MUNRO

Quarterly report

# Munro Global Growth Fund

# MAET.ASX

March 2025

# Munro Global Growth Fund & MAET.ASX
## March 2025 – Quarterly report

**Munro Global Growth Fund
Quarter return (net)**
-7.3%

**MAET.ASX
Quarter return (net)**
-7.3%

## QUARTERLY HIGHLIGHTS

- The Munro Global Growth Fund and MAET.ASX both returned -7.3% for the March quarter.

- The Fund's long positions and currency detracted from performance, whilst short positions and option hedging had a negligible impact on performance. Nvidia, TSMC and Broadcom detracted from performance, while Rheinmetall and Constellation Energy contributed.

- The Trump administration appears determined to 'detoxify' the US economy and implement their economic plans. We have taken evasive action on the Fund's positioning. Observing our stop loss processes we have raised over 30% cash by the end of the March quarter.

## MUNRO MEDIA

**Livewire Markets, 17 March 2025**

*Share prices will follow earnings growth even if markets wobble over short term*

Read the article here

**Munro Partners, February 2025**

*Investing in Climate: A defining theme for the next generation*

Read the whitepaper here

## CONTENTS

## INVESTMENT TEAM

Nick Griffin
CIO

Kieran Moore
Portfolio Manager

Qiao Ma
Portfolio Manager

James Tsinidis
Portfolio Manager

# Fund commentary

The Munro Global Growth Fund returned -7.3% for the March quarter (MAET.ASX -7.3%). The Fund's long positions and currency detracted from performance, whilst short positions and option hedging had a negligible impact on performance.

Equity markets experienced heightened volatility during the quarter as investors grappled with the impact of tariffs and trade policies on the global economy and corporate earnings. The emergence of China's DeepSeek AI model also raised concerns for investors, particularly around AI server and power demand.

Market performance was bifurcated across regions. Europe gained with the proposal of additional fiscal stimulus, while China rallied as it emerged as a real contender in the AI arms race. In contrast, the US market fell into correction territory, with the S&P 500 faring better than the tech-heavy Nasdaq.

From a fund perspective, long positions detracted from performance for the quarter. Nvidia, TSMC and Broadcom detracted from performance as the market questioned the durability of AI-driven growth, leading to a significant derating in their earnings multiples. Elsewhere, despite holding in reduced size, our remaining large capitalisation technology holdings in Amazon, Microsoft and Google were also a drag on performance. German defence prime Rheinmetall was the standout contributor as European countries committed to significant increases in defence spending. Constellation Energy also contributed to performance; however, this was because of profit taking for the Fund, after the stock spiked early in the quarter following its acquisition of power generator Calpine. The stock declined because of increased regulatory uncertainty making it difficult for the company to sell its zero-emission nuclear power to hyperscaler customers at premium prices.

Currency detracted from performance as the AUD appreciated against the USD for the quarter. We ended the quarter at approximately 45% hedged back to the Australian dollar.

# Market outlook

Despite our bullish views entering the year, the near-term outlook has been clouded by widespread uncertainty around tariffs. The Trump administration appears determined to 'detoxify' the US economy and implement their economic plans. Tariffs, DOGE and the attached uncertainty are all ultimately deflationary to economic growth and this has outweighed the positives that may come from deregulation, increased investment and M&A. A clear path out of this will take time to evolve, which now depends on whether the administration is willing to drive the global economy into a recession to achieve its goals.

We have taken evasive action on the Fund's positioning. Observing our stop loss processes we have raised over 30% cash by the end of the March quarter. Ahead of 'Liberation Day' the Fund's net delta adjusted exposure was 40% and has since lowered net exposure further. We have predominately exited smaller cap and cyclically exposed positions, in favour of less tariff exposed digital business with net cash balance sheets.

