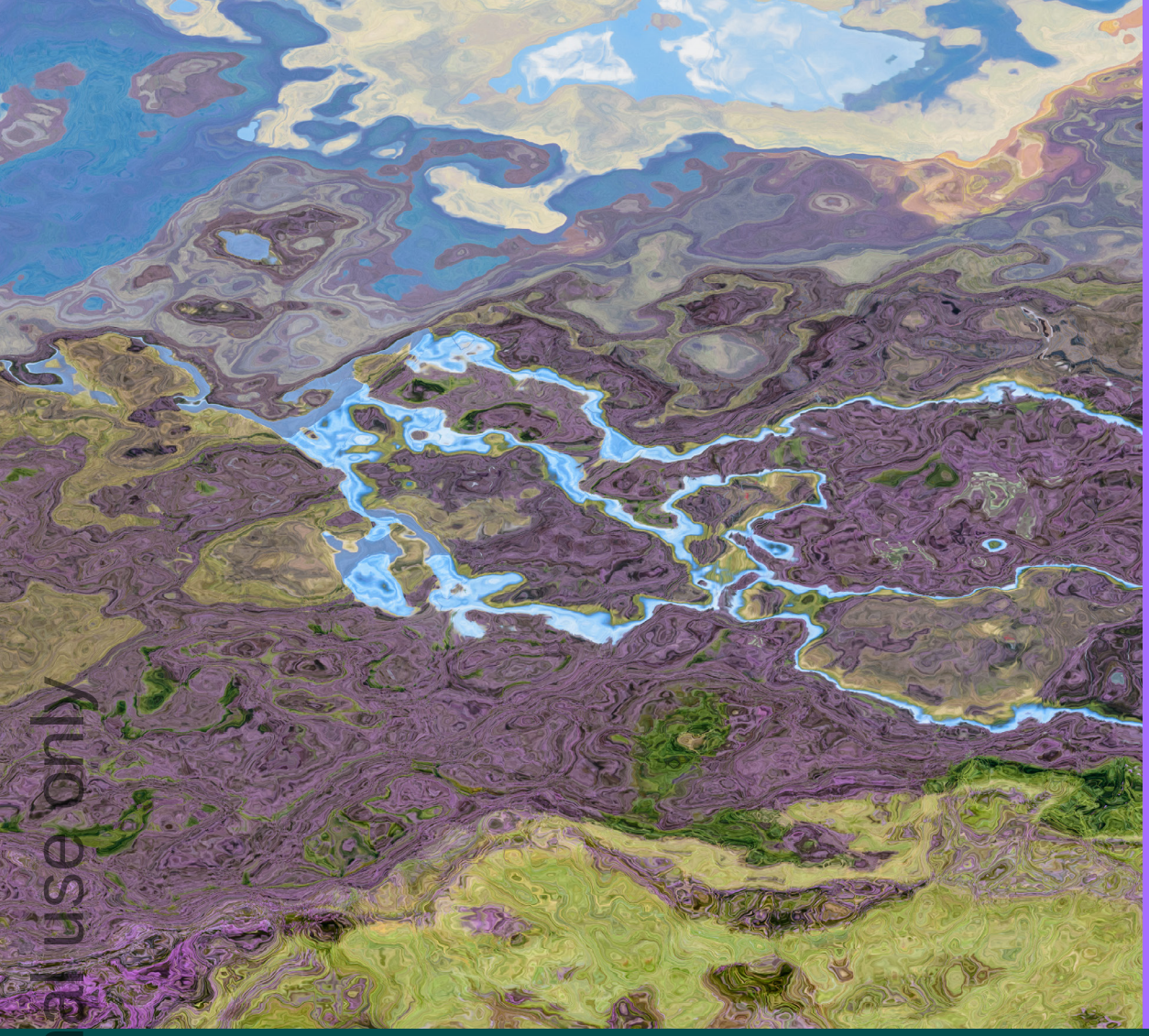


MUNRO

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Quarterly report

Munro Climate Change Leaders Fund

MCCL.ASX

June 2025

Munro Climate Change Leaders Fund & MCCL.ASX

June 2025 – Quarterly report

MCCL Fund quarter return (net)
21.5%

MSCI ACWI quarter return (net)
6.0%

MCCL.ASX Fund quarter return (net)
21.5%

MSCI ACWI quarter return (net)
6.0%

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QUARTERLY HIGHLIGHTS

The Munro Climate Change Leaders Fund returned 21.5% (net) for the June quarter (MCCL.ASX 21.5% net) outperforming the benchmark return of 6.0% by 15.4%.

