

Finding opportunities anywhere in the world

January 2026

Key Points

- Wealth creation is highly concentrated - a small number of exceptional companies drive the majority of long-term market returns.
- Structural growth is global, not regional - megatrends such as AI, decarbonization, and healthcare innovation are unfolding across borders, creating diverse opportunities outside the U.S.
- Munro's process is borderless and repeatable, designed to identify and invest early in these global leaders through deep research, disciplined risk management, and a focus on sustainable earnings growth.

A world of opportunities

For the last few decades, the U.S. market has dominated global equity portfolios providing investors with access to some of history's most innovative companies, deep liquidity and a positive regulatory environment. However, the world is constantly evolving: global supply chains are diversifying, industrial capacity is moving closer to end markets, and new technologies are re-shaping entire industries. For those investors who are seeking diversification via international-only exposure, Munro's process has a track record of finding investment opportunities that may be underappreciated and undervalued, wherever in the world they may be.

A process that can be applied anywhere

At Munro Partners, our investment process is designed not for a single geography but for a single goal: to identify the few long-term winners. Our philosophy is that in the long run, share prices follow earnings, not borders. Our bottom-up process seeks to identify areas of structural change and invest in the companies that have the potential to grow faster and more sustainably, than the broader market. This process is supported by our risk management framework which aims to cut the losers quickly, leaving a portfolio of winners.

Process Overview:

- **Areas of Interest (Aols):** Identifying areas of structural growth leads us to company earnings growth and, ultimately, share price growth.
- **Idea Generation:** Global network, direct management engagement, and relentless active research.
- **Stock Selection:** qualitative and quantitative evaluation: Bottom-up analysis of companies that satisfy Munro's six qualitative characteristics of a great growth company that we have developed over many years of investing, specifically, growth, EPS growth, durability, ESG, control and customer perception. Additionally, the company must also satisfy our quantitative criteria (modeling and valuation work).
- **Risk Management and Portfolio Construction:** Position sizing, stop-loss discipline (review at 20% draw down), and portfolio concentration.

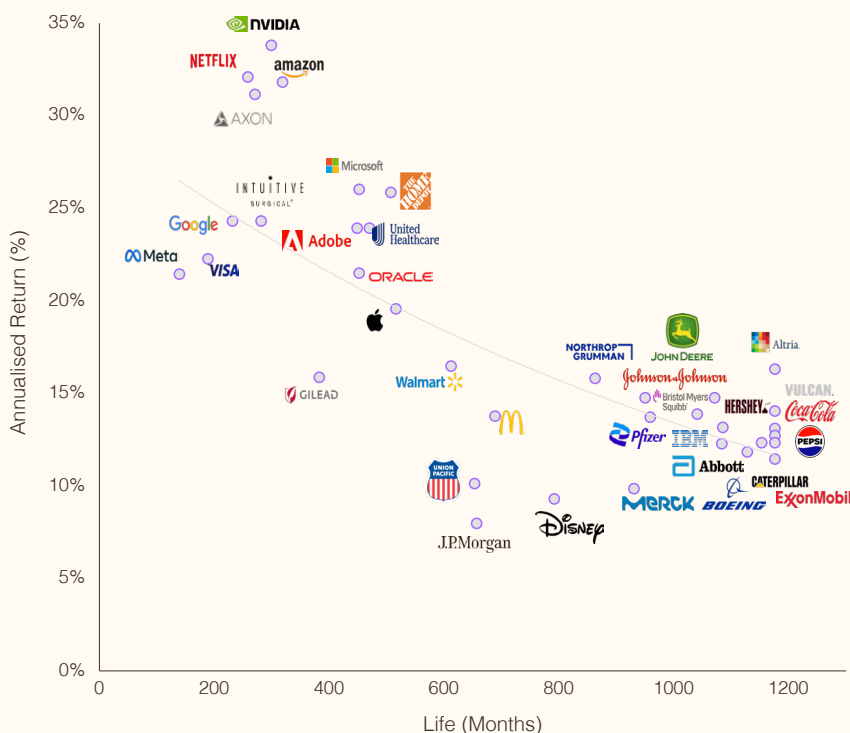
While researching, the team came across a study written in the Journal of Applied Corporate Finance by economist Hendrick Bessembinder. The study analysed 28,114 U.S. stocks listed between 1926 and December 2022 and found that long-term wealth creation is highly concentrated among a small number of exceptional companies. More than 55% of stocks delivered lifetime returns below one-month Treasury bills, while roughly 4% of stocks (or 1,526 companies) created the entire net wealth of the U.S. market – around US\$56 trillion over the period. The top 50 companies alone accounted for nearly 40% of that total.¹ Structural tailwinds such as the rise of big-box retail, the adoption of the Internet, and the growing importance of semiconductors underpinned many of these exceptional winners.