Below is how we were positioned at the start and the end of the quarter.

| EXPOSURE SNAPSHOT | 31.12.2024 | 31.3.2025 |
|---|---|---|
| GROSS EXPOSURE | 110.7% | 93.6% |
| LONG | 103.1% | 76.4% |
| SHORT | 7.6% | 17.3% |
| NET EXPOSURE | 95.5% | 59.1% |
| DELTA ADJ. NET EXPOSURE | 95.2% | 33.3% |

## QUARTERLY COMMENTARY

This volatility has surprised most market participants. Stock prices are quickly adjusting to the new reality of a slowing global economy, higher short-term prices and a difficult to predict geopolitical environment. The ultimate effects will take time to pass through the real economy and we need to be vigilant as this process plays out. From here much depends on whether the US economy now enters a recession and below we flag a checklist for the bull and the bear case as to how this evolves from here. For now, we remain on the bull side of this equation, there is still time to unwind some of these effects. But time is important here, the longer the uncertainty persists the more confidence is eroded.

### WHERE TO FROM HERE – RECESSION OR NO RECESSION? 　　MUNRO

**Bear Case**

- ✖ Payrolls will go negative
- ✖ The Fed can't come to the rescue
- ✖ Market assumes the AI trade is over

**Bull Case**

- ✔ Tariffs are rolled back quickly
- ✔ The Fed is not behind the curve and are willing to act
- ✔ Fundamentals don't deteriorate, structural tailwinds persist

While the political landscape may change, in our view the companies we invest in have strong balance sheets and strong competitive positions that can weather and adjust to the environment. Medium term we suspect this period of dislocation will position the fund for the structural changes that will drive corporate earnings over the medium term. Below we give a quick update on our views around AI post the DeepSeek development, and why we still think this is a good place to invest for future structural growth.

## An update on our views around AI

The March quarter was challenging for most AI-exposed names, as fear around the sustainability of AI infrastructure spending permeated the market. The release of DeepSeek's R1 model, which demonstrated improved efficiency and cost-effectiveness, initially wiped off over $1 trillion in market capitalisation. Ironically, this advancement is now widely regarded as positive for overall compute demand given the use of reasoning models and the potential to broaden AI adoption. While we continue to closely monitor the rate of change around AI infrastructure investments, the hyperscalers are still rapidly spending in this area. Aggregate capex estimates for 2025 continue to be revised higher each quarter, with the combined capex from Alphabet, Amazon, Microsoft, Meta and Oracle approaching $350 billion this year. It is worth noting that at this time last year, this same estimate for 2025 was slightly above $200 billion.

Cloud capex
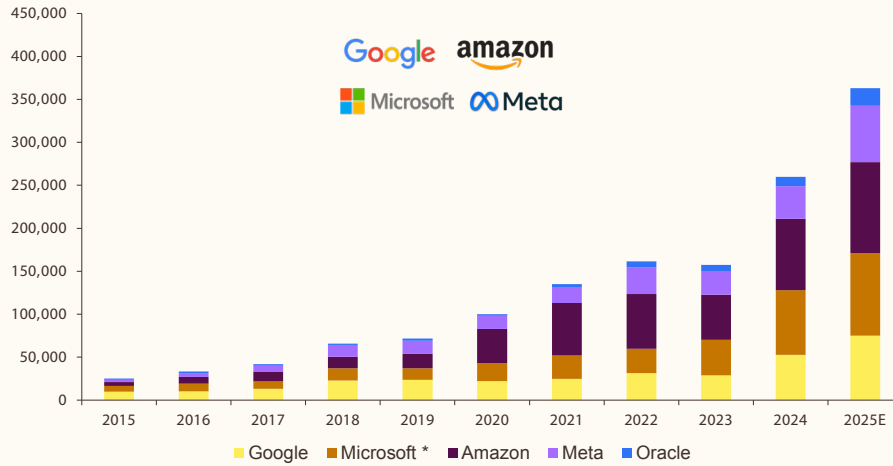


Source: Munro estimates, Google, Amazon, Microsoft, Meta, Nvidia as at September 13, 2024. Nvidia data is at January year end. Graphs' vertical axes are in millions (USD). Microsoft * – includes capital leases. For illustrative purposes only, companies may or may not be held by the Munro funds. Past performance is not an indication of future performance.

