MUNRO

Quarterly report

Munro Global Growth Small & Mid Cap Fund

September 2026

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-18.2%

Quarter return (net) · MSCI ACWI SMID **-2.6%**

QUARTERLY HIGHLIGHTS

- The Munro Global Growth Small & Mid Cap Fund returned -18.2% net for the quarter, underperforming the MSCI ACWI SMID return of -2.6%.
- Key contributors to performance for the quarter were Lumentum, FormFactor and IQVIA; the largest detractors were AAR, Nova and Powell Industries.
- AI beneficiary companies sold off sharply in July on technical factors – a Korean deleveraging and the liquidation of a large AI-focused hedge fund – rather than on fundamentals.
- Beneath the volatility the structural drivers accelerated: agentic token usage is up 14x since February and now runs at more than five times human usage.

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INVESTMENT TEAM

Qiao Ma
Lead Portfolio Manager

Nick Griffin
CIO

Kieran Moore
Portfolio Manager

James Tsinidis
Portfolio Manager

Fund commentary

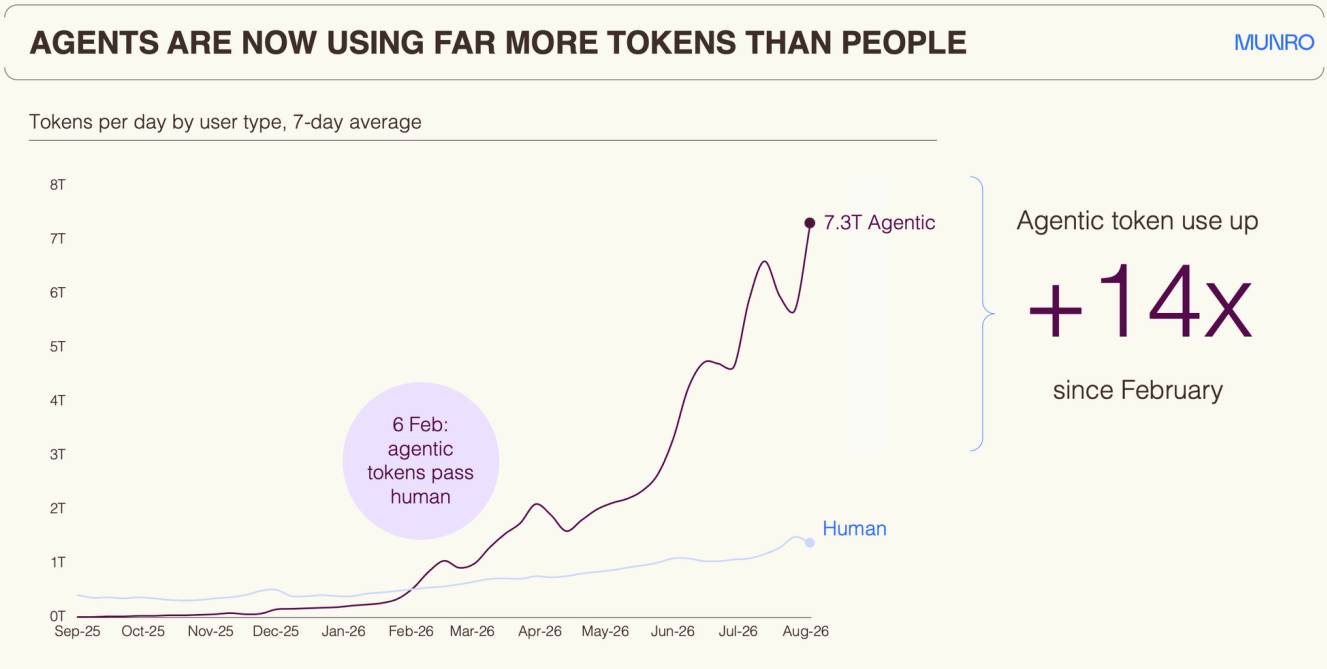
The Munro Global Growth Small & Mid Cap Fund returned -18.2% net for the September 2026 quarter, underperforming the MSCI ACWI SMID return of -2.6% by 15.5%.