Siemens Energy and GE Vernova were positive contributors for the quarter, while Kingspan and Saint Gobain detracted from performance.

Despite elevated macroeconomic uncertainty and fluctuating headlines, the Fund has again demonstrated that structural tailwinds around decarbonisation spending in the economy outweigh the Trump election campaign's anti-renewables headlines.

MUNRO MEDIA

Invest in the Journey Podcast, 2 July 2025
Uncovering growth opportunities from San Francisco & New York
Listen to the episode here

Invest in the Journey Podcast, 24 June 2025
Investing in the global nuclear energy renaissance
Listen to the episode here

Firstlinks, 14 May 2025
Four ways to capitalise on a forgotten investing megatrend
Read the article here

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INVESTMENT TEAM



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QUARTERLY COMMENTARY

Fund commentary

The Munro Climate Change Leaders Fund returned 21.5% (net) for the June quarter (MCCL.ASX 21.5% net) outperforming the benchmark return of 6.0% by 15.4%.

The Fund returned 33.6% (net) for the financial year, outperforming the benchmark return of 18.4% (net).

Equity markets experienced heightened volatility to commence the quarter as investors faced trade tensions between the US and many other countries. A subsequent pause in tariffs from the US Administration created a sharp rally in stocks, driven primarily by the S&P 500 and Nasdaq. Towards the end of the quarter, geopolitical tensions between Israel and Iran dominated headlines; however, markets again reacted favourably to US intervention and the subsequent ceasefire.

Market performance for the quarter was dominated by US indices, with both the S&P 500 and Nasdaq up over double digits, driven by trade relief and continued strong growth in megatrends, specifically artificial intelligence (AI) and climate change. European and Chinese stocks gained moderately while the Japanese Nikkei rose by double digits.

From a Fund perspective, the Fund's Clean Energy holdings generally performed well in the second quarter, driven by positive earnings results and the continued focus that AI is placing on power supply, the requirement to be able to electrify transport and buildings (electric vehicles and heat pumps), as well as the extensive load growth that will come from the US reshoring of manufacturing from Asia.

During the quarter, there was back-and-forth political rhetoric about what the US Administration would do with the Inflation Reduction Act (IRA), given Trump's election promises to scrap the "Green New Scam" (Biden's primary piece of environmental legislation).

While the distraction of which components of the IRA the US Administration would try to repeal is unhelpful, we note that Trump and the Republicans are having to balance their aggressive political message with the economic and business reality. That is, the IRA has provided a considerable tailwind to growth for a range of industrial and energy companies and is popular with corporates. They simply cannot scrap these incentives wholesale as it would be bad for business and jobs, particularly in Republican districts.

While we do expect some specific areas like residential solar and electric vehicle credits to come under specific pressure, we'd note that for the most part, areas like utility scale solar, battery storage, domestic clean energy manufacturing credits, at this stage look like they will have longer grace periods before their incentives roll off.

As anticipated, it also looks as though proposed changes to the parts of the IRA that promote nuclear energy, which have strong bipartisan support, have been the least impacted.

Siemens Energy and GE Vernova (Clean Energy) were positive contributors to performance for the quarter with their power equipment (gas, wind, nuclear, etc.) and grid equipment assets becoming increasingly critical in the US and Western Europe, where there is insufficient power generation supply, electrical transmission and distribution infrastructure. While Constellation Energy (Clean Energy), with its unmatched existing carbon-free nuclear energy generation fleet, also performed well, as political and corporate support for the sector came into stronger focus in the period. We expand on Siemens Energy and Constellation Energy in the stock stories section below.

