AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Contango Global Growth Limited (Expected ASX Code: CQG)

May 2017

INDEPENDENT
INVESTMENT RESEARCH

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1) The research process has complete editorial independence from the company and this included in the contract with the company;

2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;

3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.

4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.

5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;

6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

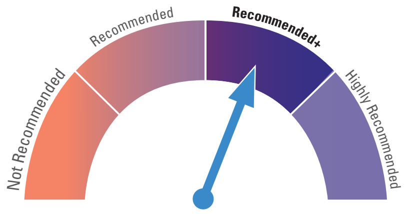
For more information regarding our services please refer to our website www.independentresearch.com.au.

Contents

Contango Global Growth Limited (Exepcted ASX Code: CQG)

Note: This report is based on information provided by Contango Asset Management Limited and WCM Investment Management as at the date of this report.

Rating



Key Investment Information

Expected ASX Code	CQG
Expected ASX Option Code	CQGO
Offer Price ($)	1.10
Offer Close	8 June 2017
Expected Listing Date	23 June 2017
Minimum/Maximum Shares on Offer ($M)	50/300
Pro-forma NAV ($) per Share (Minimum/Maximum Subscription)	1.07/1.08
Fees:	
Management Fee (p.a) ex-GST	1.25% p.a
Performance Fee*	10% of outperformance of performance hurdle
Performance Hurdle	MSCI ACWI ex Australia (AUD)

* The performance fee will be subject to a high watermark. The maximum performance fee payable in any financial year will be capped at 0.75% of the value of the portfolio. Any amount due above this will be carried forward to future financial years and can be offset against periods of underperformance.

Key Exposure

Underlying Exposure	Concentrated portfolio of global equities.
FX Exposure	The company will have direct foreign currency exposure which will not be hedged.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

1. OFFER OVERVIEW

PRODUCT SUMMARY

Contango Global Growth Limited (expected ASX code: CQG) is an investment company seeking to list on the ASX. The company is seeking to raise between $55m and $220m through the issue of shares at $1.10. The company is able to accept oversubscriptions up to $110m. Investors will receive one free attaching option for every share subscribed to. The options will also be listed and are likely to be issued with the code CQGO. The options will have an exercise price of $1.10 and can be exercised on or before 24 June 2019. The company will invest in a portfolio of quality global growth equities, excluding Australia. The portfolio will be concentrated, typically comprising 20 to 40 stocks and will be largely invested at all times with a maximum cash weighting of 7% of the portfolio once the capital raised is fully invested. Contango International Management Pty Limited, a wholly owned subsidiary of Contango Asset Management Limited (ASX: CGA), has been appointed the Manager of the capital raised and they have in turn delegated the management of the portfolio to the Investment Adviser, WCM Investment Management (WCM). WCM is an independent asset management firm based in Laguna Beach, California and will manage the portfolio in the same manner as the existing WCM Quality Global Growth strategy offered in the US, which was established in March 2008. WCM has US$18bn FUM. The company will pay an annual management fee of 1.25% of the value of the portfolio to the Manager and the Manager is eligible for a performance fee of 10% for any outperformance over the benchmark index, MSCI All Country World Index (MSCI ACWI) ex-Australia (AUD), net of management fees. The company will pay a dividend at the board's discretion.

2. INVESTMENT VIEW

INVESTOR SUITABILITY

An investment in CQG is suitable for those investors seeking to diversify their portfolio with an actively managed portfolio of international quality growth companies with ASX liquidity. The Investment Adviser has a long-term investment view and therefore the company is suitable for investors with a medium-to-long term investment horizon. The company may pay a dividend, however, this will be at the board's discretion and will be largely dependent on the profit reserve position of the company and franking credits available. As such, investors should not be seeking a regular income from this investment but have a focus on capital appreciation. Dividends, if paid, may be volatile and may be only partially franked given the underlying investments of the company. The foreign currency exposure of the portfolio will not be hedged and therefore investors should be comfortable with the impact of a weakening or strengthening of the AUD on the value of the portfolio. In recent years, the weakening of the AUD against the USD has resulted in a positive uplift to the AUD performance of the investment strategy.

3. RECOMMENDATION

Independent Investment Research (IIR) has assigned Contango Global Growth Limited a **Recommended Plus** rating. The portfolio will be managed by WCM (under the supervision of the Manager) using a global investment strategy that has been successfully deployed since the establishment of the WCM Global Growth strategy in March 2008. WCM has met all of its objectives since the establishment of the strategy and has consistently outperformed the benchmark index, MSCI ACWI ex-Australia (AUD). The strategy has also offered downside protection with a downside capture ratio of 70.2 in USD and 73.8 in AUD from 31 March 2008 to 31 March 2017. WCM has had a stable investment team with the five members that make up the Investment Strategy Group being with WCM for an average of 19 years. This provides stability to the management of the portfolio and significantly reduces key man risk with all five members having a significant amount of experience with the investment strategy and philosophy. We are of the view that over the long-term, WCM will continue to outperform the benchmark index and provide downside protection while remaining fully invested.

