

# CONTANGO GLOBAL GROWTH LTD. (ASX:CQG)

## INVESTMENT UPDATE AND NTA STATEMENT

31 January 2018

The portfolio's return of 2.9% for January, was 0.4% above the benchmark return. The outperformance, albeit modest, was from good stock selection. The portfolio's performance over the last 6 months of 13.0% is very pleasing. All returns are reported after fund management fees.

The portfolio's (and benchmark) return was held back by the AUD's rise of 3.2%. Over the month the AUD appreciated to USD 0.806 from USD 0.781 and this was largely due to weakness in the USD. An upswing of the AUD detracts from the portfolio's value and a fall boosts value.

The portfolio has superior quality and growth characteristics than the general market. This is because our investment approach focuses on finding the best long term growing companies with strong cash flows, low debt and corporate cultures that support and sustain the economic moat. Our long-term growth focus encourages us to hold onto companies for 3 to 5 years to reap the full rewards of future growth. This also keeps transaction costs low.

The portfolio is built stock by stock and has our 37 highest conviction stocks. It is well diversified to lower risk being invested in 15 countries and 9 industries. The largest country exposure is the USA with a holding of 51.1% and 45.5% is spread across Europe, Canada, Asia and South America. Major investments are in the growing industries of technology 24.6%, healthcare 18.5% and consumer discretionary 13.7%.

This month the top two performing stocks operate in the e-commerce industry being Amazon.com and Mercado Libre.

**Amazon.com** has been a long term holding in the portfolio, and was the best performing stock in January with a return of close to 20%. Amazon has had an incredible year as it is up more than 70%, consistently beat earnings estimates, and it also completed the purchase of Whole Foods Markets, an upmarket US grocery chain. Amazon's purchase of Whole Foods shows how serious it is about selling groceries and it provides scale to expand AmazonFresh, the company's fresh food grocery delivery service into new markets to get more people buying at Amazon.com. In early February, the company reported revenues jumped 31% to US \$177.9 billion for 2017, driven by big holiday sales and continued growth of its cloud business Amazon Web Services. Amazon's voice assistant Alexa has been a hit and the smart speaker trend is just getting started. Amazon's early moves in this space provide it with an enduring moat. If Amazon continues to execute its strategies successfully, there is no reason the stock can't continue to outperform in 2018.

### PERFORMANCE

PERFORMANCE (after fees)	CONTANGO GLOBAL GROWTH (%)	MSCI ACWI (ex-Aust) (%)	VALUE ADD (%)
1 Month	2.9	2.5	0.4
3 Months	3.7	4.2	-0.5
6 Months	13.0	13.6	-0.6
Since Jul 2017	10.4	12.4	-2.0

Source: Bloomberg, Contango Funds Management, as of 31 January 2018

### NET TANGIBLE ASSETS

NET TANGIBLE ASSETS (PER SHARE)	31 JAN 2018	31 DEC 2017
<b>NTA before tax</b>	<b>\$1.124</b>	<b>\$1.093</b>
NTA after tax and before tax on unrealised gains	\$1.142	\$1.113
<b>NTA after tax</b>	<b>\$1.117</b>	<b>\$1.095</b>
Month end closing share price (CQG.ASX)	\$0.990	\$1.030
Month end closing option price (CQGO.ASX)	\$0.030	\$0.034

Source: WCM Investment Management, as of 31 January 2018

### KEY DETAILS

Report Date:	31 January 2018
ASX Code (Shares / Options):	CQG / CQGO
Listed on ASX:	23 June 2017
Fund Manager:	Contango International Management Pty Limited
Investment Adviser:	WCM Investment Management
Benchmark:	MSCI All Country World Index ex-Australia with gross dividends reinvested reported in Australian dollars and unhedged
Number of stocks:	20 – 40
Maximum cash position:	7%
Stock universe:	Global (ex-Australia)
Portfolio size:	\$102.29m
Shares on issue:	90.98 million
Share Price:	\$0.99

**MercadoLibre** was also a strong performer, returning 19% in January. In the 20 years since its founding in Buenos Aires, the company has grown into the largest e-commerce platform in Latin America with over 100 million active users. It is the undisputed leader in each of the 13 countries which it operates, including the biggest markets of Brazil, Argentina, Columbia, Chile, Venezuela and Mexico. This internet based platform offers user friendly trading services to match buyers and sellers, while collecting commissions. It also sells classifieds space for real estate and motor vehicles, and allows small and medium size businesses to establish virtual stores within its platform. The company has built a moat around its business with an ecosystem that its competitors find virtually impregnable, and that will rocket the company higher in coming years. It grew revenues by more than 60% in the December quarter.

Companies that posted share price pullbacks over the month operate in diverse industries of transportation and biotechnology, being, Canadian National Railway Company that dominates freight haulage in North America and Novozymes, a leading developer and producer of enzymes for the global industrial, food and animal markets.



PAUL R. BLACK  
PORTFOLIO MANAGER  
CONTANGO GLOBAL GROWTH LTD

## WHO MANAGES THE PORTFOLIO?

WCM is a specialist and independent global equities funds manager, based in Laguna Beach, California. As a company that is owned and managed entirely by active employees, all staff have a stake in the firm's success. The portfolio's investment strategy is to have a high conviction, actively managed, long only global equities portfolio invested in listed securities of developed (ex-Australia) and emerging markets. Through its wholly owned subsidiary Contango International Management Pty Limited, Contango Asset Management is the appointed manager of the portfolio, in a supervisory capacity.

## TOP 10 STOCK HOLDINGS

STOCK	CONTANGO GLOBAL GROWTH (%)
Techtronic Industries	3.9
HDFC Bank	3.6
Keyence	3.5
Visa Inc.	3.5
Costco	3.5
Amphenol Corp	3.4
The Cooper Companies	3.4
Mercado Libre	3.4
Taiwan Semiconductor	3.2
Reckitt Benckiser Group	2.9

Source: WCM Investment Management, as of 31 January 2018

## REGIONAL MARKET ALLOCATIONS

DEVELOPED & EMERGING MARKETS ALLOCATION	CONTANGO GLOBAL GROWTH (%)
Developed Markets	83.6
Emerging Markets	13.1
Cash	3.3

Source: WCM Investment Management, as of 31 January 2018

## ASSET COMPOSITION

ASSET COMPOSITION	31 JAN 2018		31 DEC 2017	
	\$m	%	\$m	%
Investment Type				
Listed shares	98.93	97.4	95.36	95.7
Liquidity	3.29	3.2	4.08	4.1
Tax asset (liability)	(0.64)	(0.6)	0.19	0.2
<b>Net Assets After Tax</b>	<b>\$101.58</b>	<b>100.0%</b>	<b>\$99.63</b>	<b>100.0%</b>
Ordinary Shares on Issue	90.982m		90.982m	
Options on issue	90.871m		90.871m	

### CONTANGO GLOBAL GROWTH LIMITED

ACN 617 281 268  
Level 27, 35 Collins Street MELBOURNE VIC 3000  
T: +61 3 9222 2333  
W: [contangoglobalgrowth.com.au](http://contangoglobalgrowth.com.au)  
E: [info@contangoglobalgrowth.com.au](mailto:info@contangoglobalgrowth.com.au)

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