The September quarter was a difficult one. After a strong finish to the 2026 financial year, the AI beneficiary companies that had driven our returns for two years sold off sharply – not because their fundamentals deteriorated, but because of a combination of largely technical reasons. Two events unfolded rapidly in July. First, a sharp deleveraging by Korean investors, who had become heavily positioned in AI and semiconductor stocks, triggered forced selling across the global AI supply chain. Second, the blow-up and sale of Situational Awareness, a large and highly concentrated AI-focused hedge fund, forced the liquidation of many of the same names. Several ETFs heavily exposed to these stocks fell more than 30% in July alone.

The macro backdrop also remained challenging. The war in the Middle East continued, weighing on travel, energy and shipping. In September, the new Fed Chair Kevin Warsh raised rates for the first time since 2023, pressuring the valuations of long-duration growth assets, especially small and mid-cap growth companies.

We do not believe we are entering a new inflationary cycle. Component and labour shortages in the AI buildout are inflationary today, but over the medium term we expect AI to be deflationary, as technological advances typically are. A resolution to the conflict in the Middle East would also ease pressure on oil prices and, in turn, bond yields. Nonetheless, we reduced exposure to the more rate-sensitive infrastructure and consumer names.

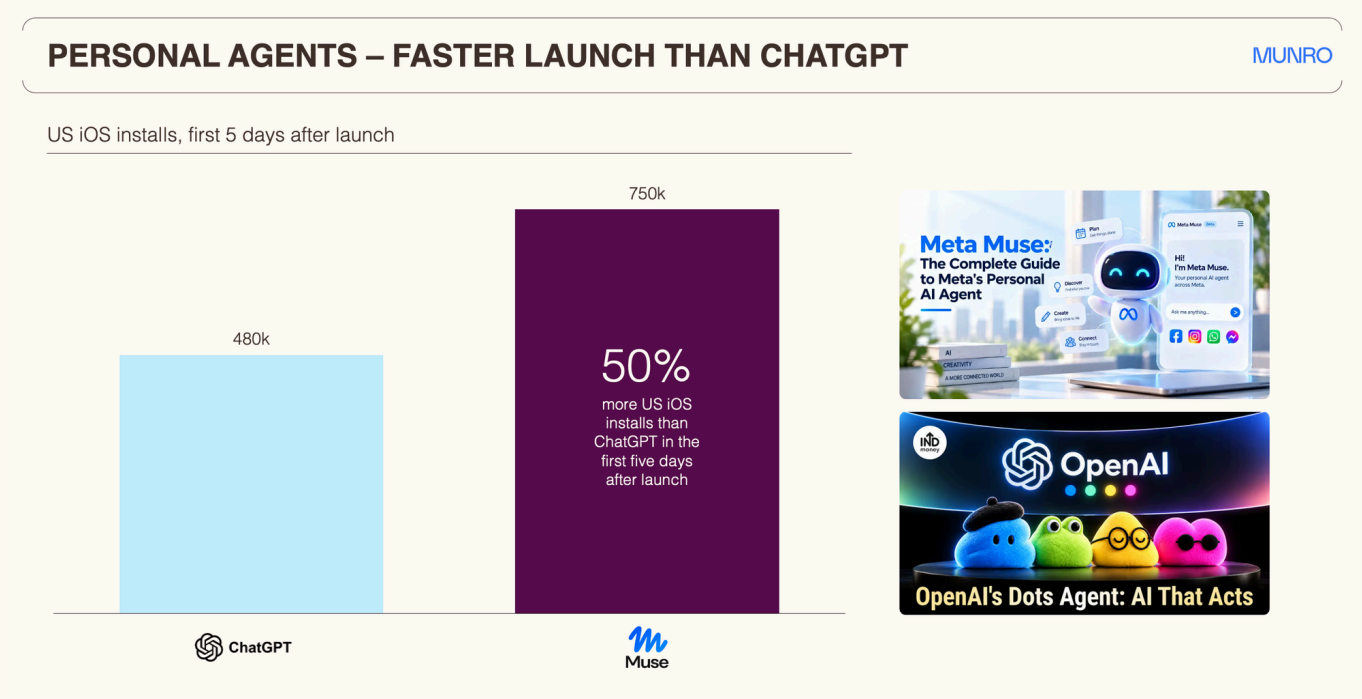
Beneath the volatile share movements, the structural drivers did not slow. They accelerated. Token usage (the best gauge on how much AI is getting used) again accelerated dramatically. Agentic tokens – those generated by AI agents acting on a user's behalf, rather than by a person typing a prompt – are up 14x since February and now run at more than five times human usage. Agents work continuously, coordinate with other agents, use tools, and consume tokens at a rate no human could.