4. SWOT

STRENGTHS

- The Investment Adviser, using the investment strategy being employed to manage the CQG portfolio, has consistently outperformed the benchmark index since its inception in March 2008. The outperformance has been achieved with lower volatility and the investment style offers downside protection in weak markets.
- The Investment Adviser's investment team have an average tenure at WCM of 13.5 years. The long tenure of the investment team provides a significant level of stability to the management of portfolios.
- The Investment Adviser has a disciplined investment approach and provides a point of difference to other investment philosophies with their stock selection focus on a combination of positive moat trajectory and corporate culture.
- The board of directors will be majority non-executive and independent in line with ASX best practice guidelines.
- The performance fee is subject to a high watermark, meaning that the Manager/ Investment Adviser is required to recoup losses before being eligible for the payment of a performance fee.

WEAKNESSES

- While we view the performance hurdle to be appropriate, we note that the performance hurdle is not fully aligned to the stated objective of the portfolio. The Manager is eligible for a performance fee of 10% of the outperformance of the benchmark index after management fees are deducted, subject to a high watermark, however the stated objective of the portfolio is to outperform the benchmark index by 3% p.a over rolling three year periods.
- Options have historically weighed on the share prices of new LICs, limiting the upside in the share price until the options have expired, which is 24 June 2019 in this case.
- Investors that participate in the share issue will pay $1.10 per share, however due to listing costs the initial NTA will be $1.07/$1.08. The options provide some value to offset the reduced NTA.

OPPORTUNITIES

- An investment in the company provides investors the opportunity to diversify their portfolio with an actively managed concentrated portfolio of global growth stocks. Global markets offer a different landscape to the domestic market and as such provides an opportunity for diversification both by region and by sector.
- There are only six other long only global equity LICs available on the ASX. CQG provides investors with a new option for global equity exposure with ASX liquidity.
- The company may trade at a premium to NTA allowing shareholders to sell at a premium to the portfolio value at that point in time.

THREATS

- The portfolio has direct foreign currency exposure given the company will invest in a portfolio of global stocks. The Manager does not intend to hedge currency risk and therefore the portfolio value will be impacted, either positively or negatively, by movements in the value of the Australian dollar compared to the relevant currencies.
- The free attaching options provide investors the opportunity to purchase additional shares in the event the options are "in the money" prior to the maturity date, however, the options may have a dilutionary impact on the value of the company in the event they are exercised.
- The company may trade at a discount to NTA, prohibiting investors from redeeming their investment at portfolio value. We note Contango Asset Management (ASX: CGA) have proven that they have the ability to reduce discounts in other LICs that they have managed.

5. STRUCTURE

PRODUCT OVERVIEW

Contango Quality Growth Limited (expected ASX code: CQG) is a newly established investment company seeking to list on the ASX. The company is seeking to raise between \$55m and \$220m (with the ability to accept \$110m in oversubscriptions) through the issue of shares at \$1.10. Shares subscribed to will be accompanied by a free attaching option, which is also expected to be listed with the code CQGO. The options will have an exercise price of \$1.10 and may be exercised on or before 24 June 2019.

The company has appointed Contango International Management Pty Limited as the Manager of the capital raised. The Manager is a wholly owned subsidiary of Contango Asset Management Limited (ASX: CGA), a boutique domestic equity fund manager. CGA does not have any global equity expertise and as such has appointed WCM Investment Management (WCM) as the Investment Adviser to manage the portfolio under the supervision of the Manager. WCM will be managing the portfolio in the same manner as the WCM Quality Global Growth strategy, which was established in March 2008.

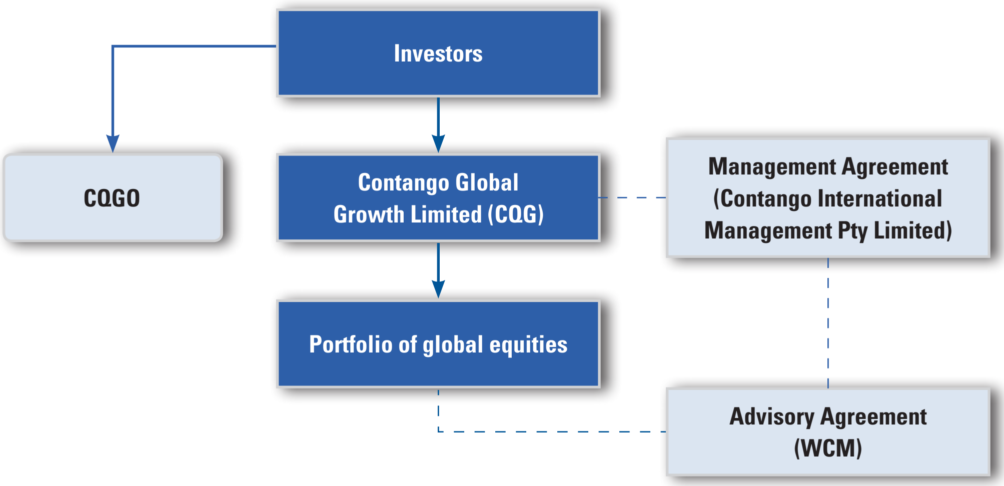
The company will invest in a concentrated portfolio of quality global growth stocks to be managed by WCM, with the objective of outperforming the benchmark index, MSCI ACWI ex-Australia (AUD) by more than 3% p.a on a gross basis over rolling three year periods. The portfolio will typically hold between 20 and 40 stocks and seeks to be largely invested at all times with a maximum cash holding of 7%, once the capital raised is fully invested. The portfolio will be actively managed and long only. The foreign currency exposure of the portfolio will not be hedged.