We then applied this same Bessembinder-style research to companies outside the United States, our research confirms that, just like in the U.S., global wealth creation is dominated by a handful of exceptional companies.² Looking at data from January 1990 to June 2020, among global firms (excluding the U.S.), the top 0.5% of companies accounted for 86.6% of all net wealth created, and the top 1% accounted for more than 110%. The pattern is even more exaggerated in the Asia-Pacific region, where the top 1% of firms generated over 300% of total net wealth.³ To summarize, just as Bessembinder demonstrated for U.S. markets, this data shows that global wealth creation ex-U.S. is overwhelmingly driven by a fraction of winners, reinforcing the importance of identifying and owning those structural growth leaders early. Further, it emphasizes that when identifying the winners beyond the U.S., the potential for long-term wealth creation can be just as rewarding, if not greater.

PHILOSOPHY: THERE ARE FEW WINNERS

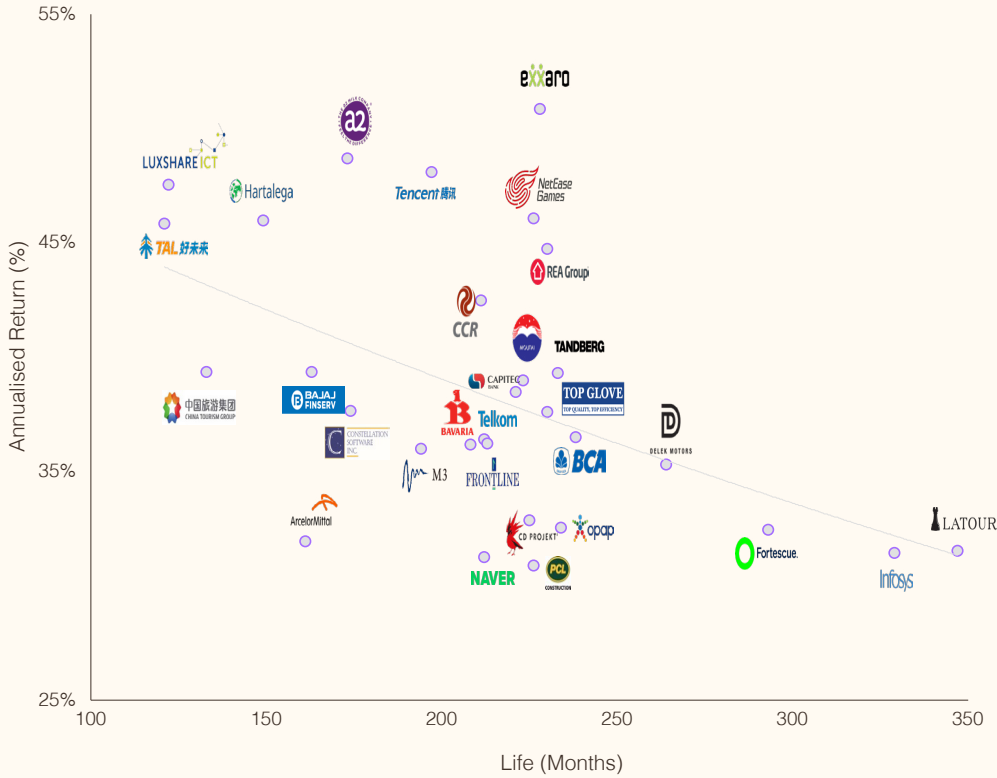
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Only a Handful of U.S. Stocks Generate Most Market Wealth



