

MUNRO

Quarterly report

Munro Concentrated Global Growth Fund

MCGG.ASX

December 2024



Munro Concentrated Global Growth Fund & MCGG.ASX

December 2024 – Quarterly report

MCGG Fund quarter return (net)

16.8%

MSCI World ex-Aus quarter return

12.1%

MCGG.ASX Fund quarter return (net)

16.8%

MSCI World ex-Aus quarter return

12.1%

QUARTERLY HIGHLIGHTS

- The Munro Concentrated Global Growth Fund and MCGG.ASX both returned 16.8% for the December quarter.
- Artificial intelligence (AI) continued to be a dominant theme, contributors came from electric power system company GE Vernova, and Broadcom. Detracting from performance over the quarter were Constellation Energy and Uber.
- We expect the bull market, which began in 2023, is entering its third year. Conditions are favourable for further corporate earnings growth and, hence, equity market growth in 2025. Interest rates have stabilised, inflationary pressures are easing, and central banks can now support a stable economic upcycle via interest rate cuts if required.

MUNRO MEDIA

Australian Financial Review, 9 December 2024

Top fundies name their stock picks for 2025

[Read the article here](#)

Equity Mates Podcast, 9 December 2024

The Nvidia story is not over

[Listen to the podcast episode here](#)

Livewire Markets, 20 December 2024

A sizzling start: How Qiao Ma delivered 62.2% returns in the first year of Munro's new strategy

[Read the article here](#)

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INVESTMENT TEAM



Nick Griffin
CIO



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Kieran Moore
Portfolio Manager



Qiao Ma
Portfolio Manager



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QUARTERLY COMMENTARY

Fund commentary

The Munro Concentrated Global Growth Fund returned 16.8% for the December quarter (MCGG.ASX 16.8 %) while the MSCI World ex-Aus Index returned 12.1%.

Global markets had mixed performance, in local terms, for the quarter, with equity market performance bifurcated by region. The US market gained, led by technology, with the Nasdaq outpacing gains in the S&P 500, whilst many other markets were weaker such as Europe and HK/China.

The US Presidential Election was the major event of the quarter. Donald Trump won a clear mandate to govern with Republicans gaining a majority vote in the Senate and the House of Representatives. This led to the bifurcation of the market with the US seen as having a stronger economy and lower taxes under Trump and the impact of potential tariffs threatening growth in other parts of the world including China and Europe. The market had a weak close to the quarter following the US Federal Reserve's meeting in mid-December when they disclosed a likely two rate cuts in 2025, versus market expectations of four rate cuts.

From a fund perspective, Artificial intelligence (AI) continued to be a dominant theme, contributors came from electric power system company GE Vernova, and Broadcom which has emerged as the designer of choice for custom-designed semiconductor chips (known as ASICs) used as an alternative for GPUs as they are more specialised and efficient for targeted workloads. Detracting from performance over the quarter were Constellation Energy, which slumped after regulators blocked peer Talen Energy's deal to supply an Amazon data centre with nuclear power; and Uber due to a de-rating of its multiple on the threat of faster autonomous driving regulation, given Elon Musk's prominent position with president-elect Donald Trump.

Currency contributed to performance as the AUD depreciated for the quarter against the USD, driven by positive economic growth expectations in the US, following the US election and higher for longer rates post the last US Federal Reserve meeting for the year.

Market outlook

For the Market Outlook please see [The 2024 Annual Letter](#) published on December 20, 2024. Alternatively, you can listen to the Invest in the Journey 2025 outlook podcast episode [here](#).

STOCK STORY: BROADCOM



AREA OF INTEREST: **CONNECTIVITY**

MARKET CAP: **USD \$1.1TR**

Broadcom contributed 99bps to Fund performance for the quarter.

Broadcom is a fabless semiconductor company that designs semiconductors for a range of different industries and applications, based in Palo Alto, California. The company plays an important role in providing semiconductors for AI, specifically, they provide hyperscale data centre companies custom silicon chips. Over time, as companies such as Meta, Alphabet, Amazon and Microsoft build out their AI offering, the critical semiconductor content will come from both custom silicon chips, designed by companies such as Broadcom, and merchant silicon chips, designed by Nvidia. Depending on the use case, or workload, the hyperscaler will use either a custom silicon semiconductor or a merchant silicon semiconductor. Therefore, over time we expect AI processes to be driven by both Nvidia designed chips and custom designed chips from Broadcom and its peers.