We see no indication that this is the peak. At Nvidia's GTC conference[1], Nvidia's CEO Jensen Huang laid out a $1 trillion estimate for data centre capex in 2028. Oracle and OpenAI are spending $500 billion over 4 years to build Stargate, the largest AI training cluster in the world. Meta is reportedly planning a $200 billion AI data centre project in the Southeast of the US. As such, we still anticipate a multi-year runway of structural earnings growth for key enablers of the AI arms race.

However, we do acknowledge that the rate of change with respect to AI infrastructure investments will begin to slow as time progresses. As with technology cycles through history, software applications (that are built upon the infrastructure) capture an increasing share of the market value overtime. As such, in the March quarter, we have increased our exposure to companies adopting AI. While these applications take time to develop and deploy, especially in an enterprise setting, we are encouraged by the initial traction of AI applications in the field today such as Axon's 'AI Era Plan' that is "without a doubt… the fastest growing adoption products [they've] ever had," and ServiceNow's 'Pro Plus' that has already amassed over $200 million in annualised contract value. Unlike previous technology shifts, AI can be applied to physical industries as much as digital industries, which opens the path to significant potential disruptions in areas like full self-driving, robotics and healthcare. We remain excited about the investment opportunities that are going to develop here in the months and years ahead.

TOTAL ADDRESSABLE MARKET OF AI — MUNRO



---
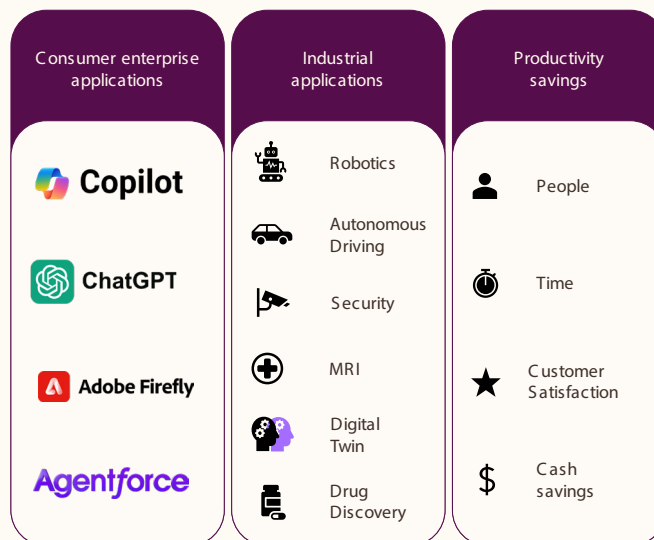
[1] a global artificial intelligence (AI) conference that brings together developers, engineers, researchers, inventors, and IT professionals

## STOCK STORY: RHEINMETALL

# RHEINMETALL

AREA OF INTEREST: **Security**
MARKET CAP: **US$63bn**

Rheinmetall contributed 193bps to Fund performance for the quarter.

Rheinmetall is a global leader in defence technology, based in Düsseldorf, Germany. The company is a key supplier to governments and defence organisations worldwide, specialising in providing advanced systems and components for the military and automotive sectors. Rheinmetall's defence segment, which accounts for the majority of its revenue, develops cutting-edge products including artillery systems, armoured vehicles, and air defence solutions.

Over the past quarter, we have seen the fundamental landscape for European defence spending improve significantly, driven by historic regulatory changes in Germany. In the wake of the German election and the US stepping away from its role in ensuring European security, the German parliament agreed in March to exempt defence spending exceeding 1% of GDP from the national debt brake. This decision is set to unleash a multi-decade investment cycle aimed at re-arming and re-industrialising Germany's military base. We expect defence spending as a percentage of GDP to climb from 2% to 3% by 2030, providing a strong growth backdrop for local defence equipment manufacturers such as Rheinmetall. Since the war between Russia and Ukraine, the company's orders from European nations have increased significantly, with Rheinmetall winning several multi-billion-Euro contracts in the most recent quarter, adding to its defence order backlog of almost €55 billion.