Further positive contribution to performance came from Nvidia (Energy Efficiency) and Quanta Services (Clean Energy). Nvidia was driven by continued optimism in AI. We consider the stock to be a decarbonisation enabler as its GPUs are significantly more power efficient than CPUs within data centres. Each iteration continues to achieve massive efficiency improvements. Quanta Services, meanwhile, as one of the largest employers of utility scale electricians in the US continues to benefit from the build of electrical infrastructure by the top ten US utilities.

Kingspan and Saint Gobain (Energy Efficiency) detracted from performance, with the sluggish European economy impacting demand for their insulation products that are used in buildings. Copart (Circular Economy) also drifted lower as the volume of damaged cars that it handles (for re-use) is being impacted by US motorists choosing to underinsure, given affordability pressures. BYD (Clean Transport) also detracted from performance due to cutting prices in the competitive Chinese EV market. Nextera Energy (Clean Energy), the most prominent renewables developer in the US, was also an underperformer, primarily on the uncertainty in the solar, wind and storage sectors from the possible IRA repeal. Importantly, we believe Nextera and the projects it is developing are economically viable regardless of subsidies.

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Market Outlook

Despite elevated macroeconomic uncertainty and fluctuating headlines, the Fund has again demonstrated that structural tailwinds around decarbonisation spending in the economy outweigh the Trump election campaign's anti-renewables headlines. In fact, as active growth equity fund managers, that like to look at the glass as being "half full", Munro are still of the view that the Trump Administration's policies may prove to be net positives for many areas of the decarbonisation agenda. We are particularly excited about possible regulatory positives around nuclear energy generation and electrical infrastructure permitting, while acknowledging that we may need to remain nimble around politically riskier areas like electric vehicles and residential solar in the US.

More broadly we remain bullish as we expect the rapid build out of data centres, the electrification of industry and the reshoring of critical manufacturing to the US to create decade-long structural earnings growth opportunities for the holdings within the Fund. There is now a clear incentive for corporations to act, and this action must be swift to not just meet rising demand, but also to catch up for the prior energy infrastructure spending malaise. We expect this will continue to provide strong tailwinds to earnings growth for companies in the Fund.

For the team's broader market outlook, see the Munro Global Growth Fund report here.

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SIEMENS energy

CLIMATE SUB AREA OF INTEREST: **Clean Energy**

MARKET CAP: **US$92bn**

Siemens Energy contributed 387bps to performance for the quarter.

Siemens Energy is a German power equipment and electrical equipment company. The company provides power generation equipment for the gas, wind and nuclear markets, and grid equipment including transformers and storage for the electricity transmission and distribution sector. These products are becoming increasingly critical in the US and Western Europe where there is insufficient power generation supply and aging, sub-scale electrical infrastructure.

This robust demand dynamic is increasingly showing up in Siemens Energy's results with the company growing its orders at over 50% year on year at its latest earnings. Given the momentum in the end markets, we expect the company to formally lift its medium-term earnings growth guidance at its Capital Markets Day in November this year. We also note that with the financial health of the company improving (after difficulties with fixed priced contracts during Covid) it should be able to resume dividend payments in the medium term.

In terms of the longer-term backdrop, we expect demand to remain robust. According to the International Energy Agency, less than 30% of global energy use is electrified. Yet we know that to decarbonise things like transport (via electric vehicles), and heating and cooling, we need to power them with low carbon electricity. So, the high voltage electrical equipment from companies like Siemens Energy has an increasingly important role, especially when the overall electricity demand has also increased through artificial intelligence usage.

One issue the company needs to continue to work through is its wind segment, which has been challenged for many years. Despite ongoing global efforts to decarbonise electricity generation through adding renewables, equipment manufacturers have struggled to maintain profitability due to the unprecedented input cost inflation and supply chain issues absorbed throughout 2022-2023, which rendered many fixed price equipment and installation contracts unprofitable. Nonetheless, Siemens Energy (and peers) have since rationalised their pricing strategy and are targeting a return to profitability as this unprofitable component of the backlog is worked down. We are confident the industry has now consolidated and rationalised and that Siemens Energy and its major peers are through the worst of the problems.

Siemens Energy fits the 'Clean Energy' sub-Area of Interest. Over 50% of their revenue is from products or services that enable decarbonisation, namely the grid and wind energy businesses (but not the gas equipment).

