

**Catalysts for growth:  
Finding the few winners**

**March 2025**

## Key Points

- Commitment to global growth: Munro is set up to be your global growth equity manager.
- Partnership: Aligned longevity in business, aligned longevity in funds, aligned with investors.
- Offering: Munro's domain expertise is available across 4 global growth products.
- Simple philosophy: Earnings growth drives stock prices. Companies that have earnings growth, i.e. make more money each year generally means their share price goes up.
- Areas of Interest: Identify structural growth trends and their winners.
- Repeatable process: An investment process developed roughly 20 years ago with a track record of delivering on investment objectives.
- Risk management: Capital preservation mindset with proprietary stop loss review framework.
- One team, one process: The investment team works across and applies a single process to all strategies.

## What is a Munro?

A Munro is a Scottish mountain with an elevation of over 3,000 feet (914.4 meters). The term comes from Sir Hugh Munro, who compiled a list of these mountains in 1891. There are 282 Munros in total, and Munro bagging, or climbing Munros, is a popular outdoor activity in Scotland<sup>1</sup>.

For us, it's our name. Paying homage to some of the world's greatest fund managers based in Scotland – who sat in a faraway place and took long-term views of investing. Munro Partners is a group of modern-day explorers, and much like bagging all the Munros, we're on a mission to reach the highest peak of investment returns by finding the few winners while sitting in a faraway place and taking long term views of the world.

## About Munro

As your Global Growth Equities Manager, Munro Partners was founded in 2016 by a group of like-minded investment professionals who shared a vision to create a distinctive, globally-focused funds management business. Our partnership structure provides the flexibility to attract, retain, and reward top talent, allowing for long-term organisational stability. This approach ensures that the firm remains well-positioned to identify and capitalise on the key structural growth trends shaping the global economy. Fully aligned with our investors' goals, our team invests in our products alongside clients.

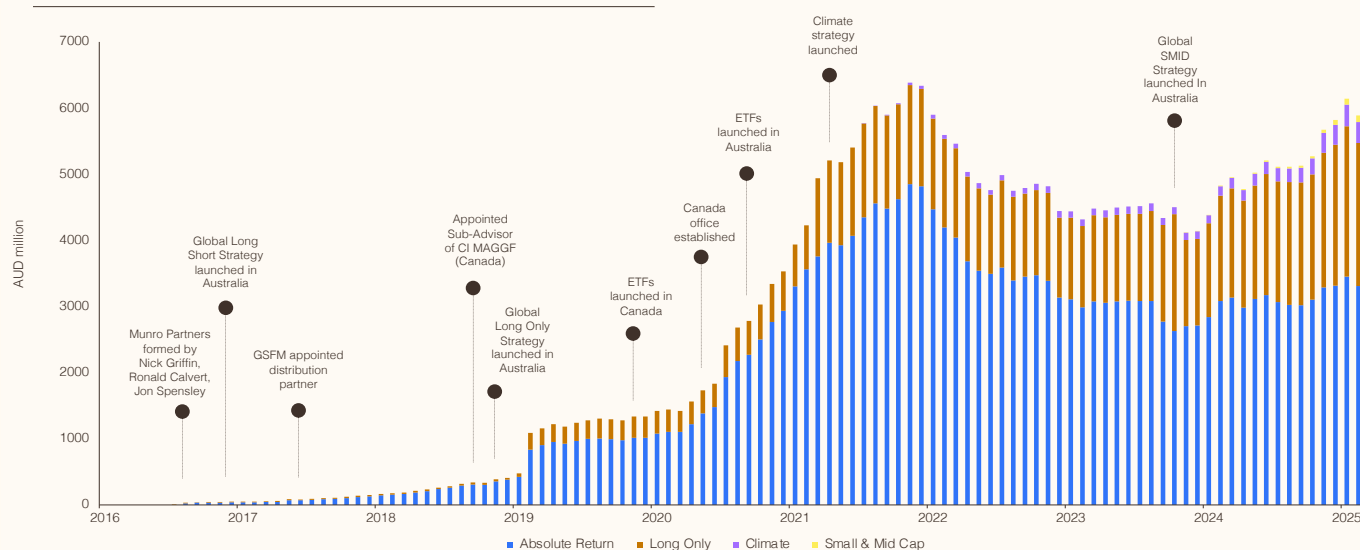
## The journey of growth

Munro was launched by three founders with \$20 million of funds under management. Since its launch in 2016, the business has experienced significant growth, driven by aligned distribution partners, expanding into new markets, and, of course, strong performance.