For risk management purposes the maximum allocation to a single investment in the portfolio is 10%, unless the weighting of a security in the benchmark index is greater than 10% in which case the maximum allocation is the benchmark index weight plus 2%. In addition to this, the maximum allocation to a single industry as classified by the MSCI will be 15% and a maximum allocation of 35% of the portfolio to any one MSCI sector.

The company will pay a dividend at the board's discretion. The board will only pay a dividend in the event the company has sufficient profit reserves available and it is within prudent business practices to do so. Dividends, if paid, will be franked to the maximum extent possible, however, this will be dependent on the taxable profits made by the company.

The Manager will be paid an annual management fee of 1.25% (ex GST) of the portfolio value, 60% of which will be paid to the Investment Adviser. The Manager is also entitled to a performance fee of 10% of the outperformance of the benchmark index, net of management fees, over each financial year. The performance fee will be subject to a high watermark. The maximum performance fee payable in any financial year will be capped at 0.75% of the value of the portfolio. Any amount due above this will be carried forward to future financial years and can be offset against periods of underperformance. 100% of the performance fee will be paid to the Investment Adviser, aligning the interests of the Investment Adviser with shareholders.

INVESTMENT STRUCTURE



Product Leverage	
Used:	No direct leverage is permitted to be used in the portfolio, however, the Manager is allowed to use derivatives and ETFs to gain indirect exposure to the market.
Cost (incl. Fees):	na
Recourse:	na
Capital Protection	na
Tax	
Disclaimer:	***Tax consequences depend on individual circumstances. Investors must seek their own taxation advice. The following comments show Independent Investment Research's expectation of tax for ordinary Australian taxpayers, but cannot be considered tax advice*.**
Capital gains:	A capital gains tax (CGT) event will likely occur in the event the investor sells the company on market for a higher price than was purchased for. Investors will likely be eligible for the CGT discount if the shares are held for more than 12 months. Investor will also likely be eligible for LIC capital gains tax concessions.
Distributions:	Dividends will likely be on income account in the year earned.
Legal Structure	
Wrapper:	Listed Investment Company
Investment Manager:	Contango International Management Pty Limited
Investment Adviser.:	WCM Investment Management
Capital vs. Income:	Returns will likely comprise a combination of both capital and income, the extent of which will depend on the composition of the portfolio.
Investor Leverage	
Available:	No
Risks	***The below is not a full list of all risks associated with the company but highlights what IIR considers to be the larger risks associated with the company. A detailed risk assessment can be obtained from the Prospectus.***
Dividend Risk:	The company will pay a dividend at the discretion of the board. This will be dependent on the profit reserves of the company which will reflect the performance of the portfolio. The level of profit reserves will likely fluctuate and as a result dividends may be volatile.
Dilution Risk:	Shares subscribed to under the offer will be accompanied by a free attaching option on a 1 for 1 basis. This offers investors the ability to purchase additional shares if the options are "in the money", however, the exercise of the options may have a dilutive effect on the value of the portfolio with the potential for the number of shares on issue to double if all options are exercised.
Portfolio Performance Risk:	The management of the portfolio is benchmark agnostic and as such the performance of the portfolio is dependent on the stock picking abilities of the Investment Adviser and adherence to the investment philosophy and strategy. In the event the Investment Adviser does not adhere to the investment strategy this may result in the portfolio not achieving it's performance objectives.
Foreign Currency Risk:	The company will invest in a portfolio of global equities and as such will have direct exposure to foreign currency. The company does not intend to hedge the currency exposure and therefore the portfolio value will be either positively or negatively impacted by movements in the value of the AUD against the relevant currencies.
Discount to NTA:	The company may trade at a discount to NTA. As such investors may not be able to realise NTA upon exit. On the flip side, the company may trade a premium to NTA, meaning investors may have the opportunity to exit at a price above the NTA.

6. MANAGEMENT & CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The board of CQG will comprise five members, tabled below. The board will be majority Independent, with all board members being non-executive, and the Chairman and two directors also being Independent.