Within gas turbines, the company has seen a supply-demand imbalance as countries deal with coal fired power plant closures, which are more carbon intensive than gas, together with added renewables which are low emitting but also intermittent. The company is seeing increased profitability from this segment given these dynamics. Despite some positives around coal to gas switching, Munro does not count gas as "enabling decarbonisation". Gas at Siemens Energy is less than half the company's revenue.

The gas equipment segment causes Siemens Energy to report large scope 3 emissions. These are not emissions of the company, but those of their customers using the gas turbines. But carbon footprints don't tell the full story.

First, to repeat, most of the revenue is electrical and wind power equipment. Second, Siemens Energy has a target to reduce scope 3 'use of sold products' emissions by 28% by fiscal year 2030, which has been approved by the Science Based Targets Initiative. The pathways include using hydrogen and other green fuels (instead of natural gas) to drive these turbines, and carbon capture. Finally, while Siemens Energy's carbon footprint takes into account their customers' use of their gas turbines, it does not give them 'credit' for the emissions their electrical and wind equipment helps their customers avoid. So, especially for companies whose products enable decarbonisation, rather than being reliant on a company's carbon footprint alone we consider the emissions that they help their customers avoid and their emission reduction targets.

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Constellation

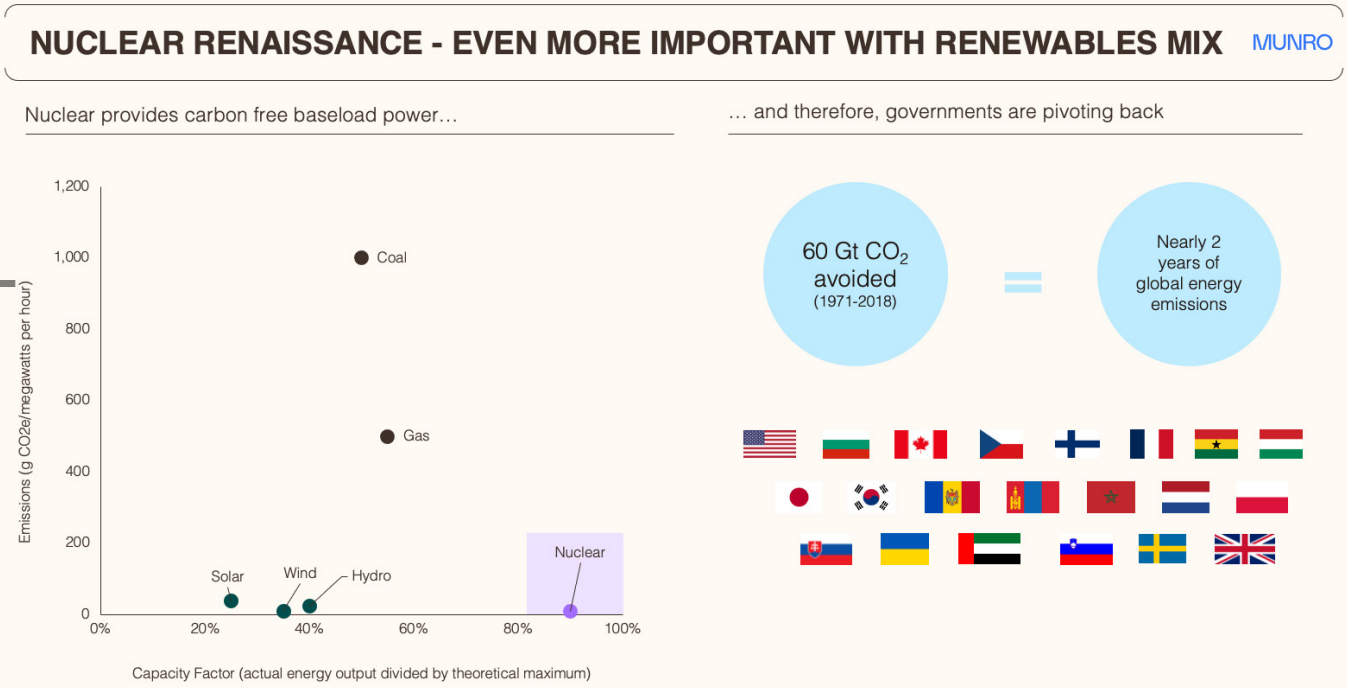
CLIMATE SUB AREA OF INTEREST: **Clean Energy**
MARKET CAP: **US$102bn**

Constellation Energy added 309 bps to Fund performance for the quarter.