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<sup>1</sup> <https://www.nts.org.uk/visit/things-to-do/a-guide-to-munro-bagging>

Firmwide FUM chart with key milestones



As at 28 February 2025. Long Only includes PMA, International Equity Pool, US Growth Pool and Long Only strategies.

## The Partnership

The partnership drives and controls the business, with Munro staff owning and controlling 75% of the company. The partnership model is a no-goodwill partnership and works by giving equity to staff for free; they share in the profit of the firm, and when a partner leaves the business, they must hand it back for free and hand it back to the next person. This structure enables Munro to attract and retain top talent, who are all focused on a single goal - to deliver on our investment objectives for our investors.

## The Munro offering

At Munro, we specialize in global equities and growth. Each of our strategies provides investors with targeted exposure to high-growth sectors of the market. Within this expertise, we offer six distinct strategies:

- **Munro Global Growth Long/Short Strategy**  
For those who are wanting a smoother process. A portfolio with additional risk management tools
- **Munro Concentrated Long Only Strategy**  
For those willing to ride short term volatility for potentially longer term gains
- **Munro Climate Change Leaders Strategy**  
For those who want a dedicated thematic strategy of companies enabling decarbonization and climate change leaders
- **Munro Global Growth Small & Mid Cap Strategy**  
For those who want a long only portfolio targeting small and medium capitalization companies
- **Munro Concentrated US Equity Growth Long Only Strategy**  
For those who want a long only portfolio targeting US companies
- **Munro Concentrated International Equity Growth Long Only Strategy**  
For those who want a long only portfolio targeting companies outside the US

The Munro Global Growth Small & Mid Cap Strategy is only offered in Australia.

