

MUNRO

Quarterly report

# Munro Global Growth Small & Mid Cap Fund

December 2024



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## December 2024 – Quarterly report

### Munro Small & Mid Cap Fund quarter return (net)

20.9%

### MSCI ACWI SMID Index quarter return

8.3%

#### QUARTERLY HIGHLIGHTS

- The Munro Global Growth Small & Mid Cap Fund returned 20.9% for the December quarter, outperforming the MSCI ACWI SMID benchmark return of 8.3% by 12.6%.
- Key contributors to performance were Reddit and AppLovin (see the AppLovin stock story on [page 5](#)). The key detractors to performance over the quarter were ASM International and Onto Innovations.
- 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

##### 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](#)

##### Livewire Markets, 4 December 2024

*Jun Bei Liu, Catherine Allfrey, Emma Fisher [and Qiao Ma] will all be part of Australia's newest fund*

[Read the article here](#)

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#### INVESTMENT TEAM



Qiao Ma  
Lead Portfolio Manager



Nick Griffin  
CIO



Kieran Moore  
Portfolio Manager



Jeremy Gibson  
Portfolio Manager



James Tsinidis  
Portfolio Manager



## Fund commentary

The Munro Global Small & Mid Cap Fund returned 20.9% for the December quarter, outperforming the benchmark return of 8.3% by 12.6%.

Global markets had mixed performance, in local terms, for the quarter, with equity market performance bifurcated by region. The US SMID market was modestly positive, whilst many other markets, including Europe, Hong Kong and China, were weaker.

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.

Key contributors to performance over the quarter were Reddit and AppLovin (see stock story on [page 5](#)). Reddit delivered a strong set of results, demonstrating impressive revenue growth and expanding operating margins. As the world grapples with misinformation and AI-generated content, we continue to view Reddit's position as a unique platform hosting the largest volume of human conversations globally becoming increasingly valuable.

Within the Digital Enterprise Area of Interest (Aol), both Wix and GoDaddy reported strong results for the quarter, with revenue, profit and free cash flows exceeding investors' expectations. Both web builders' management teams expressed confidence in their respective continued growth fuelled by new product features powered by AI innovations.

The key detractors to performance over the quarter were ASM International and Onto Innovations within the High Performance Computing Aol. Sentiment in the semiconductor equipment sector weakened due to concerns about reduced spending from China and budget constraints at Samsung and Intel. However, we remain confident in the long-term prospects of ASMI and Onto Innovation.

# Market outlook

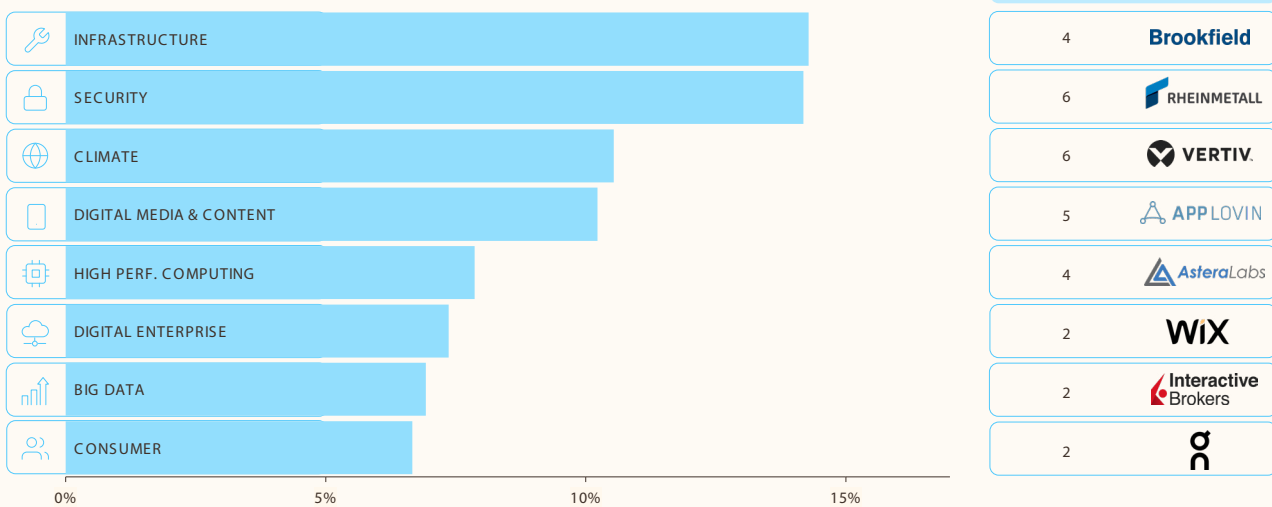
For Munro's broad market outlook please refer to [the Annual Letter](#) prepared by CIO Nick Griffin, published on December 20, 2024. Alternatively, you can listen to the Invest in the Journey 2025 outlook podcast episode [here](#).