Board of Directors		
Name	**Position**	**Experience**
Valentina Stojanovska	Chairman (Non-Executive & Independent)	Ms. Stojanovska has more than 17 years experience as a corporate, commercial and tax lawyer advising funds, listed investment companies, financial institutions, responsible entities and ratings agencies, as well as national and multinational (outbound/inbound) corporates, across a diverse range of industries, including mining, finance, airlines, retail and manufacturing, property and construction, equity and capital markets and private equity. Ms. Stojanovska has held senior positions at KPMG, Phillips Fox, Corrs and Minter Ellison, and has worked in-house at Multiplex and Chartered Accountants Australia and New Zealand, including as General Counsel.
Michael Liu	Director (Non-Executive)	Mr. Liu has more than 20 years experience in the financial services industry, holding executive positions at Macquarie Group and UBS Investment Bank. Mr. Liu has extensive experience in capital management, mergers and acquisitions, investment banking, credit ratings, capital markets and corporate finance. Mr. Liu has also held non-executive positions at a number of companies including wealth Advisory firm Affinity Private and a community bank franchise of Bendigo and Adelaide Bank Limited. Mr. Liu is currently Asia Pacific Director at WorldRemit Ltd, a global money transfer organisation headquartered in London, and is a member of the Board of Directors of WorldRemit Ltd's Australian and Hong Kong subsidiaries.
Stephen Merlicek	Director (Non-Executive)	Mr. Mercilek has significant experience in the financial services industry. Mr. Mercilek was previously the Chief Investment Officer at IOOF, where he was responsible for the Funds Management Division. Prior to joining IOOF, Mr. Mercilek was Chief Investment Officer at Telstra Super, where Mr. Mercilek was an early supporter and the instigator of a very successful alternatives program at Telstra Super, including global and local private equity, listed and unlisted infrastructure and various hedge fund programs.
Paul Rickard	Director (Non-Executive)	Mr. Rickard was the founding Managing Director of CommSec, which he led from 1994 through to 2002, and was chairman until 2009. After a 20 year career with the Commonwealth Bank, finishing in the role as Executive General Manager Payments & Business Technology, Mr. Rickard left in 2009 to team up with Peter Switzer and found the 'Switzer Super Report'', a subscription based newsletter for the trustees of self-managed super funds. An expert in investment and superannuation, Mr. Rickard is a regular commentator on TV, radio and online, and overseas editorial development at Switzer. Mr. Rickard is currently a Non-Executive Director of Tyro Payments Ltd, Property Exchange Australia Ltd and Switzer Asset Management Limited, a position he has held since 1 September 2009
Martin Switzer	Director (Non-Executive)	Mr. Switzer is a director of Contango Asset Management Limited (ASX: CGA) and Switzer Asset Management Limited. Mr. Switzer is currently the Chief Operating Officer of Switzer Financial Group. In 2015, Switzer Financial Group acquired a 53.75% interest in Switzer Asset Management with the remaining 46.25% interest acquired by CGA. Mr. Switzer is currently a host on the Sky News Business Channel from time to time. Martin is also a consultant with the Australian Defence Force Financial Services Consumer Centre and travels Australia providing financial information and education to ADF members and their families. He is also currently a director of Switzer Home Loans, is on the board of fashion media business RUSSH and has been a director of the Entrepreneurs Organisation and an ambassador for the Fight Duchenne Foundation.

INVESTMENT MANAGER

Contango International Management Pty Limited (the Manager) has been appointed as the Manager of the capital raised. The Manager is a wholly owned subsidiary of Contango Asset Management Limited (ASX: CGA). CGA is a boutique wholesale and LIC specialist fund manager with core and satellite portfolio Australian equity solutions covering the entire market capitalisation.

CGA has 22 employees, 14 of which are members of the investment team, and has ~$700m FUM through a number of wholesale and retail mandates, according to the last communication of FUM to the market. Given the CGA investment team has no international equity expertise, the Manager has appointed WCM Investment Management (WCM) as the Investment Adviser.

The Management Agreement between CQG and the Manager is for an initial period of five years from listing, however, CQG will apply to the ASX for a waiver to extend the initial period to ten years. After the initial term, the Management Agreement will automatically extend for five year periods, unless the Manager is terminated.

INVESTMENT ADVISER

WCM Investment Management (WCM) has been appointed as the Investment Adviser by the Manager. WCM is an independent asset management firm based in Laguna Beach, California and has $US18b FUM. WCM has 38 employees, 10 of which are investment team members, tabled below.

WCM currently manages a number of strategies, tabled below. The two core strategies which make up 86% of FUM are the WCM Quality Global Growth strategy and the WCM Focused Growth International strategy. These two strategies are managed using the same investment strategy and philosophy that will be used to manage the CQG portfolio.

WCM Strategies

Fund	Establishment Date	FUM (US$)
WCM Focused Growth International strategy	November 2004	$15.5b
WCM Quality Global Growth strategy	March 2008	$1.7b
WCM Emerging Markets strategy	December 2010	$220m
WCM US & Global Small Cap strategies	November 2015	$800m

WCM has been engaged by the Manager as the Investment Adviser for an initial period of five years, which will be increased to ten years if the Manager is granted a waiver to extend the initial term of the Management Agreement to ten years. Beyond the initial term, the Advisory Agreement will automatically be extended for five year periods, unless terminated.