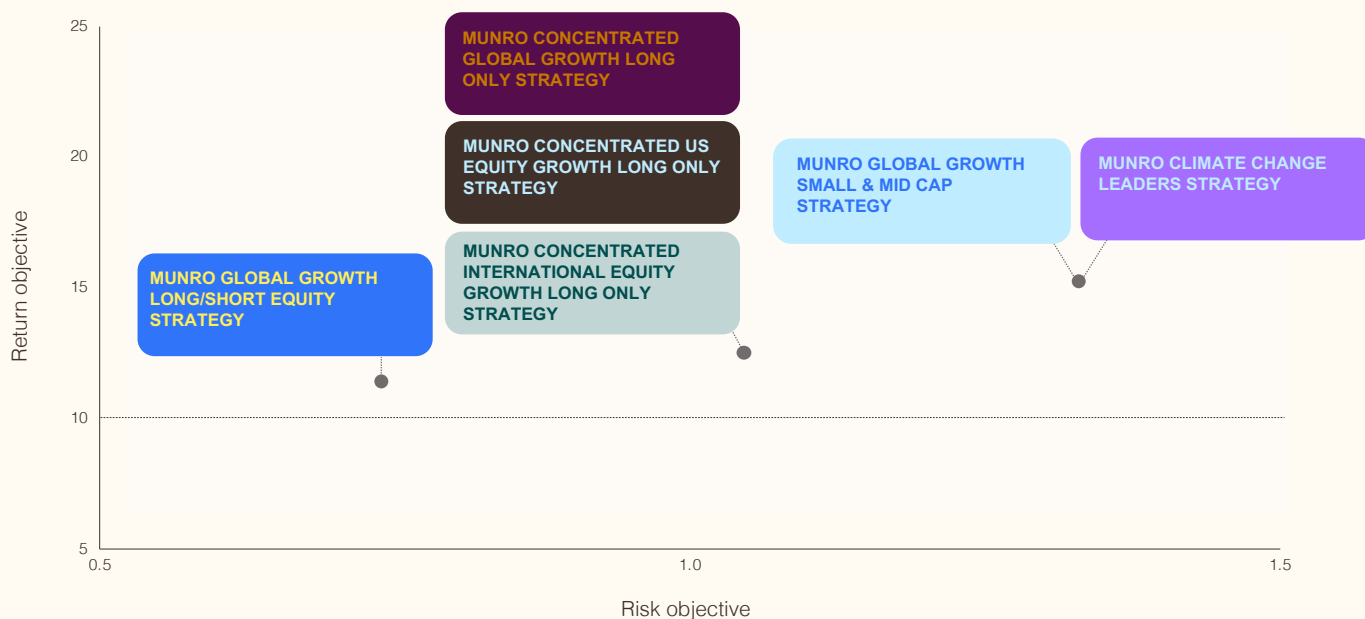


Chart is for illustrative purposes and is not to scale. The Munro Global Growth Small & Mid Cap Strategy is only offered in Australia.

## Munro's competitive edge

Munro's investment process has been tried, tested and refined for approximately the last 20 years<sup>2</sup> to help the team identify the few winners. Munro sees the equity market as a landscape of few winners and many losers, and Munro's focus is on uncovering those exceptional few. Our approach is specifically designed to identify these opportunities, and our competitive edge lies in our ability to consistently find the winners within them over the long term, and our proprietary stop loss process allows us to cut the losers quickly.

## Investment Philosophy

Munro's overarching view is that to identify companies with consistent earnings growth, we need to focus on those with structural growth potential rather than those subject to cyclical fluctuations. This approach ensures a more reliable and repeatable path to sustained success in finding great growth companies.

So, what's Munro's philosophy for finding the few winners? It's unashamedly simple: Companies that experience consistent earnings growth – meaning they generate more profit each year – typically see their share price rise as a result.

We focus on identifying and investing in companies with the potential for faster and more sustainable growth than the overall market. Our core investment principles are:

1. Structural change is the key
2. Concentrated portfolios
3. Disciplined risk management

<sup>2</sup> 20 year track record predates Munro's inception.

While undergoing research, we came across a study by economist Hendrick Bessembinder, which supports our philosophy. The study revealed that most individual stocks underperform treasury bills, with a small number of exceptional stocks accounting for the majority of long-term market gains. Thus emphasizing our belief that the equity market is made up of many losers and very few winners. Specifically, among 63,785 global companies tracked from 1990 to 2020, over 55% generated no value compared to treasuries. In contrast, just 4% – or 1,526 companies – were responsible for creating the entire \$75.7 trillion in wealth during that period. Further, the top 50 companies were responsible for generating more than 40% of that \$75.7 trillion<sup>3</sup>. A structural tailwind, such as the growth of big box retailers, the adoption of the Internet and the critical need for semiconductors, underpinned all of these top companies.

## PHILOSOPHY: THERE ARE FEW WINNERS

MUNRO

### Philosophy

Structural change is the key

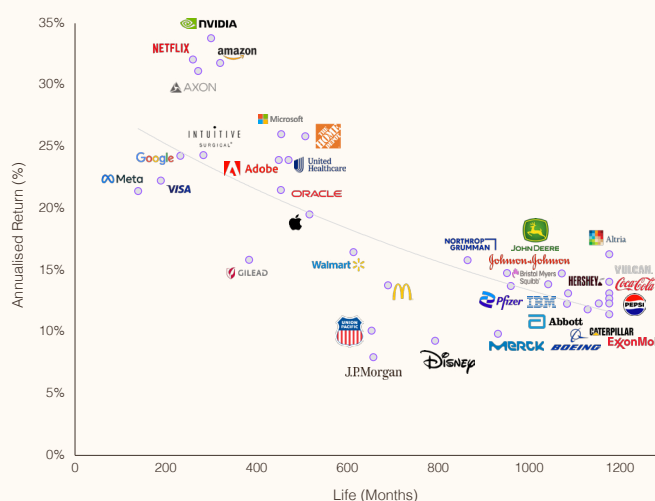
Concentrated portfolios

Disciplined risk management



[Learn more about our investment philosophy](#)