Constellation Energy (CEG) was spun-out of Exelon Energy in January 2022 and is an independent power producer that owns and operates the largest nuclear fleet in the US, holding more than 55% of the nation's unregulated capacity. With plants stretching from the Midwest across to New York, CEG provides greater than 180TWh of carbon-free electricity to Americans each year, which amounts to ~120mn metric tons of CO2 avoided annually.

In the June quarter, CEG signed a 20-year virtual power purchase agreement with Meta, their second such deal with a large technology company. Meta has agreed to offtake 1.1GW of nuclear power from CEG's Clinton Plant in Illinois starting in 2027, and while the pricing details aren't as clear-cut as the deal with Microsoft, market consensus has landed somewhere between $80-90/MWh. We would note that this is a 'front-of-the-metre' deal, which would attract weaker economics than a 'behind-the-metre' deal (where transmission fees can be avoided and the customer has more control over the resource). While the market initially nit-picked the deal pricing, we think the most important variable is the number of nuclear plants that CEG can place under long-term contracts, rather than focusing on whether pricing was at the higher or lower end of the range. This is because the existing fleet is yielding just shy of $45/MWh (the production tax credits under the Inflation Reduction Act). We estimate that every 1GW that is contracted at $90/MWh increases CEG's earnings per share by about $0.85 (for reference, Bloomberg consensus EPS for 2025 is $9.41).

It's important to remember that Meta is not building a co-located data centre on-site, nor are they realising any savings from bypassing the transmission infrastructure. They are effectively paying twice the spot power price for nuclear energy's carbon-free, baseload attributes. CEG are also performing 30MW of uprates (increasing the capacity of the existing plant) and is exploring the possibility of developing small modular reactors (SMRs) on-site. Deploying SMRs in local communities with a positive disposition towards nuclear energy makes sense to us, and we see a longer-term opportunity for CEG in realising the 'land value' of existing large-scale nuclear sites for SMR developments.



Source: International Energy Agency (IEA), UN Economic Commission for Europe, Energy.gov, IPCC, RethinkX, Irena, Munro estimates based on industry research. Slide prepared November 2024. Figures in respect of CO2 avoided are based on estimates made by the International Energy Agency.

The nuclear industry as a whole was supported by an executive order made by the President in May, which centred around speeding up evaluation and approval timelines, facilitating new plant construction (both large-scale reactors and SMRs) and supporting the restart of retired nuclear plants. For the first time since we've been following the nuclear energy space, we are seeing projects being pulled in, with CEG now expecting to restart Three Mile Island (renamed the Crane Clean Energy Centre) in 2027, one year earlier than they'd expected. This followed reports in late June that New York was intending to build a new large-scale nuclear facility, the first undertaken in over 15 years. We continue to be excited by the improving outlook for the US nuclear industry, an industry that has been more or less dormant for 35 years. We believe there is still significant value for CEG to unlock within their portfolio of nuclear assets over the medium term.

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STOCK SELECTION PROCESS

How a sample of companies in the Munro Climate Change Leaders Fund are enabling decarbonisation

The Munro investment process seeks to identify companies across a range of industries and countries whose earnings prospects would improve with increased investment and focus on decarbonisation, as the global economy moves towards reducing carbon emissions. Companies Munro considers climate change leaders and decarbonisation enablers generally fit one or more of the following sub themes:

- Clean Energy – Companies benefiting from the demand for carbon-free and renewable energy including energy generation covering wind, solar, nuclear, renewable diesel and electrical grid equipment
- Clean Transport – companies benefiting from the growth of electric vehicles, battery technology and other low carbon transportation methods
- Energy Efficiency – companies offering energy-efficient solutions such as insulation products, electrical switches, lighting, metering and other related technologies
- Circular Economy – companies positioned to benefit from advancements in recycling, alternative packaging, waste and wastewater management, agricultural technologies and other resource-conserving services.

