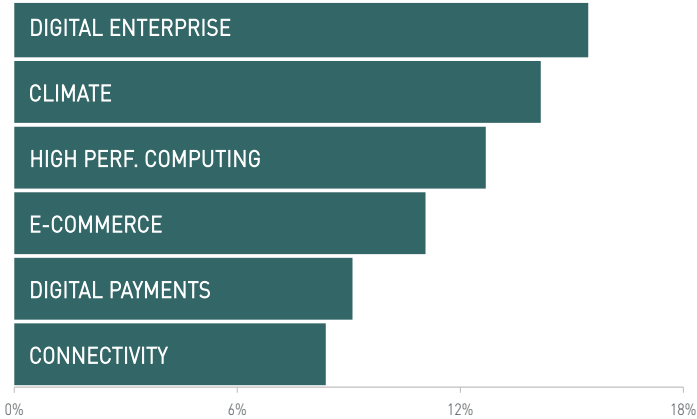
#### BY INVESTMENT CATEGORY

LONG	94%	INFO TECH	43%
CASH	6%	COMM SERV	14%
NO. OF LONG POSITIONS	32	CONS DISC	13%
		UTILITIES	9%
		OTHER	6%

#### BY REGION

LONG	93.9%
AUSTRALIA	0.0%
UNITED STATES	60.0%
HONG KONG/CHINA	4.3%
EURO AREA	15.1%
GERMANY	4.0%
NETHERLANDS	4.2%
FRANCE	2.3%
IRELAND	1.8%
ITALY	2.8%
DENMARK	6.4%
SWEDEN	2.3%
TAIWAN	4.0%
JAPAN	1.8%
EXPOSURE	93.9%
CASH	6.1%

#### BY AREAS OF INTEREST (AOI)



PERFORMANCE	3 MTHS	6 MTHS	12 MTHS	INCEPTION P.A.	INCEPTION CUMULATIVE
MUNRO CONCENTRATED GLOBAL GROWTH FUND (AUD)	5.7%	16.4%	33.7%	32.2%	38.6%
MSCI WORLD [EX-AUS] TR INDEX (AUD)	5.7%	9.7%	5.7%	8.3%	9.8%
EXCESS RETURN	0.0%	6.7%	27.9%	23.9%	28.8%

	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%	6.7%	4.4%	1.3%	19.0%
2021FY	4.4%	4.4%	1.0%	2.0%	3.1%	0.5%							16.4%

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