We believe Rheinmetall's strategic focus on defence capacity expansion, combined with its strong financial performance and significant market opportunities, provides a robust foundation for long-term growth. As European defence spending continues to rise, we believe Rheinmetall is well-positioned to capture a significant portion of this market expansion, supporting a multi-year runway of earnings growth.

# NVIDIA

AREA OF INTEREST: **High Performance Computing**

MARKET CAP: **US$2.6tr**

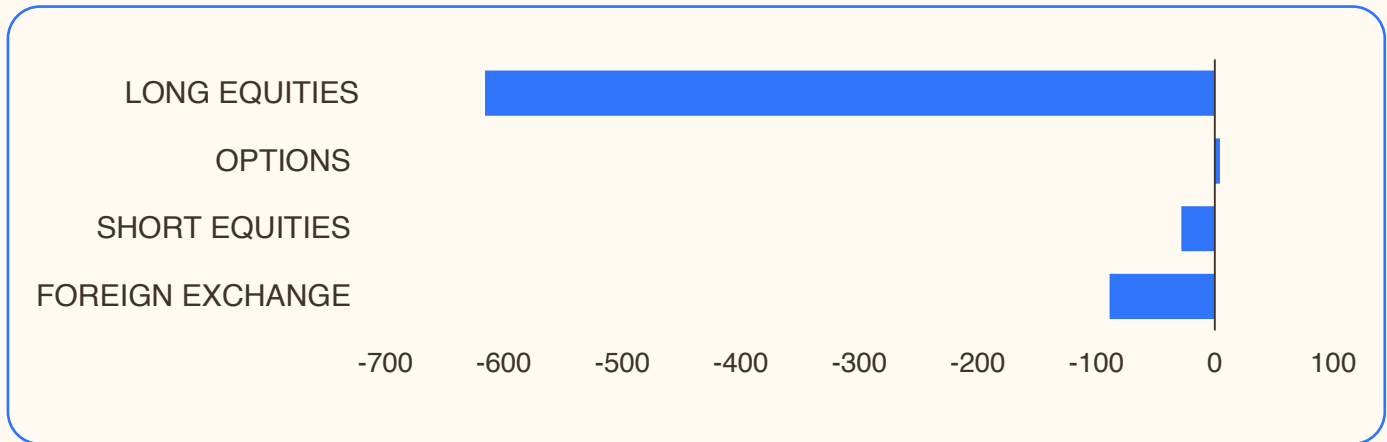Nvidia detracted 109bps from the Fund's performance over the quarter.

As the leading graphics processing unit (GPU) chip manufacturer and the pioneer of accelerated computing, Nvidia has positioned itself as the key enabler of AI technology. We are two years into the AI revolution, and all of Nvidia's customers are still spending at breakneck speed in order to deploy large computing clusters for training large language models. In many cases, customer ambitions are to reach clusters of one million GPUs and beyond. Scaling up these large computing clusters allows for more powerful large language models to be trained, while also reducing the cost per unit of compute. As companies rapidly scale up their AI computing resources, Nvidia is poised to capture the lion's share of this opportunity, leveraging its dominant >80% market share in AI accelerators.