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How some of the Fund's holdings meet Munro's definition of a climate change leader:

Constellation Energy

Clean Energy

Constellation Energy owns the largest fleet of nuclear power stations in the US.

Nuclear energy is a carbon-free source of electricity.

Nearly 90% of their annual output is carbon-free*.

Quanta Services

Clean Energy

Quanta Services develops electricity infrastructure, which is essential in the transition to decarbonise the planet because it allows things including cars, heating and cooling to be electrified.

Separately, Quanta has a dedicated business which develops renewable energy projects.

Nvidia

Energy Efficiency

As the world's demand for artificial intelligence grows rapidly, Nvidia is enabling more energy efficient data centres through their GPU chips.

Nvidia's GPUs are as much as 20 times more energy efficient for certain AI and High Performance Computing workloads versus CPUs.

And, pleasingly, newer products are continuing to achieve large energy efficiency gains per unit of computing.

Clean Harbors

Circular Economy

Clean Harbors collects, manages and destroys or stores hazardous industrial waste. Some of this waste has high global warming potential (GWP) if it is released into the atmosphere. Clean Harbors' safe destruction helps avoid emissions.

Clean Harbors also recycles used motor oil. This process is less emissions intensive than making oil from crude.

Linde

Energy Efficiency

Linde enables decarbonisation through providing industrial gases, some of which help industrial operations run more efficiently with lower emissions.

Linde is also developing large clean energy projects, specifically 'blue hydrogen', which is hydrogen produced with natural gas where the carbon is captured and stored. Hydrogen, which has no carbon emissions when combusted, can help decarbonise industrials and heavy transport.

Siemens Energy

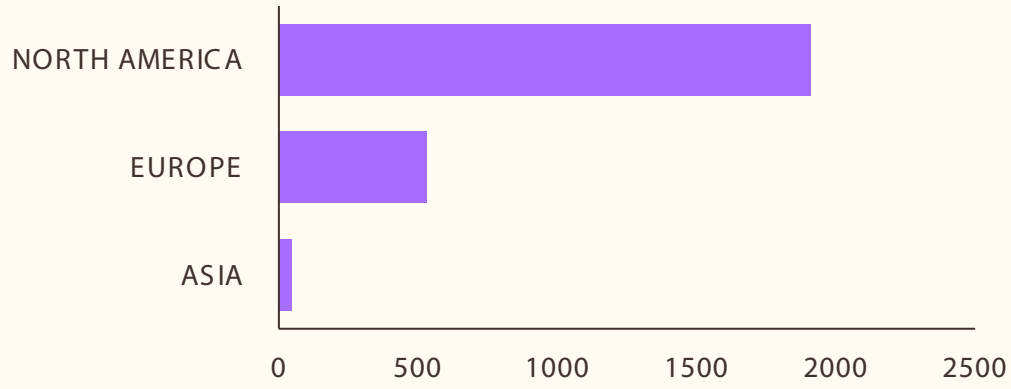
Clean Energy

The majority of Siemens Energy's revenues are from electrical grid and renewable energy equipment (primarily for wind energy). This infrastructure is essential to decarbonising electricity, which also enables other things like transport and heating to be electrified and decarbonised.

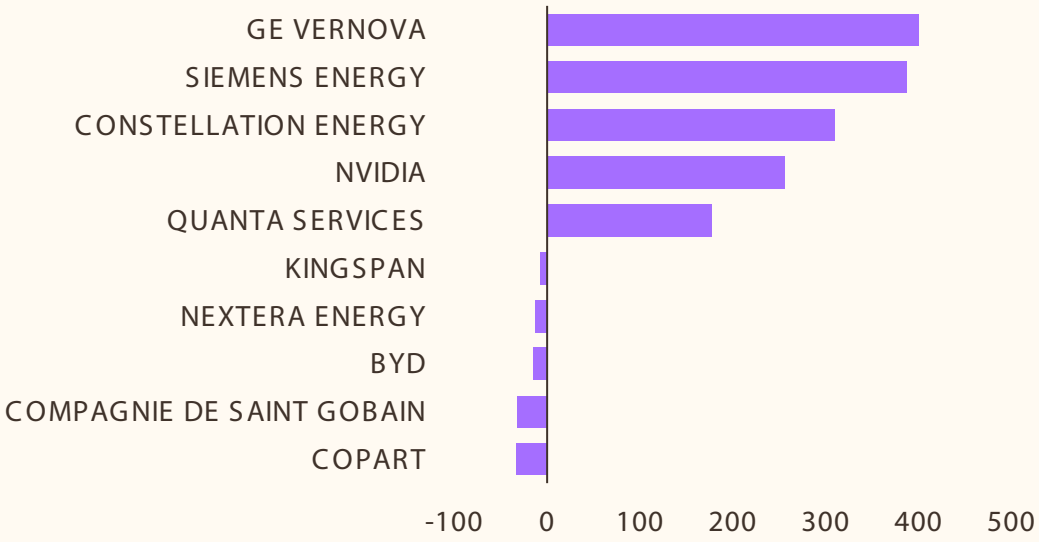
*The full list of fund holdings, presented on a one-month lag basis, is available on our website. *Source: Munro Partners & Constellation Energy 30 June 2025.*