On their recent earnings call, Broadcom CEO Hock Tan confirmed that the company's customers are rapidly pursuing the development of a 1 million XPU cluster of chips. To translate what this means for Broadcom, Hock laid out the Serviceable Addressable Market (SAM) opportunity for the company's AI revenues over the next 3 years to 2027. In 2024, Hock noted that Broadcom's SAM was \$15-20bn USD, of which the company commanded an approximate 70% share. In 2027, that SAM is expected to grow to \$60-90bn USD, and assuming Broadcom captures an approximate 60% share, this gives rise to \$50bn USD of AI revenue opportunity for the company over the next 3 years. For the company overall, this means that revenue has the potential to double over the next 3 years. We believe the technology road map outlined by Broadcom and the resulting revenue opportunity gives rise to a multi-year runway of earnings growth backed by a large structural change.

HOCK TAN (BROADCOM, CEO) AND NICK GRIFFIN (MUNRO, CIO)



During a research trip in Palo Alto in September 2024.

STOCK STORY: AXON ENTERPRISES



AREA OF INTEREST: **SECURITY**
 MARKET CAP : **USD \$45bn**

Axon Enterprises contributed 48bps to Fund performance for the quarter.

Axon Enterprises is a founder-led company based in Scottsdale, Arizona. Axon are a pioneer in developing products and technology centred around ensuring public safety. Their core mission is to protect life, and this began when they developed a new version of a taser, with the objective of reducing gun-related death between the police and the public. Since then, they claim to have saved over 300,000 lives from death or serious bodily injury as a result of their products and aspire to cut gun-related deaths in half by 2033.

Since the launch of their taser, Axon have expanded into other products that help law enforcement, this includes the body cameras and fleet vehicle systems (police dashcams). They have reached such a scale where they now have a massive installed base of 'sensors' in the field and have been focused on layering on high-margin, recurring software revenues that now represent almost 50% of gross profit. Their most recent software offering is called DraftOne, which uses the vision captured by the Axon body camera to draft police reports, reducing a mundane task that consumes hours of an officer's day. The Fort Collins Police Department has claimed a 67% decrease in time spent by officers writing incident reports since deploying the technology. Just 3 months after the launch, DraftOne had already amassed over \$100m of revenue pipeline, the fastest product in Axon's history to do so.

Today, Axon captures only 1% of US city budget spending. They are disrupting a largely under-served market yearning for products that make them better served to protect the public. We think they can continue to capture a greater portion of these budgets over time and see a multi-decade long runway for growth. They size their total addressable market at \$77bn USD relative to their revenue base of \$2bn USD today, and we are confident that Axon can continue to penetrate not only the market opportunities they have identified today, but also those that we are yet to hear about this innovative company and its revolutionising technology.