Despite reporting record-breaking financial results, Nvidia's share price has been under pressure due to concerns over the durability of AI infrastructure spending and the increasing possibility of stricter export restrictions on Chinese customers. Headlines around Microsoft, one of Nvidia's major clients, stepping back from some data centre leases also raised questions about the long-term demand for AI chips. We believe that this was a result of Microsoft being unwilling to subsidise OpenAI's AI training, given that they do not recognise such revenue under the terms of their partnership. OpenAI was quick to find a new partner in Oracle, with whom they are building Stargate, the largest AI training cluster in the world that is set to cost $500 billion over 4 years.
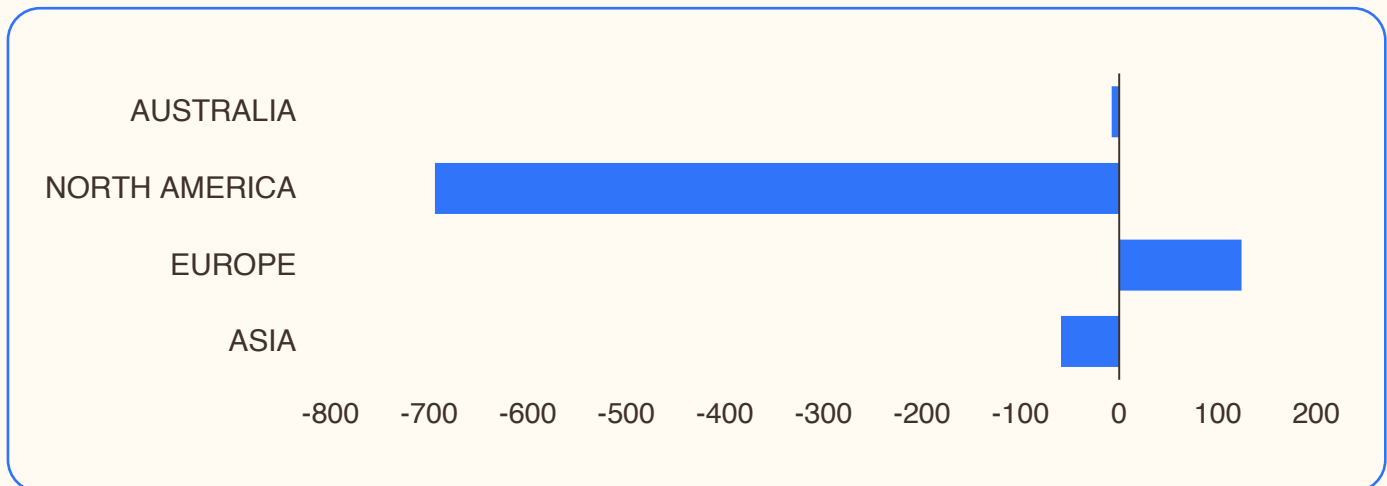
Contrary to market concerns, we see no indication that compute demand has peaked. In fact, Nvidia's CEO, Jensen Huang reiterated that models enhanced with reasoning capabilities require 100x more compute than the basic inferencing we saw in the first iteration of ChatGPT. On top of that, their next-generation chip, the Blackwell GPU, has become the fastest product ramp in the company's history given the step-function improvements in both performance and efficiency compared to its predecessors. Therefore, we believe Nvidia has a long runway of structural earnings growth ahead as they continue to pioneer the AI revolution.
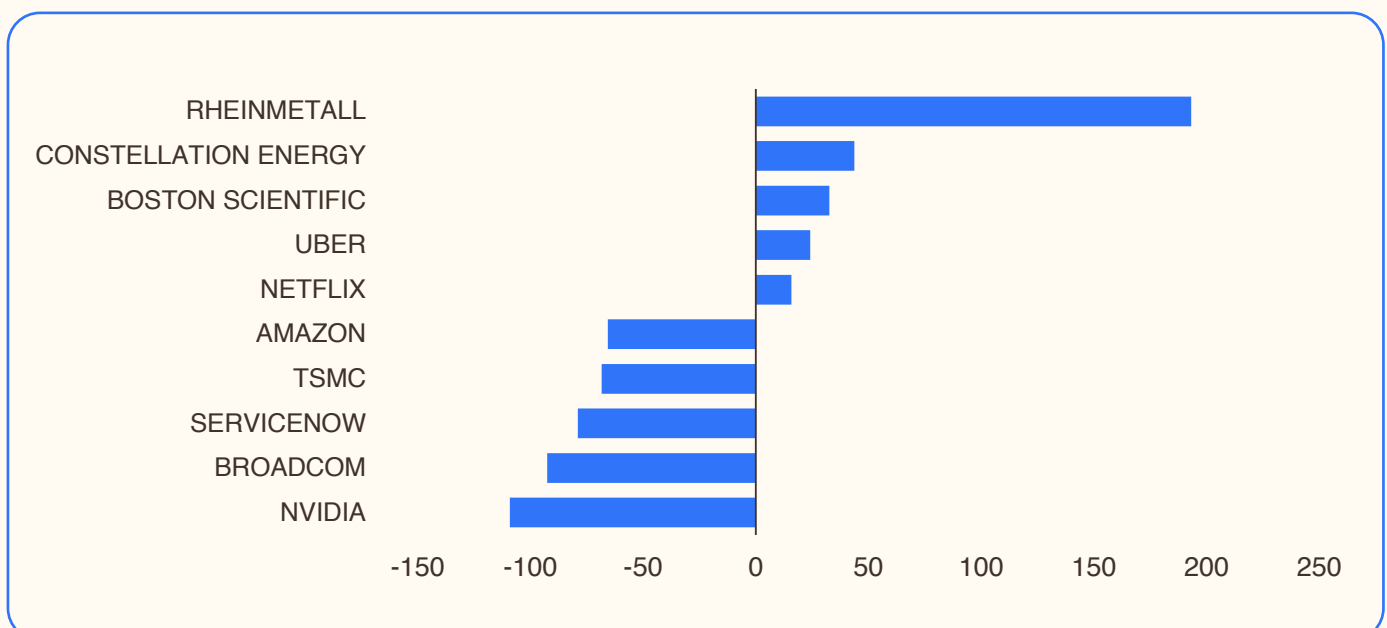
## QUARTERLY FUND ATTRIBUTION (BASIS POINTS)