Bessembinder – less than 4% of stocks listed make up all of the market return



Source: Industry research and Hendrik Bessembinder, Which US Stocks Generated the Highest Long-Term Returns? As at 16 July 2024. For illustrative purposes, the companies mentioned may or may not be held in the Munro funds.

## Areas of interest

Munro believes that the investment success stories of the future will arise from the major structural changes shaping global society. Identifying areas of structural growth leads us to company earnings growth and, ultimately, share price growth. As a result, we dedicate much of our research to identifying and understanding these transformative trends, which we refer to as our Areas of Interest (Aols)<sup>4</sup>. We believe that for a trend to be considered structurally growing, it must be gaining share from another market, such as digital payments replacing cash or streaming services overtaking traditional free-to-air television, as some examples. A list of a few of our Aols are below:

**Climate** – The need to decarbonize the planet is a major theme of our time. Climate change leaders and decarbonization enablers generally fit one or more of the following four sub-trends: Clean Energy, Energy Efficiency, Circular Economy and Clean Transport.

<sup>3</sup> Source: Industry research and Bessembinder, H. (2018). Which U.S. stocks generated the highest long-term returns? Financial Analysts Journal, 74(1), 100–113. As at 16 July 2024.

<sup>4</sup> The full list of Munro's Areas of Interest are listed on the Munro website. Graphs are not to scale, and are for illustrative purposes only. The companies mentioned may or may not be held in the Munro funds.

**Connectivity** – Semiconductors focused on tools at the 'edge', such as semiconductor content in smartphones, PCs, industrial or healthcare applications

**Digital Enterprise** – The cloud computing revolution is still in its early growth stages, with Public Cloud and software as a service (SaaS) technology likely to dominate information technology spend over the next few years.

**Digital Media & Content** – Content assets are relatively scarce and often have a premium valuation for their ability to scale and attract consumer attention. Digital media includes the integration of digital advertising and the premiumization of content globally.

**High Performance Computing** – As emerging technologies become more mainstream, they will demand ever greater computing power, which only a handful of players will be able to supply.

**Infrastructure** – The key to a growing economy, we expect large spending plans and growing private participation to enable strong growth ahead.

**Innovative Health** – Health is an industry facing unsustainably rising costs and inconsistent outcomes and is fertile ground for innovation across diagnostics and patient care.

**Security** – Companies that are involved in either cyber or physical security such as public safety on a smaller scale and military defense on a global scale.

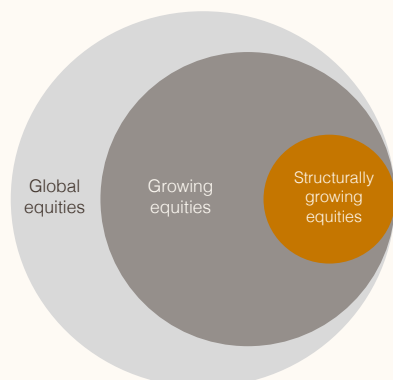
## Investment Process

Munro's proprietary investment process has been honed for roughly 20 years and comprises four key steps:

### Step one: The Munro universe

As a global growth investor, we have the ability to invest in thousands of companies worldwide. However, we have narrowed the investable universe to approximately 1,000 stocks, which we believe are growing not just because of GDP growth but because of structural changes in their industry.