Investment Team

The investment team consists of 8 investment professionals with an average tenure at WCM of 13.5 years. The five Portfolio Managers make up the Investment Strategy Group (ISG) and are responsible for the portfolio construction with support from the other three team members.

The long tenure of the ISG members provides a significant level of stability to the management of the portfolios.

Investment Team

Name	Position	Years Experience	Years with WCM
Paul Black	Portfolio Manager/Co-CEO	33	28
Kurt Winrich	Portfolio Manager/Co-CEO	32	32
Pete Hunkel	Portfolio Manager	19	16
Mike Trigg	Portfolio Manager	16	11
Sanjay Ayer	Portfolio Manager	15	10
Greg Ise	Business Analyst	15	3
Mike Tian	Business Analyst	10	5
Yan Gao	Research Associate	8	3

7. INVESTMENT PROCESS

INVESTMENT OBJECTIVE

The company seeks to deliver long-term capital appreciation through an investment in what the Manager considers to be quality global growth stocks. The company will seek to provide portfolio returns (before fees and expenses) that exceed the benchmark index, the MSCI ACWI ex-Australia (AUD), by 3%p.a over a rolling 3 year period. The Investment Adviser will seek to achieve this with lower volatility than the benchmark index.

INVESTMENT PHILOSOPHY

The Investment Adviser has developed a unique investment strategy based on five key principals: (1) Moats; (2) Culture; (3) Tailwinds; (4) Focused; and (5) Valuation.

1) Moats

- Moats is a term coined by Warren Buffett and refers to the competitive advantage of a business.
- The Investment Adviser seeks to invest in companies that have a positive moat trajectory, meaning the Investment Adviser is seeking businesses whose competitive advantage is improving.
- The primary moat indicator used by the Investment Adviser is the Return on Invested Capital (ROIC) metric. The Investment Adviser seeks to identify those companies around the world that have a durable and growing competitive advantage.
- The Investment Adviser has identified a number of "moat typologies" based on case studies on a range of businesses. These typologies are used as an input and reference point when identifying the likely future moat trajectory of companies under review.

2) Culture

- The Investment Adviser views the culture of a company as a very important factor with a good corporate culture required for an investment to be made.
- Culture will differ between companies and industries with a "good" corporate culture taking on different forms for different companies.
- The Investment Adviser seeks to engage with previous employees of a business to determine the culture of a business.
- The Investment Adviser has engaged the services of a consultant to provide advice on culture and culture related research.

3) Tailwinds

- The Investment Adviser seeks to invest in companies that are involved in growth industries. As a long-term investor the Investment Adviser does not want to invest in companies that are a part of a shrinking market.

4) Focused

- The Investment Adviser invests in a focused manner, only investing in its best ideas and not diluting the portfolio with inferior ideas.
- The Investment Adviser will replace investments in the event superior investments are discovered.

5) Valuation

- While the Investment Adviser seeks to find quality growth companies, the Investment Adviser is also seeking to invest at a fair price.
- Investing in companies at a fair price contributes to the margin of safety of an investment and assists with downside protection.

INVESTMENT PROCESS

The Investment Adviser's investment process includes five main stages: (1) Idea Generation/Screening; (2) Quantitative Analysis; (3) Fundamental Analysis; (4) Portfolio Construction; and (5) Portfolio Monitoring & Management.

1) Idea Generation/Screening

- The Investment Adviser invests in companies from around the world. The Investment Adviser focuses on large and mid cap stocks with a minimum market cap requirement of US$3.5b. The Investment Adviser also excludes non-growth industries such as utilities, basic chemicals and timber. These two factors result in a investment universe of ~2,100 companies.
- The Investment Adviser applies a screen to the investment universe that focuses on companies that have an acceptable and rising Return on Invested Capital (ROIC) and low or no debt. Typically the Investment Adviser will seek to exclude those companies that have a net debt/EBITDA coverage of less than 2x.

- Ideas are generated not just from the screening process but also from experience and networking. The Investment Adviser will seek to identify companies that have been in similar situations, irrespective of industry or region.

2) Fundamental Analysis

- From the stocks that remain from the screening process the Investment Adviser undertakes fundamental analysis.
- Fundamental analysis entails identifying those companies that have a durable and growing moat, a culture that supports and sustains the moat, an attractive thematic, and an attractive valuation. The valuation of a company will be determined by a range of measures including discounted cashflow and relative valuations, with the valuation methodology dependent on the individual company.

3) Portfolio Construction

- The portfolio is constructed and managed by the ISG. There are a number of limitations applied to investments for risk management purposes. These limitations include:
  - Initial position size of no more than 5% of the portfolio.
  - An investment cannot be greater than 10% of the portfolio. The Manager will sell down positions that grow to in excess of 10% of the portfolio.
  - Maximum industry exposure of 15% of the portfolio.
  - Exposure to at least 15 industries.
  - Maximum exposure to an individual sector of 35%.
  - Maximum exposure to emerging markets of 35%.
  - Cannot invest in Australian equities.
- The Investment Adviser seeks to be largely invested in the market at all times with the portfolio having a maximum cash position limitation of 7%.