## Security type



Horizontal bar chart (basis points):
- LONG EQUITIES: approximately -630
- OPTIONS: approximately +10
- SHORT EQUITIES: approximately -30
- FOREIGN EXCHANGE: approximately -100

X-axis: -700, -600, -500, -400, -300, -200, -100, 0, 100

## Region (equities only)



Horizontal bar chart (basis points):
- AUSTRALIA: approximately +10
- NORTH AMERICA: approximately -690
- EUROPE: approximately +130
- ASIA: approximately -60

X-axis: -800, -700, -600, -500, -400, -300, -200, -100, 0, 100, 200

## Top & bottom contributors (equities only)



Horizontal bar chart (basis points):
- RHEINMETALL: approximately +195
- CONSTELLATION ENERGY: approximately +45
- BOSTON SCIENTIFIC: approximately +35
- UBER: approximately +25
- NETFLIX: approximately +15
- AMAZON: approximately -65
- TSMC: approximately -70
- SERVICENOW: approximately -80
- BROADCOM: approximately -90
- NVIDIA: approximately -110

X-axis: -150, -100, -50, 0, 50, 100, 150, 200, 250

QUARTER END EXPOSURE

## Category

| | |
|---|---|
| **GROSS** | 94% |
| **LONG** | 76% |
| **SHORT** | 17% |
| NET | 59% |
| **DELTA ADJUSTED NET** | 33% |
| **CURRENCY HEDGE (AUD)** | 45% |
| **TOTAL POSITIONS** | 43 |
| **LONG POSITIONS** | 35 |
| **SHORT POSITIONS** | 8 |

## Top 10 holdings

| | |
|---|---|
| **AMAZON** | 5.2% |
| **NVIDIA** | 4.5% |
| **MICROSOFT** | 4.2% |
| **MASTERCARD** | 3.8% |
| **CRH** | 3.3% |
| **META** | 3.2% |
| **TSMC** | 2.9% |
| **SERVICENOW** | 2.6% |
| **ELI LILLY** | 2.6% |
| **LIBERTY MEDIA: F1** | 2.6% |