PHILOSOPHY: THERE ARE FEW WINNERS

Global Ex-U.S.: A Small Number of Stocks Drive Wealth Creation

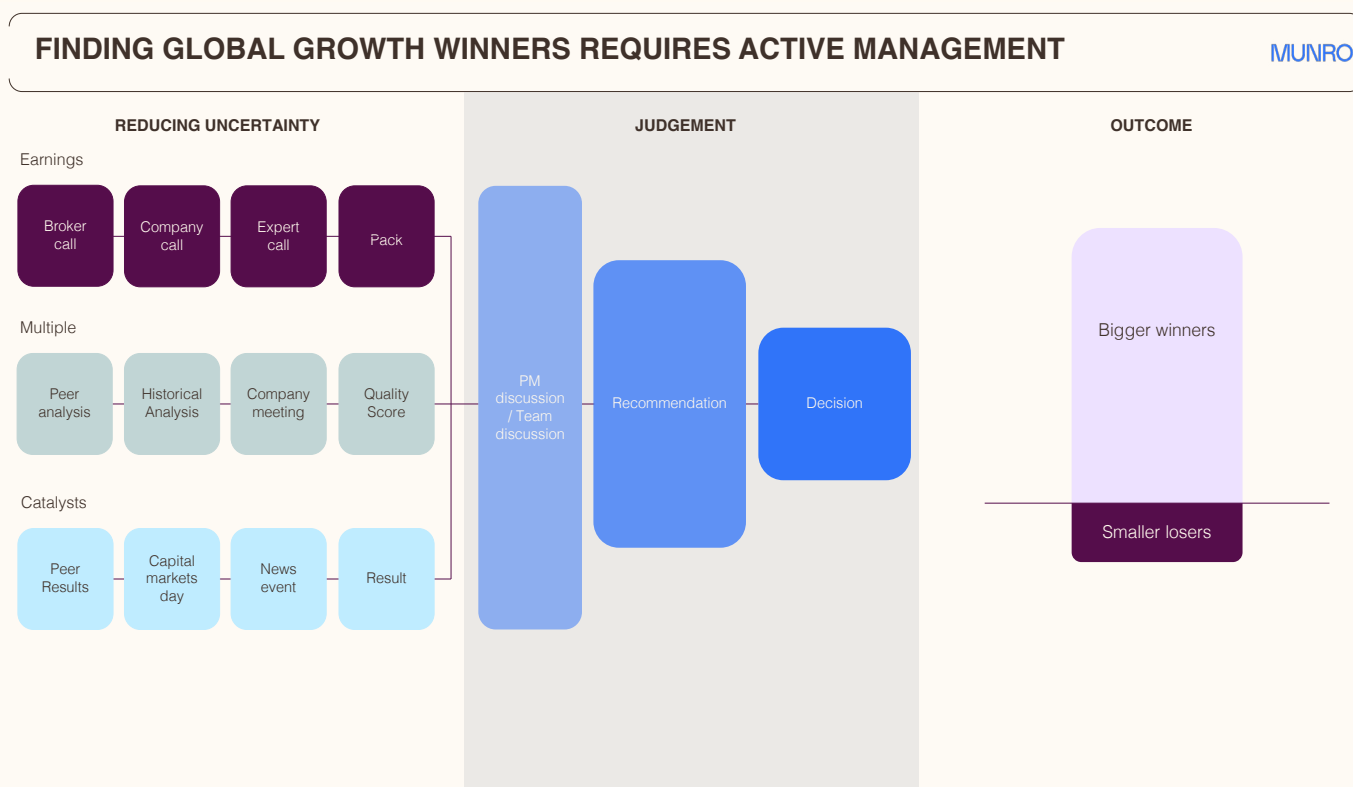


Source: Industry research and Hendrik Bessembinder, Which U.S. Stocks Generated the Highest Long-Term Returns? As at July 16, 2024. Ex-US as at September 30, 2025. Additional source (EX-US chart): Bessembinder, H., Chen, T.-F., Choi, G., & Wei, K.-C. (2019). Do Global Stocks Outperform U.S. Treasury Bills? SSRN Working Paper 3415739; Munro analysis of ex-U.S. companies with more than two years of listing history based on the Bessembinder dataset. Ex-U.S. data as of September 30, 2025. For illustrative purposes, the companies shown in the above graphs may or may not be held in the Munro funds.

¹Hendrik Bessembinder, "Which U.S. Stocks Generated the Highest Long-Term Returns?", Journal of Applied Corporate Finance, 2024. As at 16 July 2024 (AEDT).
²Our global analysis is based on the dataset used in Bessembinder, H., Chen, T.-F., Choi, G., & Wei, K.-C. (2019). Do Global Stocks Outperform U.S. Treasury Bills? SSRN Working Paper 3415739. For our internal research, we applied an additional filter to include only ex-U.S. companies with more than two years of listing history, consistent with our focus on established listed firms.
³Bessembinder, H., Chen, T.-F., Choi, G., & Wei, K.-C. (2020). Long-term shareholder returns: Evidence from 64,000 global stocks (Working Paper, October 12, 2020). SSRN. <https://doi.org/10.2139/ssrn.3712313>

Active research and repeatable process

For our investment team, finding exceptional growth companies starts with doing the work - active, bottom-up research that goes beyond the numbers. Our team is constantly in the field, meeting with analysts, management teams, and industry experts from all over the globe to understand where acceleration is happening, what facts are changing, and who stands to benefit. This research provides the starting point for our ideas, offering real-time insight into business fundamentals, competitive advantage, and structural tailwinds. This relentless research sits at the centre of our investment process and allows us to identify growth leaders or emerging companies, from those simply riding the cycle. Rather than being led by regional sectors, this process allows the team to follow the facts to uncover opportunities that may be undiscovered or undervalued across different markets.