4) Portfolio Management

- The portfolio is constantly monitored. Companies will be removed from the portfolio in the event the moat is no longer expanding, there is a change in the culture which has an adverse impact on the business, a more attractive company is identified, or the valuation becomes excessive.
- The Investment Adviser has an active buy and manage approach with investments made with the intent of holding for the long-term.

8. PORTFOLIO

- At 31 March 2017, the WCM Quality Global Growth strategy portfolio comprised 35 stocks. The top 10 stocks are detailed below. The CQG portfolio will be replicating the portfolio of the WCM Quality Global Growth strategy and the current portfolio provides an indication of how the CQG portfolio will look. We note that the benchmark index for the WCM Quality Global Growth strategy is the MSCI ACWI and as such we have used this index for the portfolio weighting comparison as opposed to the MSCI ACWI ex-Australia. With Australia making up just 2.5% of the MSCI ACWI, the difference of constituent and sector weightings between this index and the MSCI ACWI ex-Australia is minimal.
- The largest portfolio holding was less than 5% with a maximum of 10% of the portfolio able to be weighted to a single stock at any time. While the weightings of investments account for less than 5% of the portfolio, the positions are significantly overweight compared to the benchmark index.

WCM Quality Global Growth Strategy Top 10 Holdings - 31 March 2017			
Company	**Portfolio Weighting (%)**	**Benchmark Weighting (%)**	**Over/Under Weight (%)**
Amazon.com Inc	3.93	0.90	3.04
Facebook Inc	2.88	0.83	2.04
Tencent Holdings Ltd	2.61	0.41	2.20
Nestle S.A.	2.86	0.60	2.27
Visa Inc	3.38	0.42	2.97
Taiwan Semiconductor Manufacturing Co. Ltd.	3.24	0.00	3.24
Schlumberger NV	3.03	0.27	2.76
Costco Wholesale Corporation	2.71	0.18	2.52
HDFC Bank Limited Sponsored ADR	3.36	0.00	3.36
Reckitt Benckiser Group plc	3.72	0.14	3.58
Total	**31.73**	**3.75**	

- From a sector perspective, Information Technology had the largest weighting at 25.4%. This weighting is significantly overweight the benchmark index. Given the Manager has a growth focus, there is no allocation to the Telecommunication Services and Utilities sectors.
- The WCM Quality Global Growth strategy's positions in the Financials sector were significantly underweight the benchmark index.

WCM Quality Global Growth Strategy Sector Weighting - 31 March 2017			
Sector	**Portfolio Weighting (%)**	**Benchmark Weighting (%)**	**Over/Under Weight (%)**
Information Technology	25.43	15.62	9.80
Health Care	13.11	11.04	2.07
Consumer Discretionary	12.85	12.71	0.15
Consumer Staples	11.55	9.80	1.75
Financials	10.02	18.75	-8.73
Industrials	6.50	10.45	-3.96
Materials	5.59	5.41	0.19
Energy	5.31	6.59	-1.28
Real Estate	2.92	2.99	-0.08
Telecommunication Services	0.0	3.50	-3.50
Utilities	0.0	3.14	-3.14
Cash	6.73	0.0	6.73

- The WCM Quality Global Growth strategy is heavily weighted to the US with 53% of the portfolio allocated to the US, in line with the benchmark index. Given the investment strategy of the Fund, it is likely that the portfolio will remain heavily weighted to the US.
- 14.6% of the strategy was invested in emerging markets at 31 March 2017, well below the 35% exposure limit.

WCM Quality Global Growth Strategy Country Weighting - 31 March 2017			
Country	**Portfolio Weighting (%)**	**Benchmark Weighting (%)**	**Over/Under Weight (%)**
United States	52.87	52.53	0.33
Switzerland	5.61	3.00	2.61
China	5.23	2.95	2.28
United Kingdom	3.47	5.90	-2.43
Canada	3.33	3.21	0.13
Argentina	3.23	0.02	3.21
India	3.14	0.97	2.16
Taiwan	3.03	1.35	1.68
Hong Kong	2.99	1.13	1.86
Japan	2.96	7.62	-4.66

WCM Quality Global Growth Strategy Country Weighting - 31 March 2017			
Country	**Portfolio Weighting (%)**	**Benchmark Weighting (%)**	**Over/Under Weight (%)**
Denmark	2.53	0.53	1.99
Netherlands	2.48	1.16	1.32
France	1.90	3.32	-1.42
Sweden	0.51	0.94	-0.43
Cash	6.73	0.0	6.73
Total	**100.00**	**84.63**	