From a Global Small & Mid Cap Fund perspective, we believe the Fund is well-positioned for 2025, focusing on high-quality growth companies, already demonstrating accelerating earnings, and is positioned for an economic recovery and falling interest rates. We view valuations for companies in the small and mid cap universe as remaining attractive and continue to identify promising, under-the-radar investment opportunities. More importantly, the structural growth tailwinds driving our key Areas of Interest — Climate, Infrastructure rebuild, and High Performance Computing — continue to gain strength and are primed for long-term outperformance of the benchmark.

## INVESTMENTS BY THEME

MUNRO

Positioning of the Munro Global Growth Small & Mid Cap Fund by 'Aol' – 31 December 2024



Source: Munro Partners 31 December 2024. Refer to the website for the full list of Aols.



## STOCK STORY: APPLOVIN



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AREA OF INTEREST: **DIGITAL MEDIA & CONTENT**

MARKET CAP: **USD \$115bn**

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AppLovin contributed 216bps to Fund performance for the quarter.

AppLovin is a founder-led company based in Palo Alto, California. The Company is a mobile app technology company that provides a platform for developers to help them grow, monetise, and optimise their mobile apps.

With approximately 1.4 billion daily active users within their mobile gaming ecosystem, AppLovin has one of the largest user bases in the world, allowing them to take share within the mobile gaming advertising ecosystem, where its improved Axon 2.0 AI model is generating superior returns on ad spend for its advertisers. Axon 2.0 has seen a meaningful step change for the company's financials with accelerated revenue growth, as well as expanding margins and free cashflow.

AppLovin is now beginning to test the merits of its Axon 2.0 product outside of mobile gaming, specifically, they are now testing the product for e-commerce advertising. This product remains in beta testing, with initial feedback from advertisers suggesting that the company is gaining a lot of traction, with some sources suggesting their returns are superior to Meta. Advertisers are indicating that if these returns hold, AppLovin could quickly become a large portion of their advertising budgets. This is creating a lot of interest across the industry, with a long tail of advertisers keen to try the platform.

We expect the e-commerce opportunity to more than double AppLovin's addressable market. This further increases our confidence in the company's ability to maintain durable revenue growth. The market has become very excited about the e-commerce opportunity, which would be incremental to management's guidance of 20-30% revenue growth over the next few years.

Although analysts have significantly reset their estimates higher for AppLovin moving into 2025, we still believe there remains upside to earnings given the company's growth prospects and ability to leverage this growth in the form of higher margins and free cashflow generation.

STOCK STORY: SHARKNINJA

**Shark** | **NINJA**AREA OF INTEREST: **CONSUMER**MARKET CAP: **USD \$14bn**

SharkNinja contributed -34bps to Fund performance for the quarter.

SharkNinja, based in Needham Heights, Massachusetts, is a leading designer and marketer of electrical household appliances.

Originally known for its vacuums and long infomercial advertising across late hours of the night, SharkNinja has transformed itself into a leading household appliance company, continuing to move laterally into new areas of the home. Their proposition is simple, create innovative, best-in-class products at price points that attract all consumer demographics. SharkNinja is the epitome of positive customer perception, one of the six qualitative characteristic traits in Munro's investment process.

Roughly 12 months ago, fresh off its IPO, SharkNinja remained an undiscovered story, trading at less than 15x earnings. The company had forecasted its revenue to grow by 7-9% in 2024. Fast forward to today, the company is really catching the eye of consumers on a global scale, which has led to a big acceleration in revenue, likely, in our view, to be over 30% for 2024 when the company reports its result in mid-February.

The company has a unique research and development (R&D) engine, which includes assessing consumers within their households, industrial kitchens and warehouses to find key product pain points. This allows their 800+ engineers around the globe to design products that really resonate with consumers and stipulate demand without having to rely on discounting in competitive end markets. With engineers located across Boston, London and China, the R&D process sees continuation 24 hours a day. On top of this, SharkNinja continues to leverage social media outlets to scale its advertising efforts, with several products such as the NinjaCreami, NinjaSlushi going 'viral' across TikTok and Instagram as people share their content using these products.