Source: OpenRouter, Munro Partners. 7-day average token usage on OpenRouter, by type. Chart updated September 2026. Human: tokens OpenRouter classifies as human-initiated.

Fund commentary (continued)

And this agentic usage is about to enter an even faster growth phase as AI is reaching consumers in a new form. One of the most significant AI events of the quarter was Meta's launch of Muse, the first personal AI agents released at scale. Muse is an assistant that is always with the user and acts on their behalf: give it a simple instruction, and it completes the task autonomously. The early standout application is agentic commerce – consumers telling Muse what they want, and the agent making the purchase. The range of tasks is already wide. Muse can move money between bank accounts and pay bills, book flights and hotels, and find and cancel the subscriptions a user has stopped using. Each of these once meant logging into several apps, comparing options and filling in forms; now it is a single request. Adoption has been striking: Muse recorded 750,000 US iOS installs in its first five days, 50% more than ChatGPT at its launch. OpenAI followed at its developer day with a similar product, Dots. We expect agents like these to become commonplace for consumers and businesses alike, and every task an agent completes reinforces token demand.



Source: Company data, Evercore ISI, OpenAI. US iOS installs in the first five days after launch, Muse vs ChatGPT. Launch date 8 September 2026. Slide prepared October 2026. Stocks of the companies in the depictions shown may or may not be held in the Munro funds and are used for illustrative purposes.

During the September quarter, the very Areas of Interest (AoIs) that drove our strong FY26 performance – primarily Infrastructure, Connectivity, Climate, High Performance Computing, and Travel – became our largest detractors. Each of these segments cost the portfolio more than 200 basis points.

The top contributors to performance for the quarter were Lumentum in our Connectivity AoI; FormFactor in High Performance Computing AoI; and IQVIA in Innovative Health AoI. Lumentum, a leading supplier of optical components and lasers, was one of the few AI-exposed names to finish the quarter higher, as demand for optical connectivity inside and between AI data centres continued to run well ahead of supply. Our Innovative Health holdings IQVIA and Wuxi XDC contributed positively to performance for the quarter in what was a difficult period for investments in the AI supply chain.

Fund commentary (continued)

The largest detractors from performance were AAR in Travel AoI; Nova in High Performance Computing AoI; and Powell Industries in Power Generation AoI. AAR, a provider of aircraft parts and maintenance services, was caught in the crosshairs of geopolitical conflict in the Middle East and its subsequent impact on travel and airline spending. Late in the quarter, AAR announced a major acquisition capable of expanding its revenue and profit base by over 35%. While we view the deal as strategically, commercially, and financially sound, the market reacted negatively to the associated debt and equity financing. We remain constructive on the stock; the structural shortage of new aircraft forces older fleets to fly longer, directly underpinning robust aftermarket demand. Nova, a semiconductor metrology specialist, sold off with the broader deleveraging in the AI supply chain. However, our thesis remains unchanged: the shift toward advanced nodes and high-bandwidth memory requires increasingly complex process control, which we believe will support continued demand for Nova's process control solutions. Similarly, shares of Powell Industries, which supplies electrical equipment to oil and gas, data centres and utilities, declined as rising rates triggered a broader power-sector sell-off, despite the company's continually growing backlog. However, with the stock's rate sensitivity now outweighing its earnings visibility, we exited the position per our risk management framework.

Risk management remains the most critical component of our investment process. Any stock that falls 20% or more from its peak triggers a mandatory review: within one week, the position must be re-analysed and re-pitched to the investment team. Following the review, the investment team determines whether the thesis remains intact and the position should be retained, whether the position size should be adjusted, or whether the investment case has changed sufficiently to warrant exiting the position.