## Region

| | GROSS EXP | NET EXP | CURRENCY EXP |
|---|---|---|---|
| **AUSTRALIA (AUD)** | 0.0% | 0.0% | 45.1% |
| **UNITED STATES (USD)** | 66.4% | 52.7% | 54.9% |
| **EURO (EUR)** | 12.8% | 3.7% | 0.0% |
| FRANCE | 3.4% | 3.4% | |
| GERMANY | 7.8% | -1.4% | |
| IRELAND | 1.7% | 1.7% | |
| **TAIWAN (TWD)** | 2.9% | 2.9% | 0.0% |
| **UNITED KINGDOM (GBP)** | 3.9% | 3.9% | 0.0% |
| **JAPAN (YEN)** | 4.8% | -4.8% | 0.1% |
| **SWITZERLAND (CHF)** | 1.8% | 1.8% | 0.0% |
| **HONG KONG (HKD)** | 1.0% | -1.0% | 0.0% |
| **TOTAL** | 93.6% | 59.1% | 100.0% |
| **DELTA ADJUSTED EXPOSURE** | 120.2% | 33.3% | |

## Long positioning of the Munro Global Growth Fund by Area of Interest (AoI)



Bar chart (horizontal), values approximate:
- CLIMATE
- DIGITAL MEDIA & CONTENT
- INFRASTRUCTURE
- DIGITAL ENTERPRISE
- SECURITY
- INNOVATIVE HEALTH
- CONNECTIVITY
- E-COMMERCE

Axis: 0% — 5% — 10% — 15%
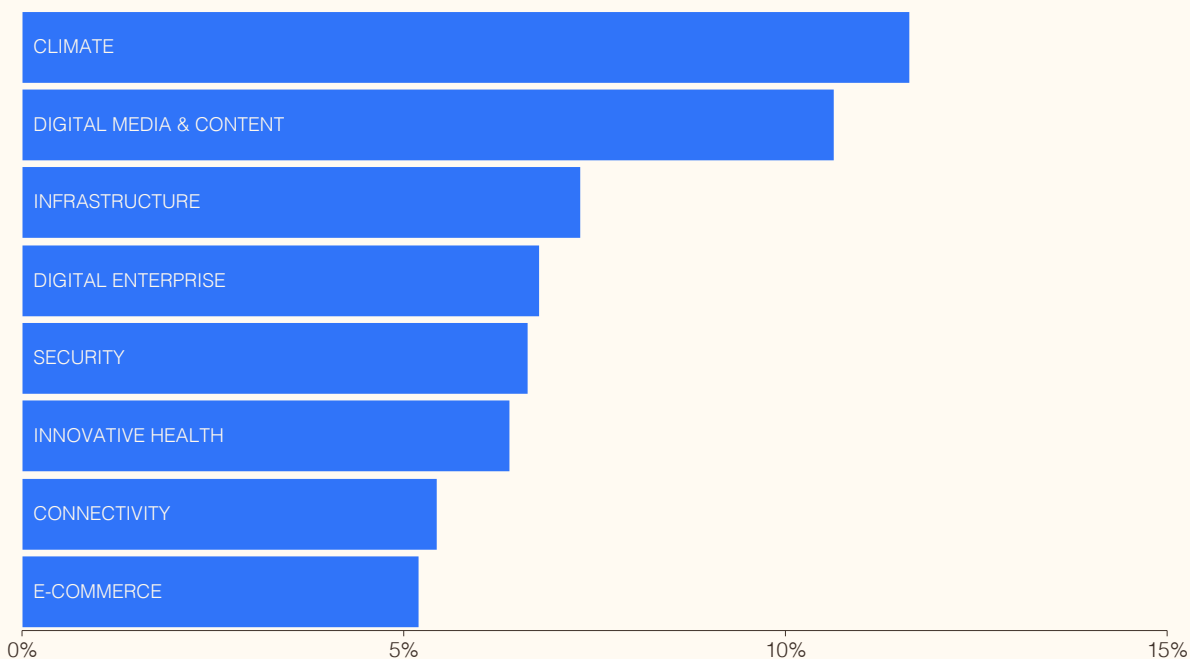
# Net Performance - MGGF