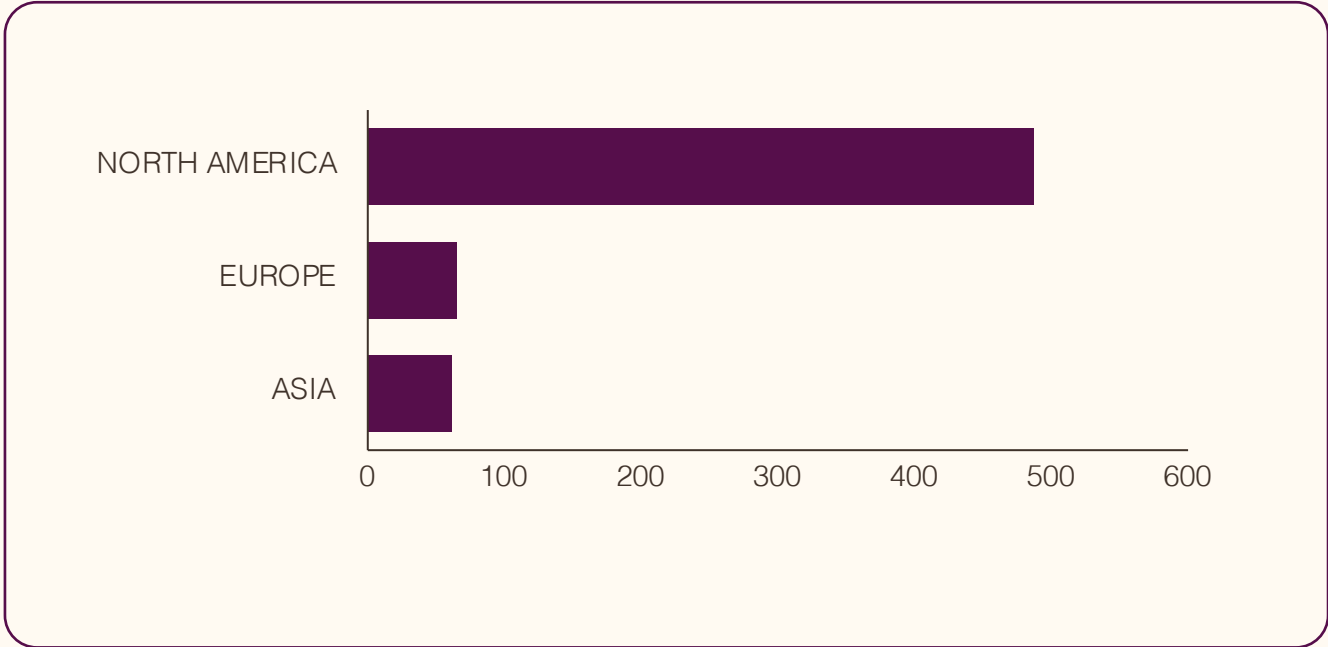
JEREMY GIBSON (MUNRO, PORTFOLIO MANAGER) AT AXON IN SEATTLE



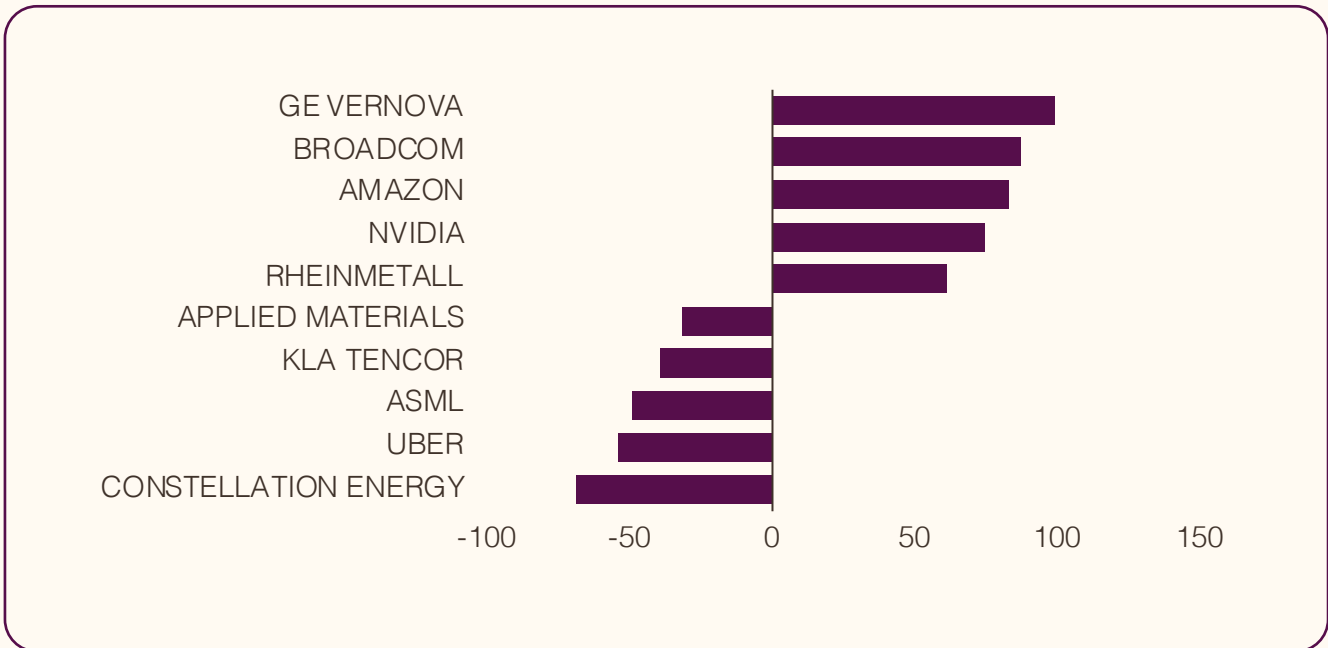
Testing the Axon taser simulator during the Axon site visit in Seattle, September 2024.