The investment universe



[Learn more about our Investment Process](#)

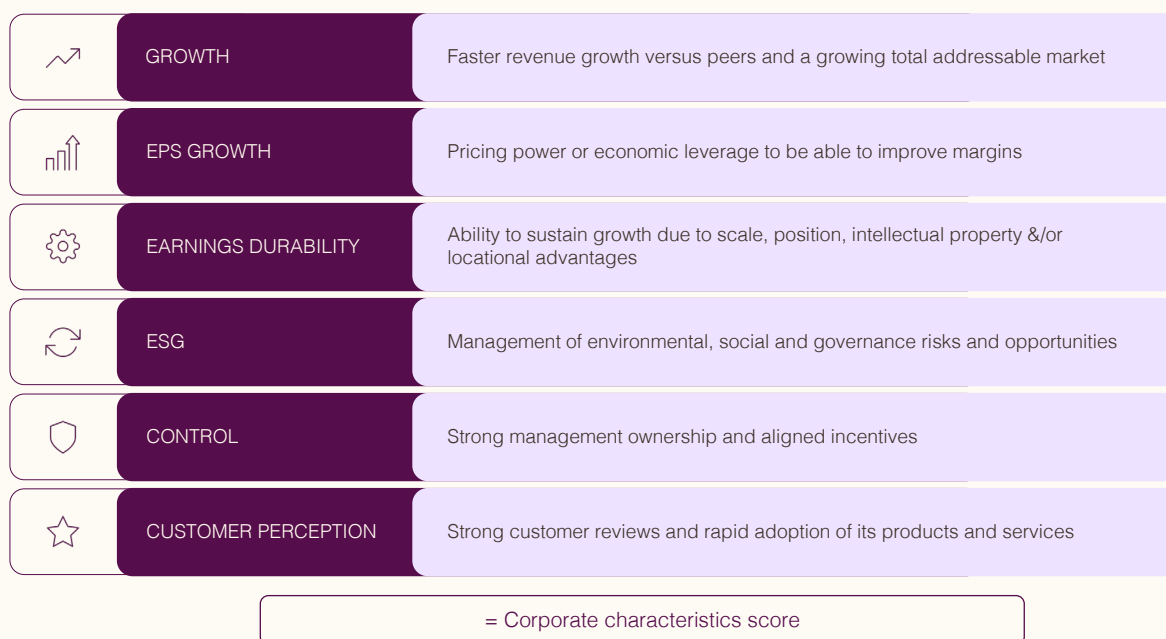
Looking for Areas of Interest at different stages of the S-curve



Winners are often those at the beginning of an S-curve, which tracks how a company or industry grows over its lifecycle. There can come a point in the lifecycle of an industry or company when growth inflects, driven by structural change. It is the tailwind created by the structural change that can drive a company to grow and create further wealth.

### *Step two: Idea Evaluation – Qualitative*

Munro, over many years, has identified what defines a great growth company. As a result, every stock considered for Munro's investment universe is evaluated against six critical characteristics that we believe are essential for growth. Each company is assigned a rating from 1 to 5 for each of these qualities, and the scores are then added together to create an overall corporate characteristics score. This score then guides the team on the multiple that we're willing to pay for each stock.



### *Step three: Idea Evaluation – Quantitative*

However, we do not purchase stocks at any price. Instead, we conduct a detailed bottom-up analysis to assess whether a stock has the potential to double in value over the next five years. Long positions are assessed using the following criteria:

- **Earnings Upside/Downside:** An in-house valuation model is used to evaluate both bull and bear case scenarios, comparing Munro's earnings projections against market consensus.
- **Multiple Upside/Downside:** Corporate characteristics are carefully analyzed to determine the appropriate earnings multiple and price target, with the investment team conducting weekly reviews to stay aligned.
- **Catalysts:** A catalyst calendar is maintained to track the timing and potential impact of events that could trigger earnings or multiple re-ratings.

For the Long/Short strategy, we apply a higher risk threshold to short positions. Short positions are expected to have the potential to drop 10-20% within six months.