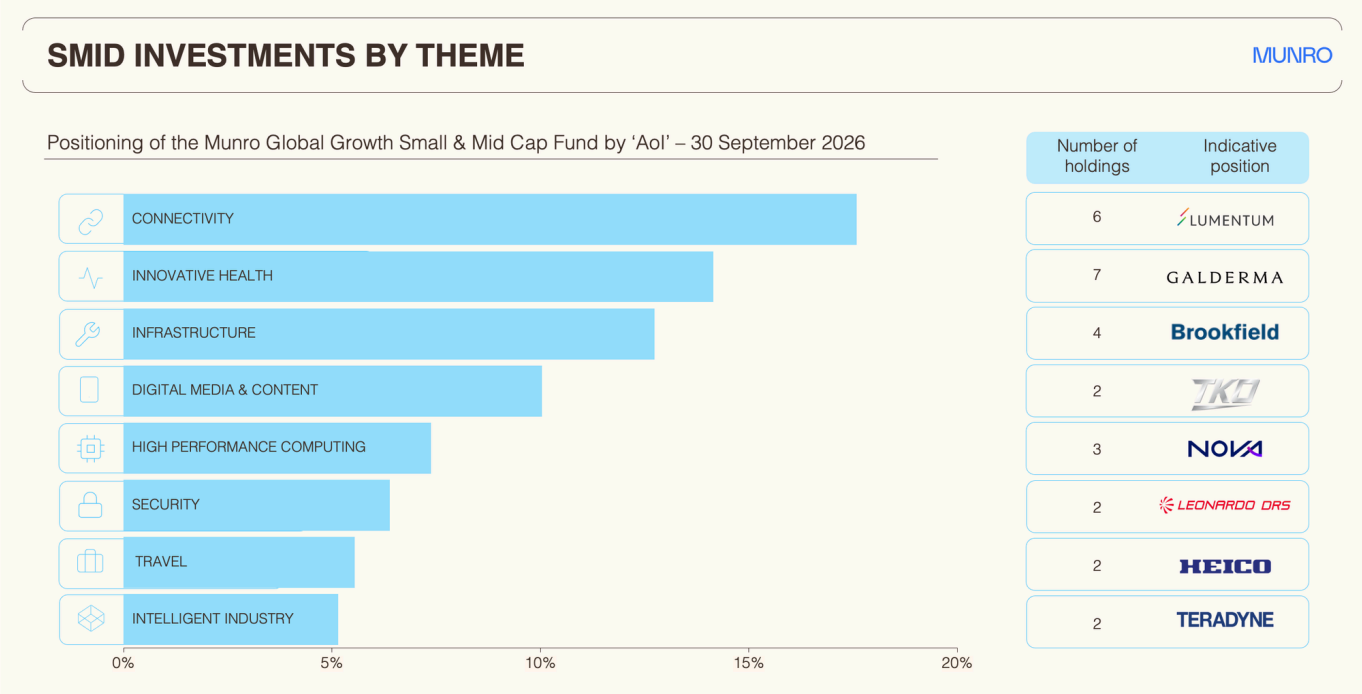
In a volatile quarter like this, multiple positions triggered this review. The discipline of this process lies in distinguishing between a share price that has simply fallen and an investment thesis that has fundamentally broken. Where visibility had deteriorated or the balance of earnings risk had shifted, we decisively exited. Where the structural drivers remain intact and earnings growth strengthened, we backed our analysis and held firm. The result of this process is a more concentrated portfolio anchored by the companies we know best.

Market outlook

The September quarter was dominated by shifting macro narratives and liquidity dynamics, rather than fundamental earnings events. Crucially, the companies we own have not stopped growing, and the foundational demand for the chips, power, and connectivity that underpins them is still outrunning supply.

We have seen price disconnect from earnings before – most notably during the DeepSeek sell-off in early 2025 and the tariff shock that followed. In both historical instances, the valuation disconnect ultimately closed, and the companies that continued to compound their earnings led the subsequent market recovery.