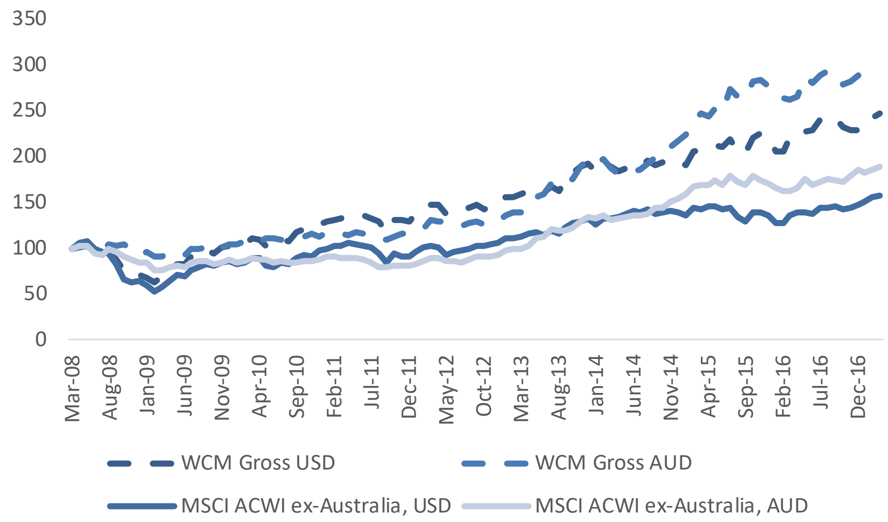
9. PERFORMANCE ANALYTICS

The company is a new listed investment company and is yet to be listed and therefore has no performance history. The portfolio will be managed in the same manner as the WCM Quality Global Growth strategy, which was established in March 2008. We have provided an analysis the performance of the strategy to provide an indication of the abilities of the Manager to achieve the stated objectives using the investment strategy and philosophy.

PERFORMANCE HISTORY

- The WCM Quality Global Growth strategy was established in March 2008 and as such has been in operation for more than 9 years.
- The below figures are gross (before fees) performance figures and therefore the actual return by investors would have been less than the below figures.
- The strategy has consistently outperformed the benchmark index since it's inception in both USD and AUD, as detailed below. Given CQG shareholder returns will be in AUD, we have provided the AUD equivalent performance to provide an indication of the performance of the investment strategy on a like-for-like basis. This also highlights the impact that foreign currency movements can have on the portfolio value.
- The weakening of the AUD against the USD since mid 2013 has resulted in the AUD performance outperforming the USD returns in recent years.

WCM Quality Global Growth Strategy Performance - 31 March 2008 to 31 March 2017



- The strategy has consistently outperformed the benchmark index as tabled below. This is highlighted by the average rolling annual return metric which shows that since inception the average rolling annual return has been over 5% above the benchmark index. In addition to this, on a rolling annual basis the strategy has outperformed the benchmark index over 70% of the time from 31 March 2008 to 31 March 2017.

- The strategy has achieved the objective of outperforming the benchmark index by 3% p.a over a rolling 3 year period. Since inception, on average the strategy has generated a annual return over rolling 3 year periods that is 4.6% greater than the benchmark index in USD and 4.5% greater in AUD.
- As stated in the objectives for CQG, WCM has achieved these returns with lower volatility than the benchmark. The strategy has also been able to provide downside protection with the maximum monthly drawdown for the strategy being less than the benchmark index and a downside capture ratio of 70.2 and 73.8 in USD and AUD, respectively. We note, the downside capture ratio is based monthly performance figures.

WCM Quality Global Growth Strategy Historical Performance

	WCM Gross USD	MSCI ACWI ex-Australia (USD)	Out/Under Performance	WCM Gross AUD	MSCI ACWI ex-Australia (AUD)	Out/Under Performance
Returns:						
1 year	11.7%	15.5%	-3.8%	12.7%	16.5%	-3.8%
3 year (p.a)	9.3%	5.8%	+3.5%	16.6%	12.9%	+3.7%
5 year (p.a)	10.8%	9.1%	+1.7%	17.8%	16.0%	+1.8%
Since Inception p.a (March 2008)	10.5%	5.1%	+5.3%	12.7%	7.2%	+5.4%
Average Rolling Annual	14.3%	9.1%	+5.2%	14.8%	9.4%	+5.4%
Average 3 year Rolling (p.a)	14.1%	9.5%	+4.6%	15.9%	11.4%	+4.5%
Risk Measures:						
Standard Deviation	15.5%	17.3%	na	15.5%	17.3%	na
Maximum Monthly Drawdown	13.7%	19.6%	na	8.3%	10.3%	na
Downside Capture Ratio*	70.2	na	na	73.8	na	na

*Based on monthly performance figures.