As US growth continues to see strength across SharkNinja's existing 30+ subcategories, we believe the company is now positioning itself for its next leg of growth, including accelerating its presence across Europe and Latin America. With the announcement of the strategic partner David Beckham helping drive sales through the holiday season, we feel confident about SharkNinja's positioning for further earnings growth through 2025 and beyond.

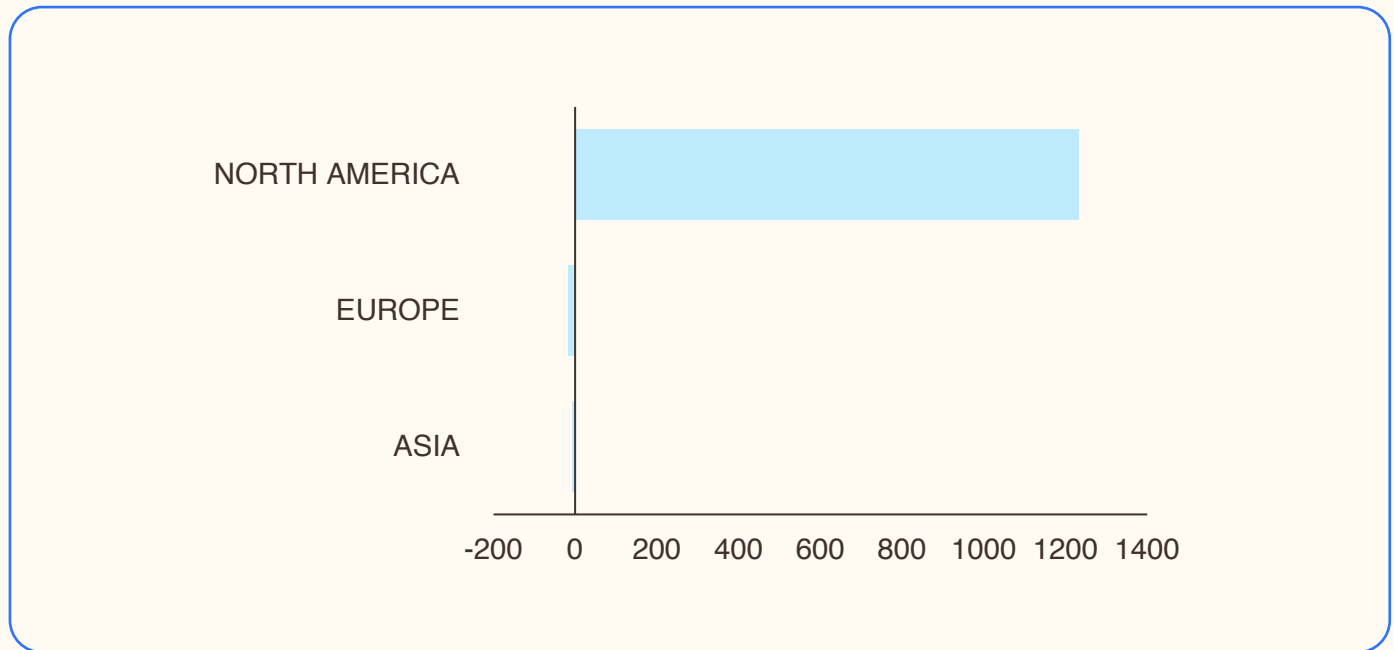
### DAVID BECKHAM, SHARKNINJA'S BRAND AMBASSADOR



