

24 January 2024

MEDIA RELEASE

Munro expects tech rally to run in 2024, led by Nvidia

The biggest companies in the S&P 500 all grew earnings in 2023 after large structural changes accelerated technology earnings, and this is likely to continue in 2024, led by semiconductor designer Nvidia, which could eventually one day overtake Apple to become the world's largest company, according to Nick Griffin, CIO of Munro Partners.

High-performance computing companies drove gains in the US stock market in 2023, triggered by the artificial intelligence (AI) revolution. Nvidia led those gains, with its earnings up nearly 400 per cent for 2023 while its stock price has gained around 235 per cent as at 13 December 2023. Nvidia is the world's most important producer of graphics processing units (GPUs), which enable artificial intelligence (AI) processing. Other technology companies, too, such as Microsoft (up 56 per cent), Google owner Alphabet (up 49 per cent) and Amazon (up 73 per cent) have been able to boost their earnings considerably, driving up their stock prices.

"The big moral of the story for 2023 is that earnings growth drove stock prices, and as soon as interest rates stopped going up, stocks went back to following their earnings.

"We see no reason why that's not going to continue in 2024. We think this is the iPhone moment for AI," Griffin said.

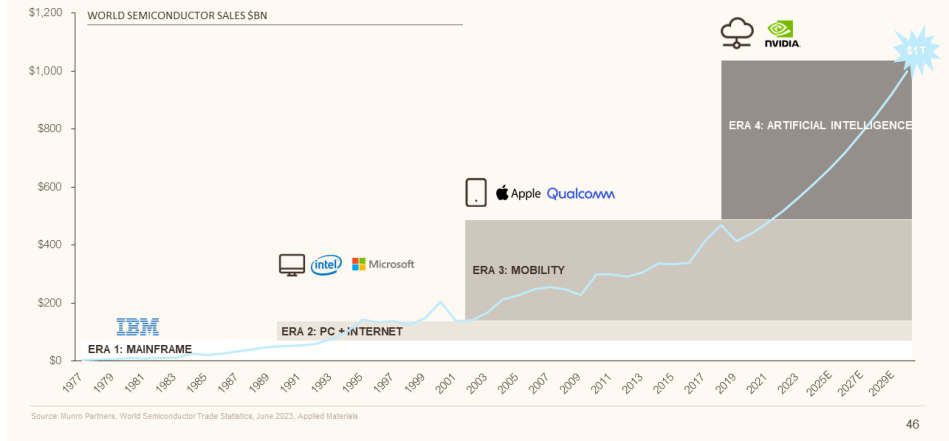
"Apple became the biggest company in the world, helped by the launch of the iPhone. Now, if we see a 10-times growth in demand for semiconductors, we think Nvidia will potentially one day become the biggest company in the world.

"The logic is clear enough: the demand for computer chips will become more and more as we move to an increasingly digital world. Innumerable generative AI models are being launched following the introduction of ChatGPT last year. Every time an AI application gets used, it increases revenue for cloud providers and semiconductor companies led by Nvidia.

"Businesses will need all of their data to run on the cloud, and then the cloud providers are going to increase capital spending to support these AI products, and a large chunk of that capital spending is going to end up with Nvidia, which handles the AI processing," said Griffin.

According to Griffin, it's not just Nvidia, but the whole semiconductor supply chain that will benefit from the growing use of AI, including Europe's largest technology company ASML, which makes the machines that produce some of the world's most advanced computer chips, and Taiwan's Taiwan Semiconductor Manufacturing (TSMC), the world's largest foundry or manufacturer of computer chips.

Semiconductors have gone from earning next to nothing in sales in 1977 to expected sales of roughly a trillion US dollars in 2030, with the launch of ChatGPT accelerating semiconductor sales. The chart below shows the forecast increase.



Apart from semiconductor companies, software companies like Microsoft benefit from the AI revolution. “We think software companies are also the biggest winners here. Microsoft is selling their CoPilot product at roughly an additional US\$30 per user, which is effectively a huge revenue opportunity for this company,” he said.

The Munro Global Growth Fund invests in semiconductor and software stocks that are driving the AI revolution. Nvidia is the Fund’s biggest holding, accounting for 6.88 per cent of fund assets as at 31 December 2023, followed by Amazon at 6.86 per cent of the portfolio. Cloud service provider Microsoft was another top holding at 5.8 per cent.

Other sectors expected to grow strongly in 2024 include energy efficiency and sustainability companies, such as companies producing nuclear energy, Griffin says.

“Nuclear energy is slowly coming back into vogue. We saw this recently at the COP28 conference in Dubai, with 22 world leaders committed to triple nuclear capacity globally by 2050 compared with 2020 levels. Nuclear energy is the cleanest way to solve the carbon emissions problem,” he said.

Munro’s investment strategies include the Munro Climate Change Leaders Fund, which has exposure to nuclear energy through the stock Constellation Energy, which is a top-performing stock for the fund manager’s climate area of interest this year, given its importance in clean energy production.

-oOo-

For more information contact:

Damien McIntyre, GSFM
 Phone: 03 9949 8852
 Email: dmcintyre@gsfm.com.au

GSFM was established in 2007 as a subsidiary of the Grant Samuel Group. In 2016 Canadian wealth manager CI Financial Corp (CI) purchased an 80 per cent stake in the business, acquiring the stake previously held by Grant Samuel.

GSFM specialises in marketing funds managed by high calibre local and international managers to Australian and New Zealand institutional and Australian retail investors, and has formed partnerships with six specialist investment managers:

- New York based Epoch Investment Partners, Inc.
- Tribeca Investment Partners, a successful Australian boutique manager headquartered in Sydney
- Payden & Rygel, a Los Angeles based independent investment management firm
- Munro Partners, an independent global equity manager based in Melbourne
- London-based Man Group plc
- Tanarra Credit Partners, a specialist in private credit instruments
- Access Capital Partners, a European independent private asset manager
- Australian Entertainment Partners, to produce the AEP Screen Fund, an investment vehicle dedicated to supporting Australian film and television endeavours.

GSFM represents approximately \$8.6 billion funds under management (as at 31 December 2023).

For more information about GSFM please visit the website: www.gsfm.com.au