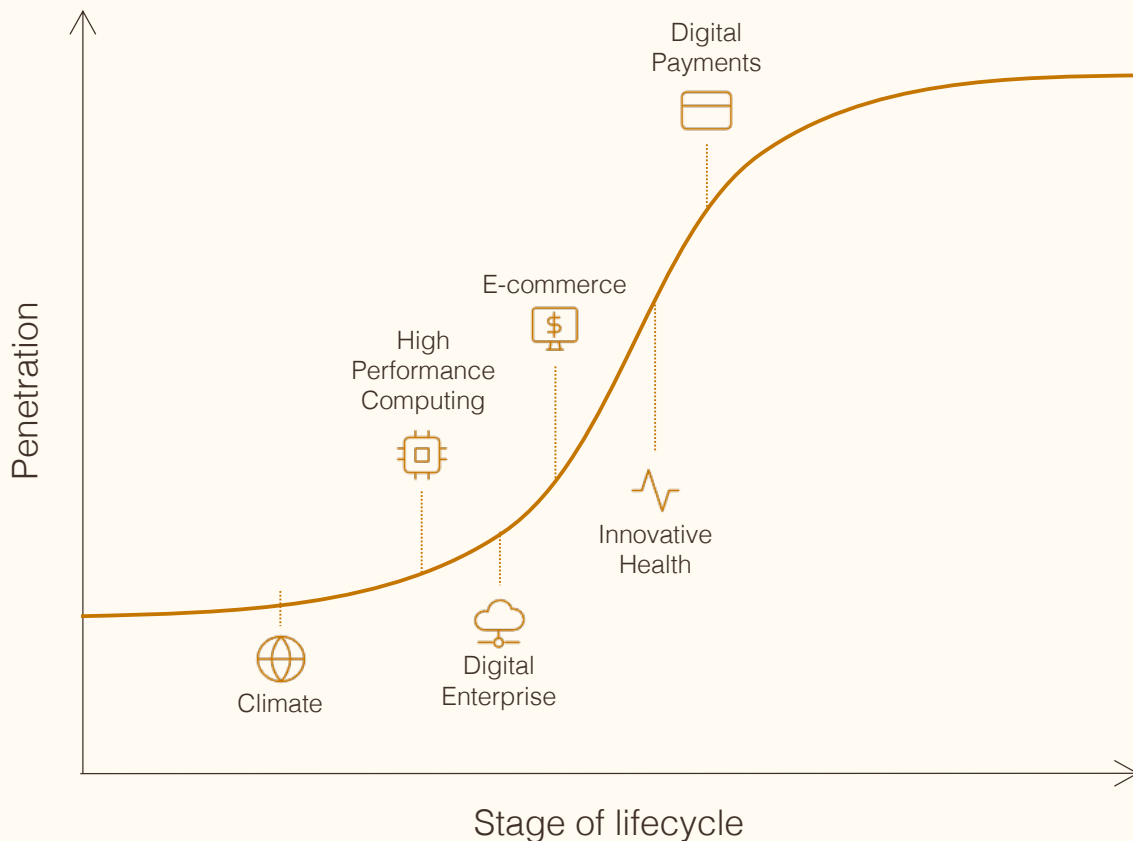


The diagrams shown are for illustrative purposes only and are not to scale.

Areas of structural growth

When it comes to structural trends or what we call Areas of Interest, we view these as borderless phenomena. Whether it's the proliferation of AI, decarbonization, digitization, security, or advances in healthcare solutions, these megatrends are supported by different global tailwinds and are not confined to any single stock exchange. For example, hardware enabling AI may come from Asia, the regulation driving climate action may originate in Europe, and the software monetizing may be developed in the U.S. Our Areas of Interest remain consistent, but the opportunity set within these Aols in international markets can look very different from those in the U.S., often offering similar growth opportunities but at a lower valuation, making it an appealing option for allocations outside of the U.S.

Areas of structural growth



The full list of Munro's Areas of Interest are listed on the Munro website. Graphs are not to scale, for illustrative purposes only.

Our process identifies companies that both drive and benefit from structural change. The following examples illustrate how global tailwinds have led us to some of the world's key structural winners.