PEER COMPARISON

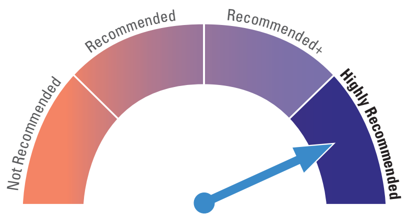
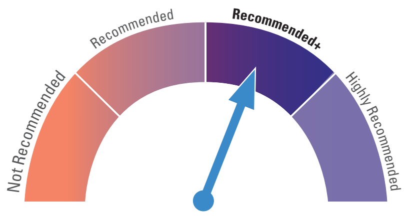
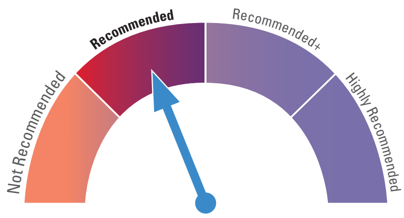
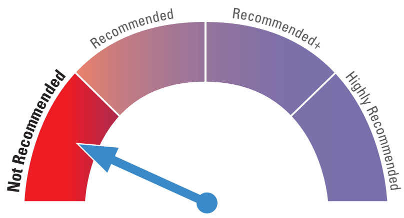
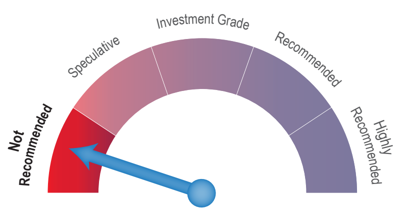
- The below table provides a comparison of the fees of CQG compared to the six other LICs with a long only international equity investment strategy listed on the ASX.
- The annual management fee associated with CGQ is at the top end of the peer group at 1.25%. The performance fee on the other hand is at the low end.
- We view the performance hurdle as appropriate although note that it does not fully align to the company's stated objective of outperforming the benchmark index by 3% p.a. over rolling 3 year periods.

LIC	ASX Code	Management Fee ex GST (%p.a)	Performance Fee (%)	Performance Fee Hurdle
Magellan Flagship Fund	MFF	1.25	10%	MSCI World Index (AUD)
Platinum Capital	PMC	1.10	15%	MSCI All Country World Net Index
PM Capital Global Opportunities Fund	PGF	1.00	15%	MSCI Word Index (AUD)
Antipodes Global Investment Company Ltd	APL	1.10	15%	MSCI AC Asia ex Japan Net Index
Templeton Global Growth	TGG	1.00	na	na
Ellerston Global Investments	EGI	0.75	15%	MSCI World Inex (Local)
Contango Quality Global Growth	**CQG**	**1.25**	**10%**	**MSCI All Country World Index ex-Australia (AUD)**

APPENDIX A – RATINGS PROCESS

INDEPENDENT INVESTMENT RESEARCH PTY LTD "IIR" RATING SYSTEM.

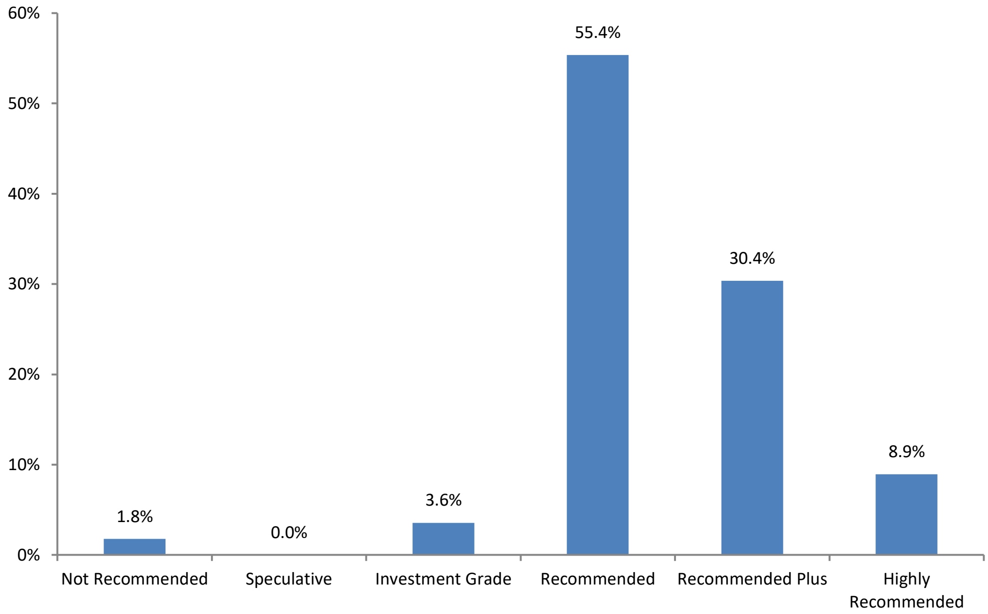
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
Highly Recommended	**83 and above**
	This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.
Recommended +	**79–82**
	This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.
Recommended	**60–78**
	This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.
Not Recommended	**<60**
	This rating indicates that IIR believes this is a suitable product that has met the aggregate requirements of our review process across a number of key evaluation criteria. The product provides some unique diversification opportunities, but may not stand apart from its peers. It has an acceptable risk/return trade-off and should generate risk adjusted returns in line with stated investment objectives. However, concerns over one or more features mean that it may not be suitable for most investors.
Not recommended	**39 and below**
	This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

SPREAD OF MANAGED INVESTMENT RATINGS



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