QUARTERLY FUND ATTRIBUTION (BASIS POINTS)

By region (ex cash)



Top & bottom contributors



Category

| | |
|------------------|-------|
| EQUITIES | 97.2% |
| CASH | 2.8% |
| NO. OF POSITIONS | 38 |

Sector

| | |
|-------------------------|-------|
| INFORMATION TECHNOLOGY | 31.9% |
| INDUSTRIALS | 21.1% |
| COMMUNICATION SERVICES. | 10.8% |
| CONSUMER DISCRETIONARY | 10.1% |
| HEALTHCARE | 7.8% |
| OTHER | 15.5% |
| CASH | 2.8% |

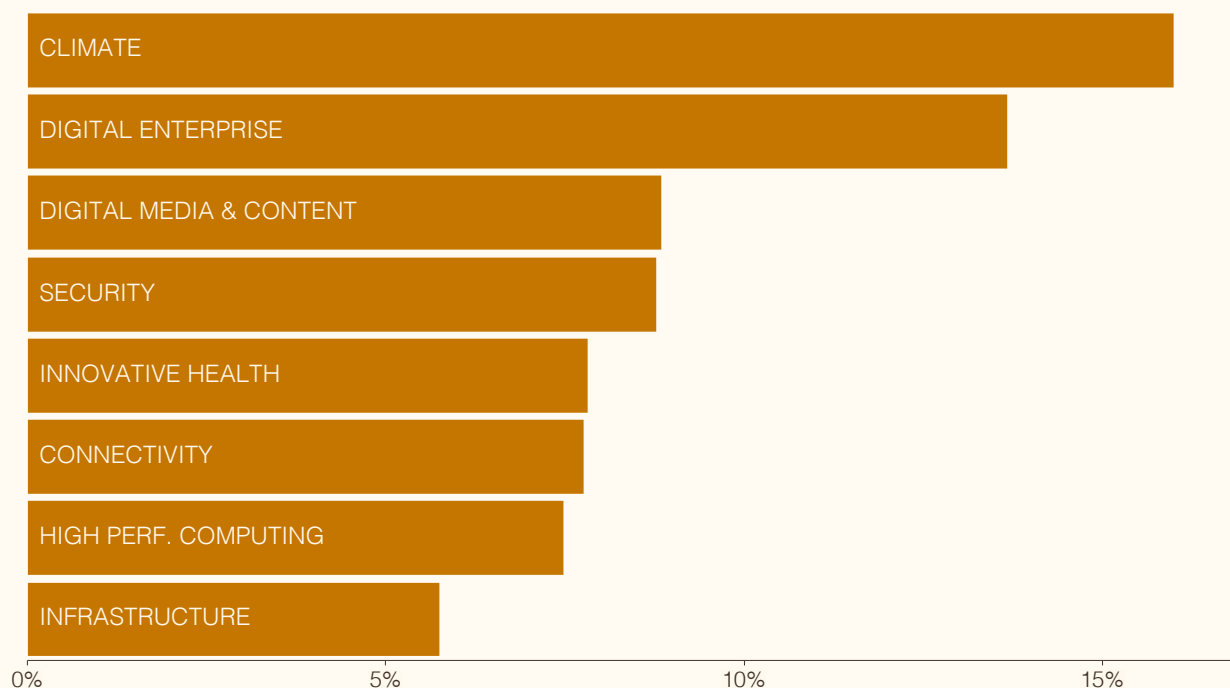
Region

| | LONG |
|---------------|-------|
| UNITED STATES | 82.2% |
| EUROPE | 6.1% |
| GERMANY | 3.8% |
| FRANCE | 2.3% |
| BRITAIN | 1.6% |
| SWITZERLAND | 2.7% |
| TAIWAN | 4.6% |
| TOTAL | 97.2% |
| CASH | 2.8% |

Holdings

| TOP 10 HOLDINGS | |
|----------------------|------|
| NVIDIA | 6.2% |
| AMAZON | 5.5% |
| CONSTELLATION ENERGY | 5.1% |
| MICROSOFT | 4.7% |
| TSMC | 4.6% |
| MASTERCARD | 4.1% |
| CRH | 3.8% |
| SERVICENOW | 3.2% |
| BROADCOM | 3.2% |
| GE VERNOVA | 3.0% |

Top 8 Areas of interest (AOI)



Net Performance - MCGGF

| | 3 MTHS | 6 MTHS | 1 YEAR | 3 YRS | 5 YRS | INCEPT (P.A.) | INCEPT CUM. |
|--|-----------|-----------|-----------|----------|----------|------------------|----------------|
| MUNRO CONCENTRATED GLOBAL GROWTH FUND (AUD) | 16.8% | 15.8% | 52.3% | 15.6% | 19.7% | 19.8% | 155.0% |
| MSCI WORLD (EX-AUS) TR INDEX (AUD) | 12.1% | 14.7% | 31.2% | 12.2% | 14.1% | 14.5% | 101.2% |
| EXCESS RETURN | 4.7% | 1.1% | 21.1% | 3.3% | 5.6% | 5.4% | 53.8% |