Artificial Intelligence: Aol's at work

At Munro Partners, we believe we are firmly in the next era of computing – the Artificial Intelligence (AI) era – potentially the biggest technology shift of our lifetime. Through three main Aols: High Performance Computing, Connectivity and Digital Enterprise, we are seeking to capture the winners throughout the value chain of the boom in AI, from hardware to data processing to end applications. While the U.S. domiciled Magnificent 7 dominate headlines as leaders of AI, the revolution is a global supply chain story. The world is creating insatiable demand for computing power, and companies within the supply chain that are making AI possible reach all corners of the globe. We are seeing established winners from Asia and Europe, such as semiconductor foundry TSMC in Taiwan, lithography giant ASML in the Netherlands, and data centre cooling technology experts Vertiv in France.

Case study: TSMC



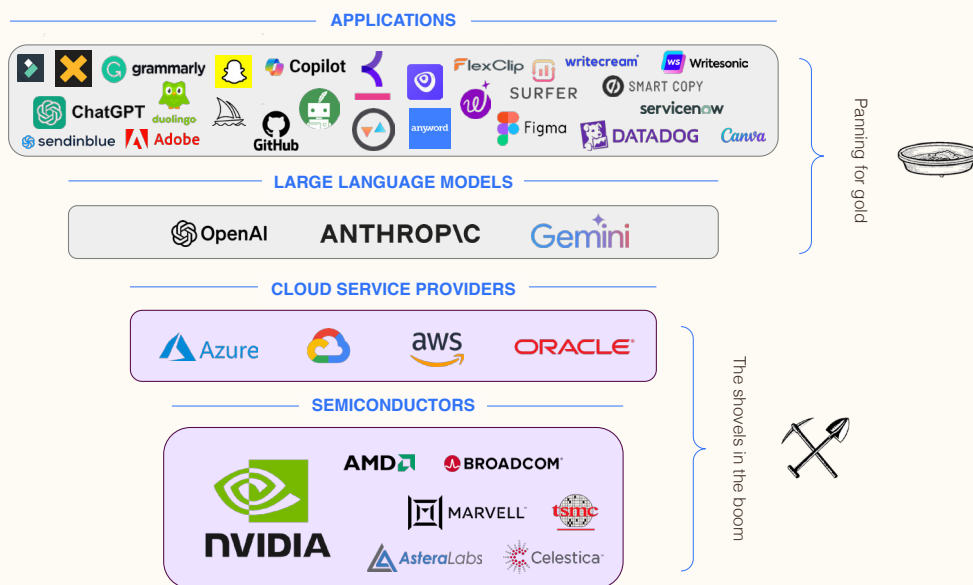
While The Magnificent 7 have stolen the spotlight in terms of AI market coverage, a network of suppliers is quietly reaping the rewards in the background. One of those, is Taiwan Semiconductor Manufacturing Company (TSMC), which Munro has identified as a critical enabler of Artificial Intelligence.

Founded in 1987 in Taiwan, TSMC is the world’s largest pure-play semiconductor foundry, producing roughly 60% of the world’s outsourced semiconductors. As a foundry, the company manufactures chips that are designed by other firms, known as fabless customers, and its business model depends on scale, speed to market, and the maturity of its production nodes. TSMC supplies chips to many of the world’s leading technology companies, including Apple and Nvidia, and serves a wide range of end markets such as smartphones, industrial applications, and computers.

Because it produces semiconductors for nearly all major players, TSMC is often regarded as a bellwether for the semiconductor industry. In the field of Artificial Intelligence, it plays a central role as the primary manufacturer for Nvidia, Broadcom, and AMD, making it a critical supplier to the global AI infrastructure expansion. Through its technological leadership and scalability, TSMC has established itself as the clear leader in the AI ‘arms’ race.

THE AI STACK – LOTS OF PLAYERS BUT ONLY A FEW ENABLERS

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For illustrative purposes, the companies shown may or may not be held in the Munro funds.

Net zero commitments now cover more than 74% of global GDP¹, and major economies continue to introduce ambitious policies aimed at accelerating the transition towards net-zero carbon emissions. Meanwhile, some of the world's largest companies are making multibillion-dollar investments to reduce emissions, secure clean energy, and future-proof their operations. Europe leads the way with regulatory frameworks and industrial execution, while Asia drives scale and cost leadership in components like batteries.