QUARTERLY FUND ATTRIBUTION (BASIS POINTS)

By region (equities only)



Top & bottom contributors to performance



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QUARTER END EXPOSURE

Category

EQUITIES	99.1%
CASH	0.9%
NO. OF POSITIONS	25

Sector

INDUSTRIALS	57.3%
UTILITIES	22.1%
INFORMATION TECHNOLOGY	10.6%
OTHER	9.0%
CASH	0.9%

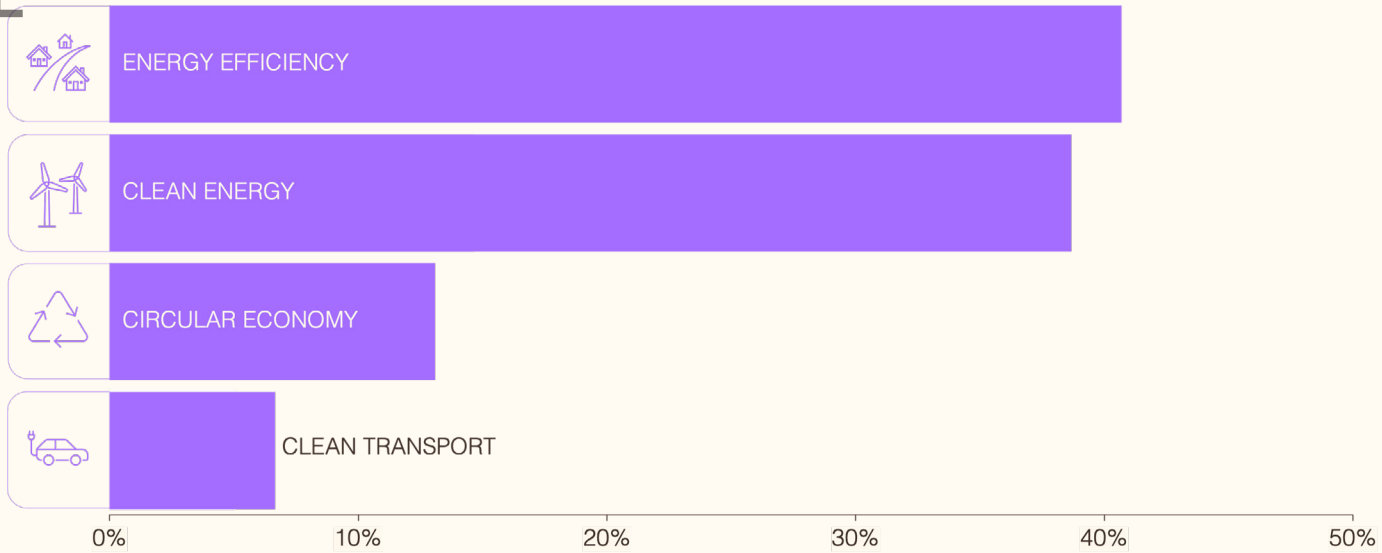
Region

UNITED STATES	72.1%
EUROPE	22.4%
FRANCE	10.0%
IRELAND	2.8%
GERMANY	9.5%
ASIA	4.6%
TOTAL	99.1%
CASH	0.9%

Top 5 holdings

CONSTELLATION ENERGY	8.3%
NVIDIA	7.6%
SIEMENS ENERGY	7.5%
LINDE	7.2%
GE VERNOVA	7.1%

Sub-Areas of Interest



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Net Performance - MCCL

	3MTHS	6MTHS	1YR	3 YRS	INCEPT P.A.	INCEPT CUM.
MUNRO CLIMATE CHANGE LEADERS FUND (AUD)	21.5%	13.2%	33.6%	32.3%	18.0%	83.6%
MSCI ACWI TR INDEX (AUD)	6.0%	4.0%	18.4%	19.2%	11.7%	50.0%
EXCESS RETURN	15.4%	9.3%	15.2%	13.0%	6.3%	33.5%

INCEPTION: 29 OCTOBER 2021

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
2022FY				0.0%	3.5%	0.8%	-10.5%	-3.9%	0.2%	-4.5%	-1.1%	-6.6%	-20.7%
2023FY	10.6%	0.8%	-2.4%	3.3%	2.9%	-7.2%	-0.5%	1.6%	6.1%	-1.8%	4.1%	3.1%	21.3%
2024FY	2.5%	0.3%	-6.2%	-3.4%	4.9%	4.1%	4.4%	21.3%	5.7%	-1.7%	9.9%	-2.9%	42.8%
2025FY	2.9%	-1.0%	5.5%	5.6%	7.0%	-2.8%	3.8%	-5.1%	-5.4%	3.9%	11.1%	5.2%	33.6%

Net Performance - MCCL.ASX

	3MTHS	6MTHS	1 YR	3 YRS	INCEPT P.A.	INCEPT CUM.
MCCL.ASX (AUD)	21.5%	13.2%	33.6%	32.3%	21.2%	94.2%
MSCI ACWI TR INDEX (AUD)	6.0%	4.0%	18.4%	19.2%	12.3%	48.9%
EXCESS RETURN	15.4%	9.3%	15.2%	13.0%	9.0%	45.3%

INCEPTION: 20 JANUARY 2022

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
2022FY							-1.1%	-3.9%	0.2%	-4.5%	-1.1%	-6.6%	-16.1%
2023FY	10.6%	0.8%	-2.4%	3.3%	2.9%	-7.2%	-0.5%	1.6%	6.2%	-1.8%	4.1%	3.1%	21.3%
2024FY	2.6%	0.3%	-6.2%	-3.4%	4.9%	4.1%	4.4%	21.3%	5.7%	-1.7%	9.9%	-2.9%	42.8%