INCEPTION: 31 OCTOBER 2019

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | TOTAL |
|---------------|-------|-------|-------|------|------|-------|-------|-------|-------|-------|-------|-------|--------|
| 2020FY | | | | 0.0% | 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% | 1.2% | -0.4% | -0.2% | 3.6% | -2.2% | 6.6% | 26.5% |
| 2022FY | 4.7% | 4.6% | -4.7% | 1.5% | 5.1% | -1.4% | -7.9% | -4.7% | -0.2% | -5.7% | -0.9% | -4.3% | -14.2% |
| 2023FY | 7.2% | -3.2% | -2.4% | 5.9% | 2.0% | -6.6% | 1.1% | 0.6% | 7.6% | 2.4% | 5.3% | 1.7% | 22.7% |
| 2024FY | 0.5% | 3.4% | -5.2% | 1.1% | 5.3% | 0.8% | 8.5% | 12.0% | 2.8% | -3.8% | 5.3% | 4.0% | 39.0% |
| 2025FY | -0.7% | -1.2% | 1.0% | 5.4% | 7.2% | 3.4% | | | | | | | 15.8% |

Net Performance - MCGG.ASX

| | 3 MTHS | 6 MTHS | 1 YEAR | INCEPT P.A. | INCEPT CUM. |
|------------------------------------|-----------|-----------|-----------|----------------|----------------|
| MCGG.ASX (AUD) | 16.8% | 15.5% | 52.0% | 19.0% | 66.0% |
| MSCI WORLD (EX-AUS) TR INDEX (AUD) | 12.1% | 14.7% | 31.2% | 14.2% | 47.1% |
| EXCESS RETURN | 4.7% | 0.8% | 20.8% | 4.8% | 18.8% |

INCEPTION: 3 FEBRUARY 2022

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | TOTAL |
|---------------|-------|-------|-------|------|------|-------|------|-------|-------|-------|-------|-------|--------|
| 2022FY | | | | | | | | -4.4% | -0.3% | -5.7% | -1.3% | -4.3% | -15.2% |
| 2023FY | 7.3% | -3.8% | -2.5% | 6.0% | 2.1% | -6.5% | 1.1% | 0.5% | 7.7% | 2.5% | 5.2% | 1.4% | 22.0% |
| 2024FY | 0.5% | 3.5% | -5.2% | 1.0% | 5.1% | 0.8% | 8.4% | 11.9% | 2.8% | -3.7% | 5.3% | 4.0% | 38.8% |
| 2025FY | -0.8% | -1.2% | 1.0% | 5.3% | 7.2% | 3.5% | | | | | | | 15.5% |

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

IMPORTANT INFORMATION: Past performance is provided for illustrative purposes only and is not a guide to future performance. Data is as at 31 December 2024 unless otherwise specified. The inception date of the Munro Concentrated Global Growth Fund (MCGGF) is 31 October 2019. MCGG.ASX invests in MCGGF and cash, the inception date of MCGG.ASX is 3 February 2022. Returns of the Funds are net of management costs and assumes distributions have been reinvested. References marked * relate to the MCGGF. Numbers may not sum due to rounding or compounding returns. The MSCI World (Ex-Aus) TR Index AUD refers to the MSCI World (Ex-Australia) Total Return Net Index in Australian Dollars. BPS refers to Basis Points. Aol refers to Area of Interest. EM refers to Emerging Markets (including China). GSFM Responsible Entity Services Limited ABN 48 129 256 104 AFSL 321517 (GRES) is the responsible entity of the Munro Concentrated Global Growth Fund ARSN 630 173 189 (Fund) APIR GSF9808AU and the Munro Concentrated Global Growth Fund (Managed Fund) (MCGG.ASX), collectively the Funds. GRES 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 Funds, investors should consider the appropriateness of this information, having regard to their own objectives, financial situation and needs and read and consider the Target Market Determination (TMD) and the Product Disclosure Statement (PDS) for the relevant Fund which can be obtained from www.gsfm.com.au, www.munropartners.com.au or by calling 1300 133 451. GSFM Responsible Entity Services has produced a TMD in relation to the Munro Concentrated Global Growth Fund and MCGG.ASX Fund. The TMD sets out the class of persons who comprise the target market for the Funds and is available at www.gsfm.com.au. None of GRES, Munro Partners, their related bodies or associates nor any other person guarantees the repayment of capital or the performance of the Funds or any particular returns from the Funds. No representation or warranty is made concerning the accuracy of any data contained in this document. This document is issued on 13 January 2025.