Case Study: CATL



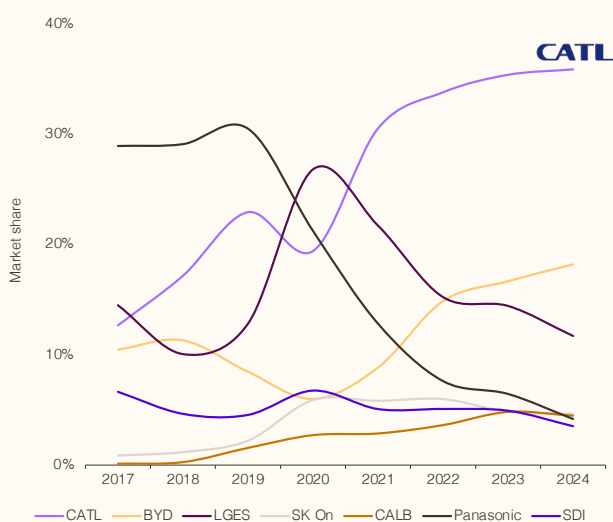
Recognizing that much of the world is committed to achieving net zero carbon emissions, many industries will need to electrify, and batteries sit at the centre of this shift as a potential beneficiary. China leads the charge in battery innovation, driven by strong government support, vast domestic demand, control over raw materials, and unmatched scale in manufacturing. It's no surprise that Munro's research led to CATL, the world's largest battery cell producer, commanding around 35% of global market share.² While the U.S. has taken an "anti-China" stance toward electric vehicle and battery makers, CATL's growth story extends well beyond America. With electric vehicle penetration already nearing 50% in China, the next runway of growth is in Europe, where EV adoption sits around 18% and policymakers are targeting full fleet electrification by 2035.³ CATL is positioning itself at the centre of this transition, partnering with leading European automakers and investing directly in new battery plants across the continent. The company's future growth is increasingly global, driven by Europe's accelerating commitment to electrification. CATL is partnering with leading European automakers and building new gigafactories across the continent.

A key advantage lies in CATL's leadership in lithium iron phosphate (LFP) battery technology, which eliminates the need for cobalt used in traditional NCM batteries, which is a major consideration for automakers focused on cost efficiency and supply chain sustainability. Together, these factors make CATL a prime example of what Munro considers a great growth company.

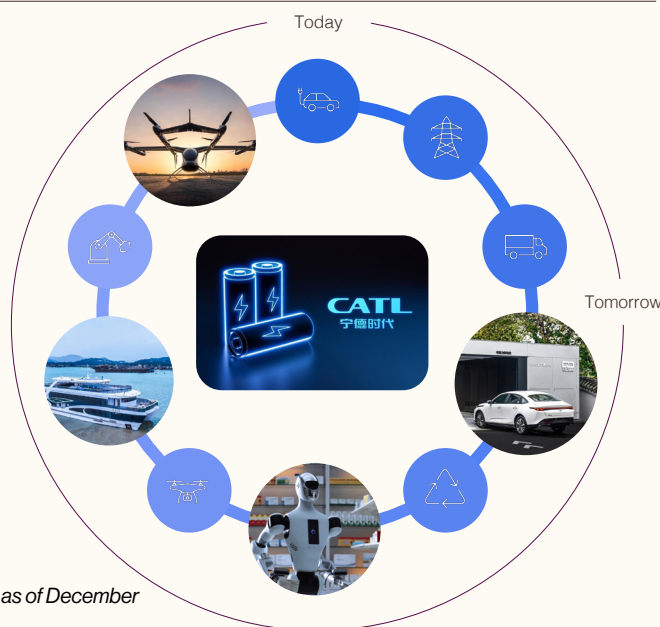
LEADING MARKET SHARE WITH MANY NEW USES EMERGING

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CATL has taken the market share lead



New applications on the horizon



Source: Bernstein, CATL. Note: Market share chart only includes top 7 companies as of December 2024. Prepared September 2025.

¹Net Zero Tracker November 2025. <https://zerotracker.net>

²https://www.sneresearch.com/en/insight/release_view/492/page/0

³<https://www.iea.org/reports/global-ev-outlook-2025/trends-in-electric-car-markets-2>; <https://www.iea.org/reports/global-ev-outlook-2025/trends-in-electric-car-markets-2>; <https://www.eea.europa.eu/en/analysis/indicators/new-registrations-of-electric-vehicles>

Innovative Health

The world's population is aging, while modern diets and lifestyles have driven a surge in chronic disease. At the same time, the healthcare industry faces rising costs and inconsistent outcomes. These pressures are creating fertile ground for innovation across the industry, across diagnostics and patient care in areas like genetic sequencing, virtual reality, and 3D-printed medical devices.