## Step 4: Risk Management

A disciplined risk management framework is essential for navigating the inevitable mistakes that arise along the investing journey. The portfolio is actively monitored, with weekly reviews focused on portfolio correlations, sector risks, and valuations to ensure it remains aligned with our plan.

| Features                | Strategies                                                                                                                                                                                       |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Portfolio concentration | <ul style="list-style-type: none"> <li>• 30 – 50 positions (Long / Short)</li> <li>• 20 – 40 positions (Long Only &amp; SMID)</li> <li>• 15 – 25 positions (Climate)</li> </ul>                  |
| Position sizing         | <ul style="list-style-type: none"> <li>• Max long of 10% of NAV at cost</li> <li>• Max short of 5% of NAV at cost (Long / Short)</li> </ul>                                                      |
| Sell discipline         | <ul style="list-style-type: none"> <li>• Price targets set on 12-month and 5-year rolling time horizon</li> <li>• Stocks reviewed when within 5% of price target</li> </ul>                      |
| Stop losses             | <ul style="list-style-type: none"> <li>• Review process at the stock and fund level</li> <li>• Stock fall of more than 20% from peak</li> <li>• Stock fall of more than 20% from cost</li> </ul> |

## Portfolio Construction

### Ongoing review

Regular portfolio construction meetings are held to evaluate the overall composition, potential risks, and any exposure gaps across key factors. These meetings focus on several critical areas, including:

- Exposure to various Areas of Interest and growth categories
- Valuation metrics
- Short-term performance correlations
- Relative valuation compared to market indices

We also assess the portfolio's exposure to different valuation levels, the average market risk (beta), and the percentage of stocks nearing their 52-week highs. This thorough approach helps keep the portfolio balanced, mindful of risk, and aligned to Munro's investment goals.

### ESG approach

Each portfolio holding undergoes a proprietary ESG analysis to determine its ESG score, which influences the company's earnings multiple and valuation. ESG considerations are integrated throughout the investment process. We are generally willing to pay more for companies that score well on ESG matters as long as they meet other qualitative and quantitative investment criteria.

## Risk management

Risk management is a core principle of our philosophy, with formal position reviews triggered by predefined drawdown limits, including a 20% stop-loss for individual stocks. If persistent issues arise, we may opt to reduce or exit the position. This disciplined approach ensures we manage risk effectively and respond to changing market conditions.

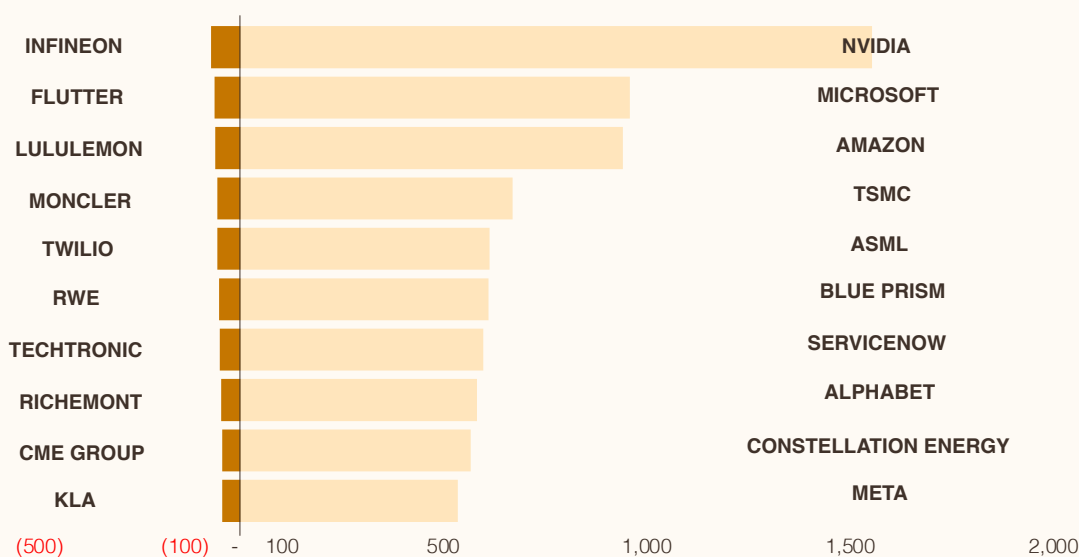
## Sell discipline

We employ a structured approach to managing long positions, setting price targets over five-year time periods and reviewing twelve-month targets each week. Every three months, rolling twelve-month and five-year targets are reassessed, with stocks showing less than 5 percent upside subject to trimming or sale.