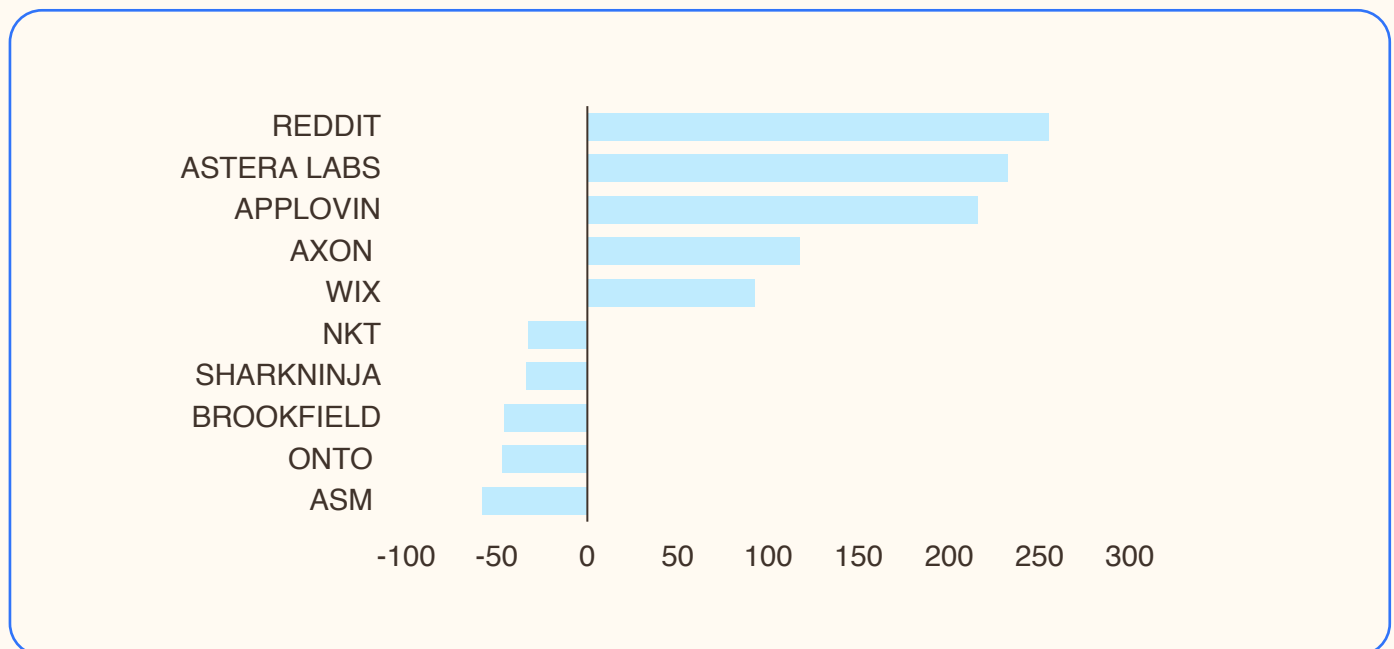
*David Beckham cooking a pizza using the Ninja Pizza Oven.*

QUARTERLY FUND ATTRIBUTION (BASIS POINTS)

Region (ex-cash)



Top & bottom contributors



QUARTER END EXPOSURE

Category

<b>EQUITIES</b>	90.8%
<b>CASH</b>	9.2%
<b>NO. OF POSITIONS</b>	38

Sector

<b>INDUSTRIALS</b>	30.8%
<b>INFORMATION TECHNOLOGY</b>	21.9%
<b>FINANCIALS</b>	8.7%
<b>COMMUNICATION SERVICES</b>	7.7%
<b>OTHER</b>	21.7%
<b>CASH</b>	9.2%

