

# CONTANGO GLOBAL GROWTH LTD (ASX:CQG)

## INVESTMENT UPDATE AND NTA STATEMENT

31 May 2018

### PORTFOLIO UPDATE

Geopolitics returned to centre stage in May. Italy's president Sergio Mattarella's decision to reject the 5 Star Movement-Lega coalition government was the catalyst for the highest level of bond market turbulence since the last Euro crisis. This had knock on negative effects on equity markets, with the European bank sector particularly weak. With both parties having rejected the president's alternative government, further political uncertainty and market volatility is expected. The on/off talks between the US and North Korea and continued fears of a global trade war were additional factors concerning global investors.

In terms of individual countries, the US equity market was among the stronger performers, benefiting as it typically does from its perceived safe-haven status in times of market uncertainty. European and emerging markets delivered negative returns for the month. At a sector level, technology lead the way with banks and telecoms among the weaker performers – a positive for CQG's relative performance.

The portfolio outperformed the broader market during the month with a return of 1.99% versus the -0.10% return of its benchmark MSCI All Country World Index (ex-Australia). The portfolio has also delivered returns in excess of the benchmark over the previous three and six months.

The performance during the month was consistent with our long-term track record of delivering strong relative returns during times of market volatility. Our focus on companies with growing competitive advantages with aligned corporate cultures leads to investments that can deliver strong long-term returns irrespective of the macroeconomic or political environment. This approach leads to the portfolio being overweight the technology and healthcare sectors and underweight banks, a position which helped performance during the month.

At an individual stock level, the stronger contributors included Indian private bank HDFC Bank (+10.7%), Canadian National Railway (+7.7%) and tissue heart valve specialist, Edwards Life Sciences (+7.5%). Those negatively impacting on returns included Latin American e-commerce platform, Mercado Libre (-14.6%) and California based biotechnology measurement firm Agilent (-6.1%).



**PAUL BLACK** of WCM Investment Management  
PORTFOLIO MANAGER  
CONTANGO GLOBAL GROWTH LTD

### PORTFOLIO PERFORMANCE

PERFORMANCE (after fees)	CONTANGO GLOBAL GROWTH (%)	MSCI ACWI (ex-Aust) (%)	VALUE ADD (%)
1 Month	1.99	-0.10	2.10
3 Months	4.80	2.09	2.71
6 Months	5.49	1.98	3.51
Inception (23 June 2017)	13.97	13.75	0.22

### NET TANGIBLE ASSETS (NTA)

NET TANGIBLE ASSETS (PER SHARE)	31 MAY 2018	30 APR 2018
<b>NTA before tax</b>	<b>\$1.167</b>	<b>\$1.146</b>
NTA after tax and before tax on unrealised gains	\$1.183	\$1.163
<b>NTA after tax</b>	<b>\$1.144</b>	<b>\$1.130</b>
Month end closing share price (CQG.ASX)	\$1.020	\$0.990
Month end closing option price (CQGO.ASX)	\$0.011	\$0.015

### KEY DETAILS

Report Date:	31 May 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:	\$106.31m
Shares on issue:	90.98 million
Share Price:	\$1.02

## WHO MANAGES THE PORTFOLIO?

WCM is a California based asset management firm specialising in active global and emerging market equities.

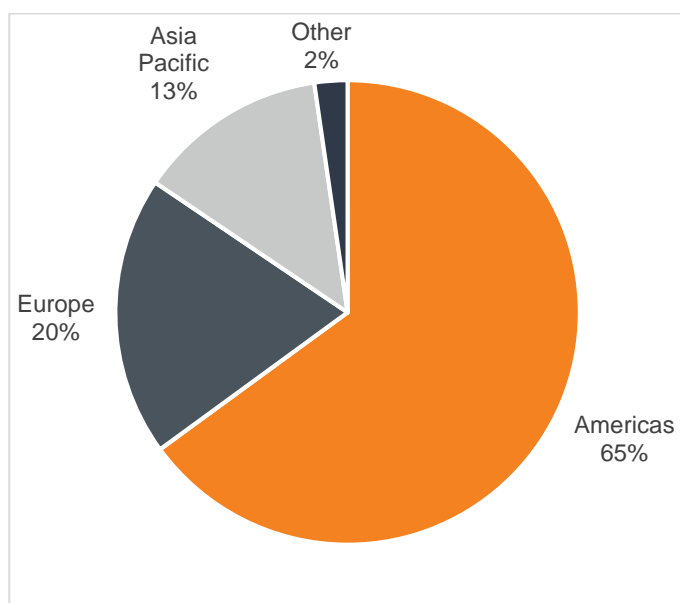
Founded in 1976, the business is 100% employee owned and manages over AUD35bn of assets on behalf of institutional and retail investors around the world including Australia.

## HOW INVESTMENTS ARE CHOSEN FOR THIS PORTFOLIO

WCM's two key criteria for any company to be considered for inclusion in the WCM Quality Global Growth Strategy are 1) a rising competitive advantage (or expanding economic moat) and 2) a corporate culture that supports the expansion of this moat. WCM believes the direction of a company's economic moat is of more importance than its absolute width or size.

Their research therefore is focused on identifying those companies with a positive moat trajectory as measured by a rising return on invested capital (ROIC) as opposed to those with a large but static or declining moat. WCM also strongly believes that corporate culture is a key determinant of a firm's ability to achieve a consistently growing moat. WCM has developed a proprietary approach to analysing corporate culture and has investment team members solely dedicated to this part of their process.

## REGIONAL BREAKDOWN (BY DOMICILE)



## TOP 10 STOCK HOLDINGS

STOCK	CONTANGO GLOBAL GROWTH (%)
Visa Inc	3.8
Keyence	3.7
HDFC Bank	3.7
Costco Wholesale	3.6
Amphenol	3.3
The Cooper Companies	3.2
Steris	3.2
AlA Group	3.1
Canadian National Railway	3.1
Boston Scientific	3.0

## SECTOR BREAKDOWN

STOCK	CONTANGO GLOBAL GROWTH (%)
Information Technology	26.1
Health Care	23.4
Financials	13.8
Consumer Discretionary	10.4
Industrials	8.2
Consumer Staples	6.3
Energy	4.1
Materials	3.0
Real Estate	2.5

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