While the level of volatility experienced during the quarter has been challenging, periods of market weakness can also create opportunities for long-term investors in small and mid-cap companies. We finish the quarter with a more concentrated portfolio, focused on companies where we have the strongest conviction in their long-term growth prospects. While the macroeconomic environment remains uncertain, we continue to believe that companies benefiting from structural growth trends have the potential to deliver attractive returns over the long term. We enter the year ahead encouraged by the opportunities we are identifying across a number of high-quality, growing companies that we believe are currently underappreciated by the market. For the team's broader market outlook, please reference the Munro Global Growth Fund report here.



Source: Munro Partners, 30 September 2026. Refer to the website for the full list of AoIs.

STOCK STORY: IQVIA

IQVIA™

AREA OF INTEREST	MARKET CAP	SEPTEMBER QUARTER CONTRIBUTION
Innovative Health	US$44bn	+28 bps

Bringing a new drug to market remains a very costly and risky undertaking, with less than one in ten drugs that enter clinical trials reaching final approval. Within this process, finding the right clinic and patient set are an impediment to a successful trial. IQVIA is the world's largest clinical research organisation (CRO), hired by pharmaceutical and biotech companies to run their trials at global scale. For its customers, that means research capacity they can flex up and down without building it themselves.

What sets IQVIA apart is the pairing of trial execution with one of the deepest proprietary healthcare data assets in the industry: decades of prescription, insurance-claims and real-world patient data. The combination creates a powerful flywheel. Better data identifies the right sites and patients faster, which shortens trials, which wins more trials, which in turn generates more proprietary data. Competitors can hire clinicians, however, they cannot recreate the data. Increasingly, this is how contracts are won. Customers are now focusing on delivery timelines, technology, site networks, therapeutic expertise and AI capabilities rather than just selecting the lowest price vendor.

The broader industry saw a challenging five years post pandemic, but is starting to show signs of recovery. Biopharma is again investing in complex biologic pipelines, whilst the obesity drugs are reshaping the sector, where IQVIA has run more than 120 trials and supported every FDA-approved GLP-1 therapy. Its research division posted record net new bookings in the second quarter, lifting the contracted backlog to a record $34.2bn and giving strong visibility into future revenue. That momentum underpinned an upgrade to full-year guidance.

There remains an open debate on the implications artificial intelligence have on IQVIA and its data led strategy. Our view is that the moat is widening rather than being eroded. IQVIA has hundreds of AI agents deployed across 90 use cases, with 19 of the top 20 pharma companies using its solutions, helping to lift productivity. Yet despite sitting at the centre of a renewed R&D upcycle, IQVIA trades on roughly 19x forward earnings. We see this as a relatively attractive multiple for a business combining a multi-year backlog, an AI-enhanced data moat and steadily compounding earnings.

STOCK STORY: LEONARDO DRS

LEONARDO DRS

AREA OF INTEREST	MARKET CAP	SEPTEMBER QUARTER CONTRIBUTION
Security	US$10bn	-78 bps

Modern warfare is increasingly fought with sensors: radars that find drones, infrared systems that see at night, and electronics that protect vehicles and ships. Leonardo DRS is a US defence electronics business supplying exactly these – tactical radars, infrared sensing, force protection and naval electric propulsion systems – across programmes that span the US Air Force, Navy, Army and allied forces. Its most recent quarter was another beat and raise, with bookings and backlog growing strongly.

The shares fell anyway, on deteriorating sentiment around US defence spending. This may seem counter-intuitive given the geopolitical backdrop, but the Iran war has required emergency supplementary funding, dampening prospects for the Reconciliation Bill. That Bill included significant funding for Golden Dome, the proposed US missile defence shield, and a meaningful opportunity for DRS. With midterm elections approaching and the Democratic Party gaining ground in the polls, the market has also begun to price in a less generous defence budget.