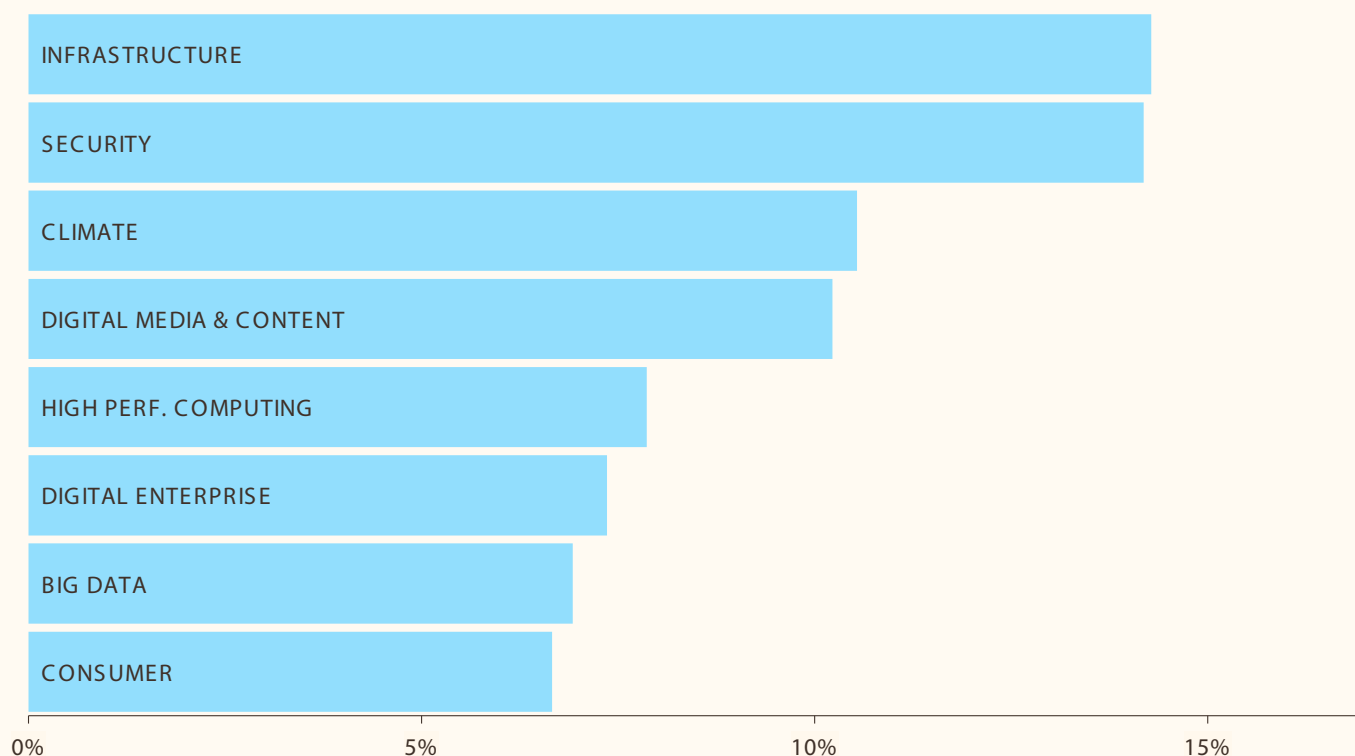
Region

	<b>LONG</b>
<b>NORTH AMERICA</b>	82.4%
<b>EUROPE</b>	8.4%
<b>CASH</b>	9.2%

Holdings

<b>TOP 5 HOLDINGS</b>	
<b>BROOKFIELD</b>	5.2%
<b>CURTISS-WRIGHT</b>	4.4%
<b>WIX.COM</b>	4.0%
<b>ASTERA LABS</b>	3.8%
<b>INTERACTIVE BROKERS</b>	3.7%

Areas of Interest





## Net Performance - SMID

	3 MTHS	6 MTHS	1 YR	INCEPT P.A.	INCEPT CUM.
<b>MUNRO GLOBAL GROWTH SMALL &amp; MID CAP FUND (AUD)</b>	20.9%	25.7%	58.2%	60.7%	74.1%
MSCI ACWI SMID NET INDEX (AUD)	8.3%	14.0%	19.8%	26.2%	31.3%
<b>EXCESS RETURN</b>	<b>12.6%</b>	<b>11.7%</b>	<b>38.4%</b>	<b>34.4%</b>	<b>42.8%</b>

INCEPTION: 31 OCTOBER 2023

**IMPORTANT INFORMATION:** Past performance is provided for illustrative purposes only and is not a guide to future performance. As at 31 December 2024 unless otherwise specified. Inception date is 31 October 2023. Returns of the Munro Global Growth Small & Mid Cap Fund are net of management costs and assumes distributions have been reinvested. MSCI ACWI SMID Cap NR AUD refers to the MSCI All Country World Small and Mid Cap Index Net Returns in Australian Dollars. BPS refers to Basis Points. Aol refers to Areas 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 Global Growth Small & Mid Cap Fund ARSN 670 777 885 (Fund) APIR GSF0874AU and 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 Fund, 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 Fund and the Additional Information to the Product Disclosure Statement (AIB) which may be obtained from [www.gsfm.com.au](http://www.gsfm.com.au), [www.munropartners.com.au](http://www.munropartners.com.au) or by calling 1300 133 451. GSFM Responsible Entity Services has produced a Target Market Determination (TMD) in relation to the Munro Global Growth Small & Mid Cap Fund. The TMD sets out the class of persons who comprise the target market for the Fund and is available at [www.gsfm.com.au](http://www.gsfm.com.au). None of GRES, Munro Partners, its related bodies or associates nor any other person guarantees the repayment of capital or the performance of the Fund or any particular returns from the Fund. No representation or warranty is made concerning the accuracy of any data contained in this document. The Fund's holdings, exposure and allocations depict end of month 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 is issued on 13 January 2025.