| | 3MTHS | 6MTHS | 1YR | 3YRS (P.A.) | 5YRS (P.A.) | 7YRS (P.A.) | INCEPT (P.A.) | INCEPT CUM. |
|---|---|---|---|---|---|---|---|---|
| **MUNRO GLOBAL GROWTH FUND (AUD)** | -7.3% | 2.4% | 5.8% | 10.6% | 11.6% | 11.0% | 12.3% | 173.0% |

INCEPTION: 1 AUGUST 2016

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **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% | 3.2% | 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% | 4.1% | 3.9% | 2.1% | 23.6% |
| **2021FY** | 6.1% | 4.7% | -0.8% | 2.2% | 2.7% | 2.2% | 1.5% | 0.9% | -1.4% | 2.7% | -3.5% | 4.9% | 24.2% |
| **2022FY** | 3.9% | 3.8% | -4.2% | 2.0% | 2.7% | -1.7% | -8.3% | -3.2% | -1.1% | -4.7% | -2.1% | -1.2% | -13.9% |
| **2023FY** | 3.3% | -1.9% | 1.3% | 0.9% | 1.1% | -5.1% | -0.3% | -2.1% | 4.6% | 0.8% | 4.6% | 1.6% | 8.7% |
| **2024FY** | 0.6% | 1.4% | -4.9% | 0.2% | 6.8% | 2.2% | 6.1% | 11.0% | 2.1% | -4.0% | 5.8% | 3.5% | 34.0% |
| **2025FY** | -2.5% | -0.7% | 1.5% | 3.1% | 6.7% | 0.4% | 4.7% | -4.1% | -7.6% | | | | 0.7% |

# Net Performance - MAET.ASX

| | 3MTHS | 6MTHS | 1YR | 3YRS (P.A.) | INCEPT (P.A.) | INCEPT CUM. |
|---|---|---|---|---|---|---|
| **MAET.ASX (AUD)** | -7.3% | 2.4% | 5.9% | 10.6% | 8.0% | 40.6% |

INCEPTION: 2 NOVEMBER 2020

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2021FY** | | | | | 3.4% | 2.2% | 1.6% | 1.0% | -1.5% | 2.8% | -3.6% | 5.1% | 11.1% |
| **2022FY** | 4.1% | 3.8% | -4.1% | 2.0% | 2.7% | -1.7% | -8.3% | -3.2% | -1.1% | -4.7% | -2.1% | -1.2% | -13.7% |
| **2023FY** | 3.3% | -1.9% | 1.3% | 0.9% | 1.1% | -5.1% | -0.3% | -2.2% | 4.6% | 0.8% | 4.6% | 1.6% | 8.6% |
| **2024FY** | 0.6% | 1.4% | -4.9% | 0.2% | 6.7% | 2.2% | 6.1% | 11.0% | 2.1% | -4.0% | 5.7% | 3.5% | 34.0% |
| **2025FY** | -2.4% | -0.6% | 1.4% | 3.1% | 6.7% | 0.4% | 4.6% | -4.1% | -7.6% | | | | 0.7% |

*Differences in performance between the Munro Global Growth Fund and MAET.ASX (ASX quoted fund) may be due to cashflow movements, the buy/sell spread of the iNAV for MAET.ASX, the timing difference between the issuing of units during the day on the ASX for MAET.ASX and the purchase of units in the Munro Global Growth Fund at the end of the day. This may result in variances in performance.*