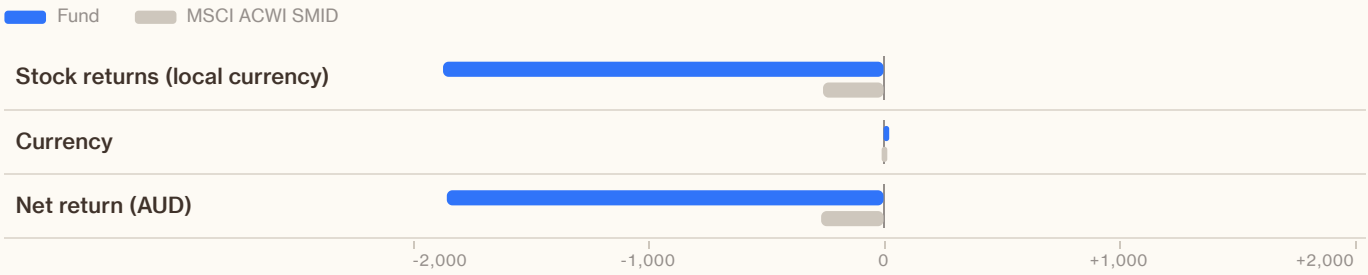
These concerns are valid, but we think they miss the bigger picture. The global threat environment, not the US political cycle, is the primary driver of defence spending, and on that measure the US budget will continue to grow. More importantly, an increasing share of that budget is directed to the programmes where DRS has outsized content: counter-unmanned aircraft systems, space sensing, missile replenishment and shipbuilding. DRS is growing faster than the budget it sits within.

After the pull-back, DRS trades on roughly 22x forward earnings. We see this as an attractive level for a business with a growing backlog, rising content per programme and a multi-decade modernisation tailwind.

QUARTERLY FUND ATTRIBUTION – SMID, SEPTEMBER 2026 QUARTER

What drove the quarter

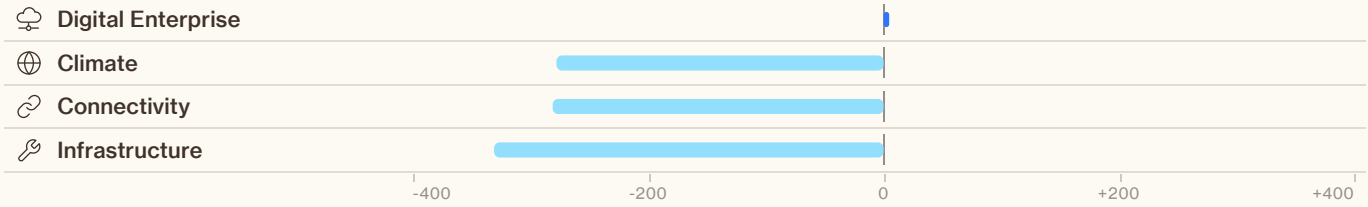
Fund against the MSCI ACWI SMID Index, in basis points.



Relative return for the quarter **-15.5%**

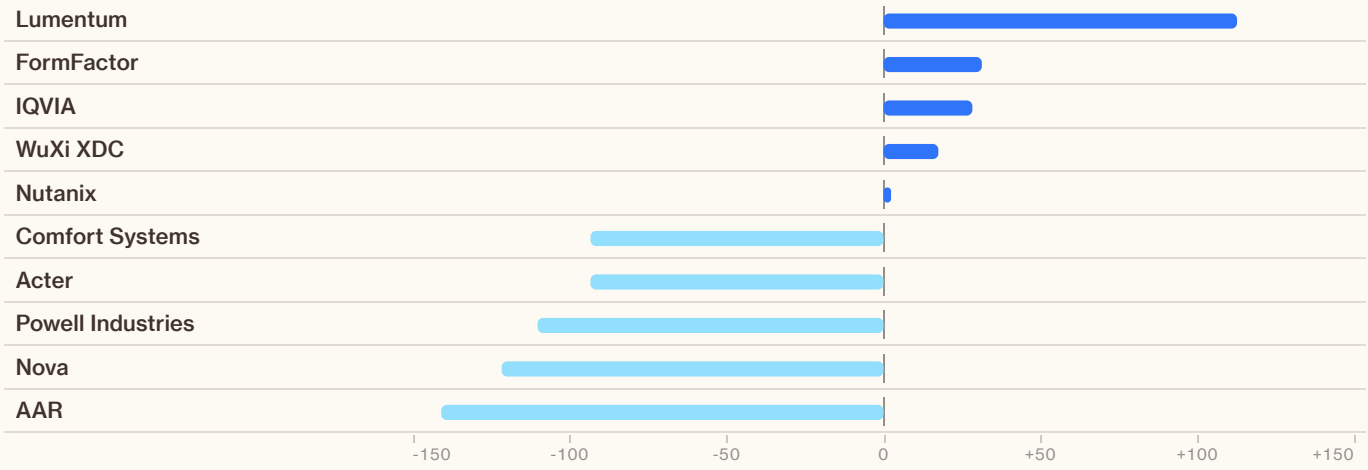
BY AREA OF INTEREST (EQUITIES ONLY)