2025FY	2.9%	-1.0%	5.5%	5.6%	7.0%	-2.8%	3.8%	-5.1%	-5.4%	3.9%	11.1%	5.2%	33.6%

Differences in performance between the Munro Climate Change Leaders Fund and MCCL (ASX quoted share class of the Fund) relate to their respective inception dates, the buy/sell spread of the iNAV for MCCL.ASX, and the timing difference between the issuing of units during the day on the ASX for MCCL.ASX. This may result in reporting small differences in performance.

IMPORTANT INFORMATION: Past performance is provided for illustrative purposes only and is not a guide to future performance. Data is as at 30 June 2025 unless otherwise specified. The inception date of the Munro Climate Change Leaders Fund is 29 October 2021, and the inception date of MCCL.ASX is 20 January 2022. Returns of the Funds are net of management costs and assumes distributions have been reinvested. Numbers may not sum due to rounding or compounding returns. The MSCI ACWI TR Index AUD refers to the MSCI All Country World Index Total Return Net Index in Australian Dollars. BPS refers to Basis Points. AoI 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 Climate Change Leaders Fund ARSN 654 018 952 APIR GSF1423AU (Fund) (MCCL). GRES is the issuer of this information. Unit class A (MCCL) is an unlisted class of units in the Fund and Unit class E (MCCL.ASX) is an ASX Quoted class of units in the Fund. Collectively they are referred to as the Funds. 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 Product Disclosure Statement (PDS) for the Funds and the Additional Information to the Product Disclosure Statement (AIB) which may be obtained from www.gsfm.com.au, 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 Climate Change Leaders Fund and MCCL.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 9 July 2025.

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