Case study: Galderma

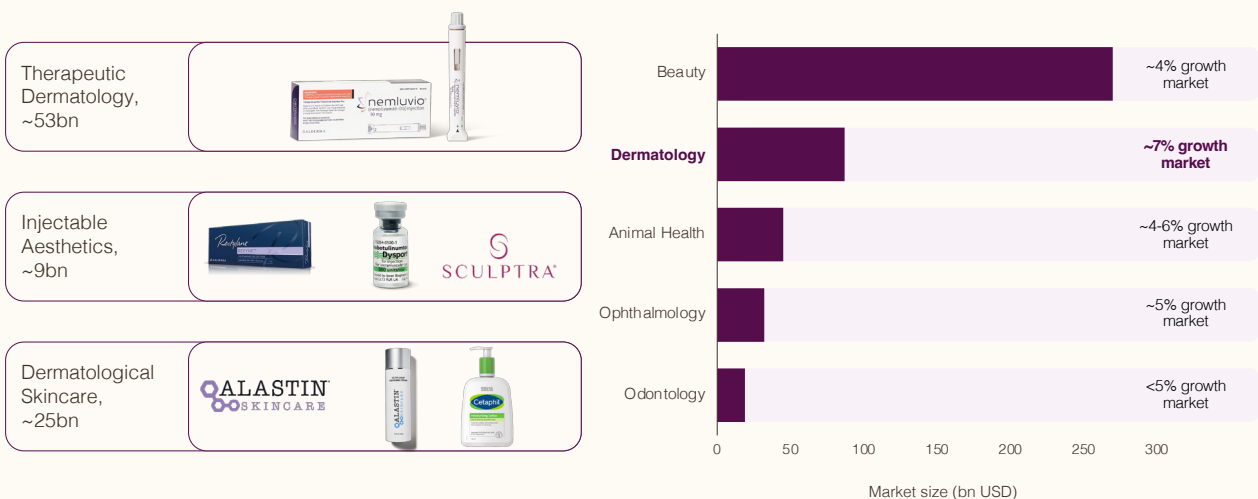


With the rise of GLP-1 drugs came the rise of rapid weight loss, with a key side effect in patients being 'Ozempic face' – where the face hollows due to the lack of fat. In response, many within the GLP-1 user population are turning to aesthetic dermatology solutions such as fillers and Botox to restore facial volume. After capturing the early investment opportunities within the GLP-1 trend, the Munro team looked to the next evolution in this patient journey and identified Galderma, a Swiss company and global leader in aesthetic dermatology, as a key beneficiary of this emerging demand.

Galderma is the world's largest pure-play dermatology company, with a strong presence across all three segments of its US\$87 billion addressable market: injectable aesthetics (including Dysport, the #2 brand behind Botox), skincare (Cetaphil), and therapeutic dermatology. We believe the company's next major growth driver lies in biologics, a US\$53 billion market, through its new drug Nemluvio. Approved for prurigo nodularis and atopic dermatitis, Nemluvio is already gaining traction among patients and physicians. We believe this could unlock a significant new revenue stream and potentially more than double company earnings over the next five years.

DERMATOLOGY IS A LARGE SELF-PAY MARKET

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Source: UBS Research, 2 May 2024. All numbers are in USD. The companies mentioned may or may not be held in the Munro Funds.

Security and Defence

Defence spending is often viewed through the lens of national security responses to global conflict, but at Munro, we see a far broader opportunity. The modern defence industry is evolving beyond the manufacture of weapons and hardware to encompass the technologies, software, and systems that enhance public safety and operational efficiency, including intelligence and surveillance, to cybersecurity and logistics.

In saying that, looking at a more traditional runway of growth of Security, many NATO member nations are falling short of their longstanding commitment to allocate at least 2% of GDP toward defence, with countries such as Canada, Germany, Italy, and Spain among those under investing.¹ Many of these countries are now allocating national spending to play 'catch-up' to comply with the NATO requirements. Additionally, before his second term, the U.S. President announced his call on NATO allies to increase defence spending toward 5% of GDP, creating a tailwind for investment in defence capabilities.²

Case Study: Rheinmetall



European defence contractors such as Rheinmetall are positioned to be a key beneficiary of rising NATO defence budgets, as both Europe and Asia focus on developing regional defence champions rather than remaining dependent on U.S. suppliers.

We think German company Rheinmetall is positioned to benefit from this. Moreover, the growth trajectory of Rheinmetall stems from three decades of underinvestment in defence, particularly across Europe, which is now compounded by increased geopolitical uncertainty. The extent of this underinvestment became clear in 2022, when the Russia/Ukraine conflict highlighted that Germany reportedly had only three days' worth of ammunition when the war broke out. In response, national security has been brought to the forefront of the political agenda. Germany has since established a EUR\$100 billion special fund to modernize and expand its defence capabilities.