Contribution in basis points for the Fund's largest contributing and three largest detracting Areas of Interest. Digital Enterprise was the only Area of Interest to add to returns over the quarter.



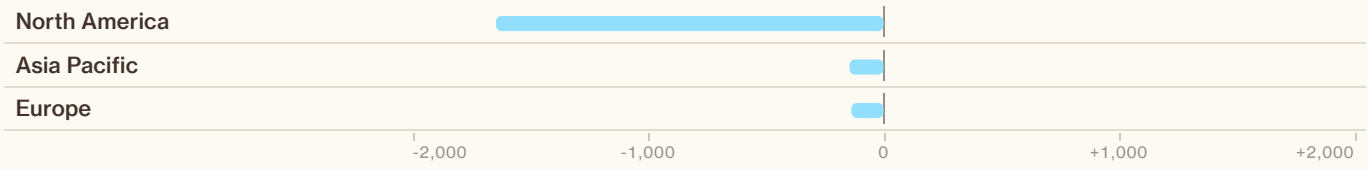
LARGEST MOVERS (EQUITIES ONLY)

Contribution in basis points for the five biggest contributors and detractors across the whole portfolio.



BY REGION (EQUITIES ONLY)

Equity contribution over the quarter, in basis points.



QUARTERLY FUND EXPOSURE – SMID, 30 SEPTEMBER 2026

Exposure

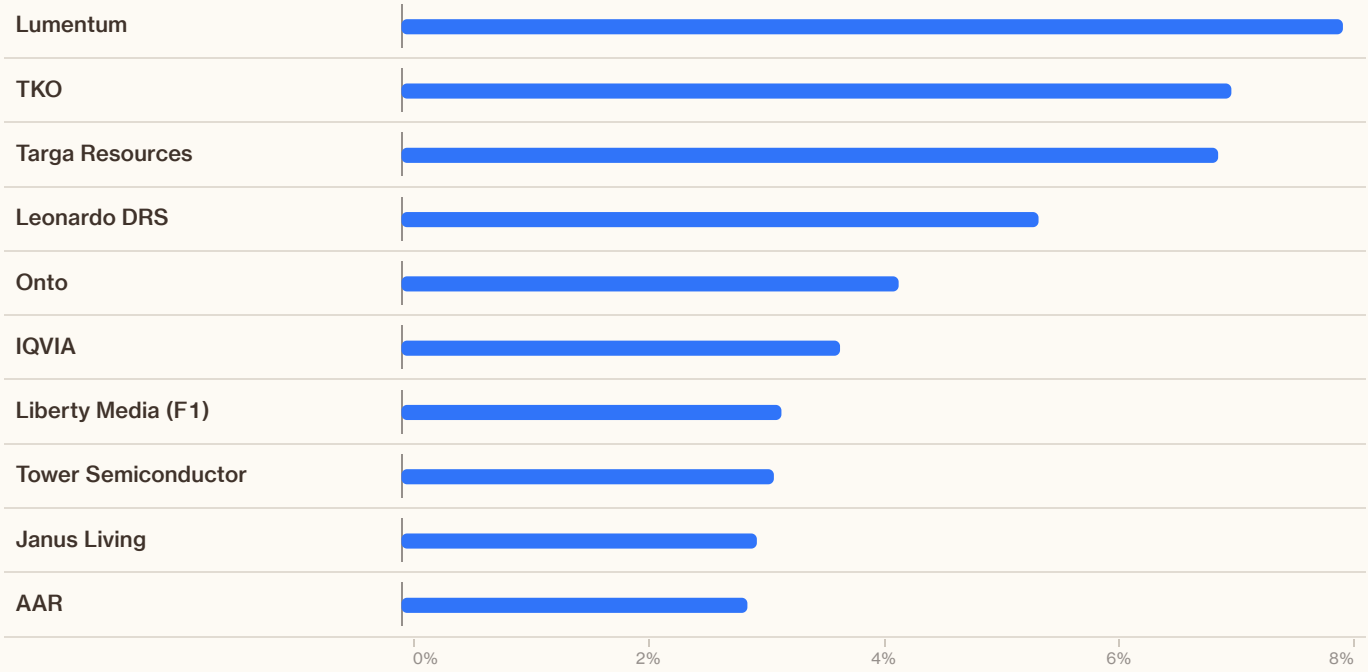
THE FUND AT A GLANCE

% of NAV and number of positions, at 30 September 2026.

91.7%	8.3%	37
EQUITIES	CASH	POSITIONS

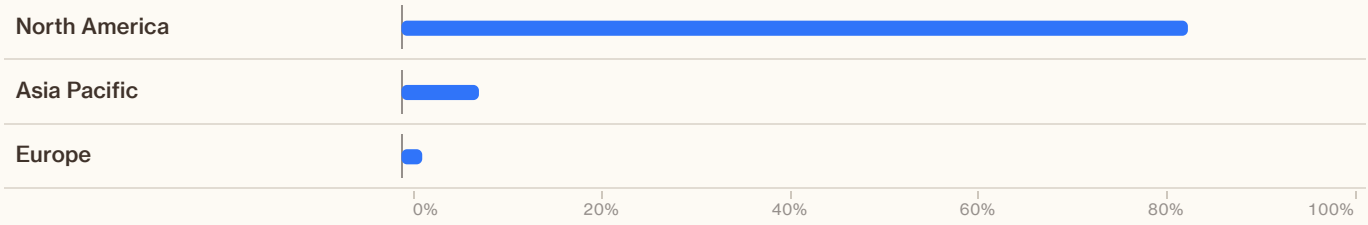
TOP 10 HOLDINGS

Net exposure, % of NAV, at 30 September 2026.



EXPOSURE BY REGION

Net equity exposure, % of NAV.



NET PERFORMANCE

Munro Global Growth Small & Mid Cap Fund

	3 MTHS	6 MTHS	1 YR	2 YRS P.A.	INCEPT. P.A.	INCEPT. CUM.
Munro Global Growth Small & Mid Cap Fund (AUD)	**-18.2%**	**-3.3%**	**-0.1%**	**18.0%**	**26.9%**	**100.5%**
MSCI ACWI SMID Index*	-2.6%	9.1%	8.0%	13.0%	16.2%	54.8%
Excess return	-15.5%	-12.4%	-8.1%	5.0%	10.8%	45.6%

INCEPTION: 31 OCTOBER 2023

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
2024FY					7.4%	2.5%	2.6%	14.3%	3.0%	-3.0%	7.4%	0.0%	38.5%
2025FY	2.8%	0.5%	0.6%	6.9%	13.2%	-0.1%	5.1%	-5.1%	-5.1%	1.1%	8.8%	5.2%	37.7%
2026FY	2.1%	-0.2%	3.3%	4.7%	-2.4%	-2.9%	0.1%	7.0%	-2.9%	5.9%	5.4%	5.9%	28.4%
2027FY	-15.8%	-3.8%	1.0%										-18.2%

IMPORTANT INFORMATION

Past performance is provided for illustrative purposes only and is not a guide to future performance. As at 30 September 2026 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 Index refers to the MSCI All Country World Small and Mid Cap Net Total Return Index in Australian Dollars. BPS refers to Basis Points. AoI refers to Areas of Interest - refer to website for full list. 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 PDS (AIB) which may be obtained from www.gsfm.com.au, www.munropartners.com 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. 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.

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