## Stop Loss

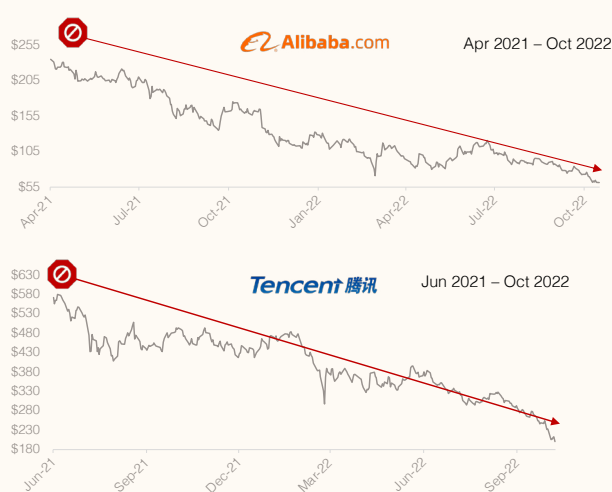
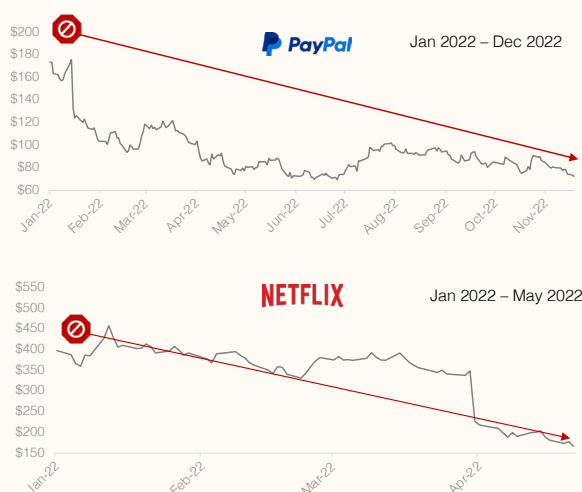
If a stock triggers a 20 per cent stop loss from its peak or cost, it undergoes a review. The stock champion then needs to pitch to the investment team whether or not to keep the stock, and then the investment team will evaluate whether to keep, reduce the position or completely sell it after a 30-day grace period. To date, the team has never lost more than 100bps in any one position.

### TOP & BOTTOM LONG CONTRIBUTORS TO MGGF PERFORMANCE SINCE INCEPTION MUNRO



MGGF is the Munro Global Growth Fund, data is as at 28 February 2025, inception date is 1 August 2016, contribution is shown in basis points. Long/Short strategy using Munro Global Growth Fund as a representative account.

🛑 = Date of Stop-Loss Induced Sale



Source: Refinitiv Eikon, Munro Partners.

## The Munro Difference

### *A whole team approach*

Our investment team collaborates across all four strategies, with the primary goal of finding the few exceptional growth companies. Within the team, members are responsible for developing the investment case for each idea and following it through to its conclusion.

### *One process, four strategies*

At Munro, we operate with a unified investment team and a single, refined process that drives all four of our strategies. Initially implemented in our Munro Global Growth Long/Short and Munro Concentrated Long Only strategies, our process allows us to leverage our knowledge and expand our domain expertise into specialized thematic areas, such as the Munro Climate Change Leaders strategy. It also enables us to extend across the entire market capitalization spectrum for the Munro Global Growth Small & Mid Cap strategy.

**For more information:**

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