As the country's leading ammunition supplier, Rheinmetall is positioned to be a direct beneficiary of this special fund. We believe that the large-scale restocking phase is still ahead, as most current production continues to support Ukraine. At the same time, the U.S. has signalled a shift away from subsidising European defence, further encouraging regional self-sufficiency and investment.

From an ESG perspective, we believe that Rheinmetall stands out positively among peers, with approximately 88% of its order book tied to NATO countries.³ Of the remaining 12%, management expects exposure to high-risk markets to decline over time, with residual sales primarily to low-risk allies such as Switzerland. We continue to monitor the company's progress under Transparency International's Defence Sector Integrity Index, where Rheinmetall's exposure to higher-risk countries remains below the industry average.

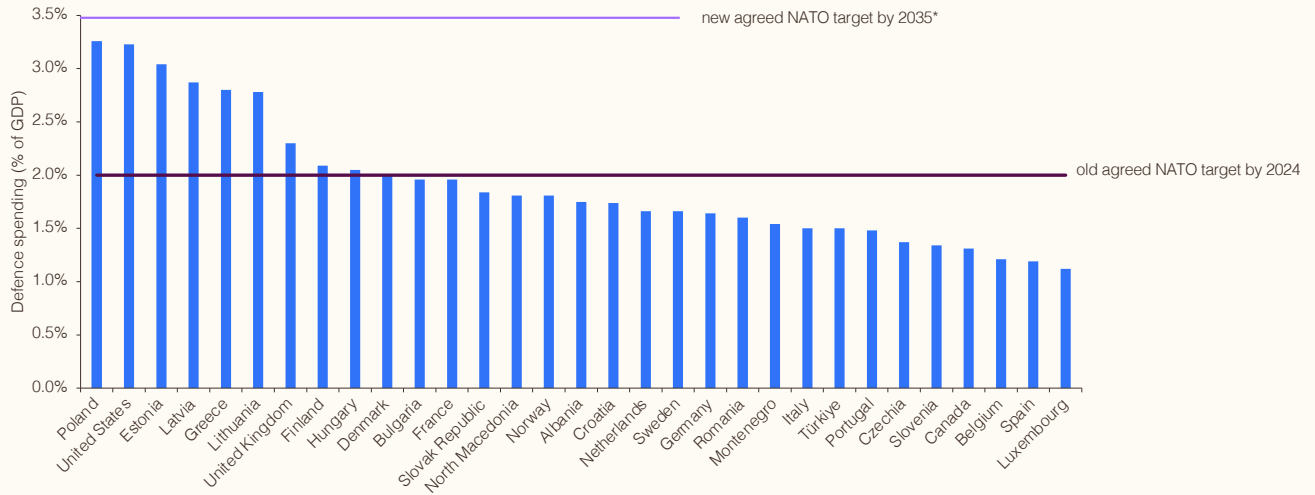
¹<https://www.globalfirepower.com/defense-spending-budget.php>

²Reuters. (2024, February 12). Trump says NATO allies should increase defence spending target to 5% of GDP. <https://www.reuters.com>

³Rheinmetall Investor Presentation January 2026

SECURITY: A STRUCTURAL GROWTH AREA

NATO believe that 2% is no longer enough to address the current global threat environment



Source: Global Firepower, 1 September 2025. *Allies made a commitment to 5% of GDP on core defence and security-related spending, where they will allocate at least 3.5% of GDP annually to these areas and the rest (1.5% of GDP) on areas such as protecting critical infrastructure, network security, civil preparedness etc.

Conclusion

While the U.S. has produced many of history’s great growth companies, we believe that structural change is a global phenomenon. Remaining region ‘agnostic’ and looking beyond the U.S. only broadens the opportunity set and introduces diversification benefits that can’t always be found in a single market. Many international regions remain underexplored and undervalued, offering attractive access to innovative companies that may be mispriced or misunderstood by the broader market. **Our repeatable investment process means we can identify and invest early in the few structural winners, wherever they emerge.**

For more information:**Akilan Karuna, CFA, MFin**

Partner & Head of Institutional and
Strategic Partnerships

+1 416 402 4252

akaruna@munropartners.com.au

**Brad Haughey, CFA**

Vice President, Institutional
Investments

+1 647 988 3147

bhaughey@munropartners.com.au

**Nick Holland, CFA**

Institutional Strategist

+1 647 993 9022

nholland@munropartners.com.au

**Arani Raskumar**

Client Relations Manager

+1 647 905 8941

araskumar@munropartners.com.au