

# WCM GLOBAL GROWTH LIMITED (ASX:WQG)

## INVESTMENT UPDATE AND NTA STATEMENT



31 July 2018

### PORTFOLIO UPDATE

The portfolio returned 1.59% to the end of July relative to the MSCI All Country World (ex-Australia) Index return of 2.47%. The portfolio has delivered returns in excess of the benchmark over the previous three, six and twelve months.

Global equity markets recovered in July with investors taking comfort from what seemed to be signs of an easing in the recent global trade tensions. The recovery was broad based with most of the major US and European indices posting positive returns for the month. Asian bourses were more mixed continuing the recent trend of their relative underperformance. At a sector level the stronger performers included healthcare, banks and industrials. The stronger performance of the bank sector was a contributor to 'value' outperforming 'growth' during the month.

Technology was one of the lagging sectors in the month following Facebook's disappointing second quarter earnings. Facebook's steep decline has increased investors' focus on the sector, in particular on the 'FAANG' (Facebook, Amazon, Apple Netflix and Google) group of companies. Amazon, WQG's sole exposure to the FAANGs, provided a positive return for the month. The portfolio has previously owned a number of these other names, including Facebook, but they were sold when we could no longer make the case that their economic moats (competitive advantage) were growing. Amazon has been a long time holding for WCM global portfolios which predate the inception of WQG. We have consistently trimmed our exposure to it in line with our prudent 'buy and manage' approach to portfolio construction.

As was the case in June, several of our better performing stocks during the month were from the healthcare sector. These included the world's third largest contact lens manufacturer, Cooper Companies and market leading pharmaceutical packaging firm West Pharmaceutical Services. Global property and casualty insurer Chubb and Latin America's leading eCommerce platform provider MercadoLibre also made meaningful positive contributions to the portfolio's return in July. Stocks weighing on portfolio returns during the month included Chinese social media firm Tencent Holdings and oil services company Core Laboratories.



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

PERFORMANCE <sup>1</sup> <i>(after management fees)</i>	PORT-FOLIO (%)	MSCI ACWI (ex-Aus) (%)	VALUE ADD (%) <sup>4</sup>	NTA <sup>3</sup> (%)
1 Month	1.6	2.5	-0.9	1.5
3 Months	6.0	4.2	1.9	5.9
6 Months	8.4	5.5	3.0	8.0
12 months	22.3	19.8	2.5	18.0
Inception <sup>2</sup> (annualised)	15.0	14.7	0.3	13.0

1. Performance is calculated before expenses and after investment management fees are paid. The company's operating bank account balance is excluded from the portfolio value

2. Inception date is the 21st June 2017

3. The movement in pre-tax NTA which takes into account all expenses, fees paid and any tax on earnings (including on unrealised gains but excl. provision for tax on unrealised gains)

4. Value Add equals Manager or portfolio return before expense and after investment management fees minus benchmark return

NET TANGIBLE ASSETS <sup>1</sup> (PER SHARE)	31 JULY 2018	30 JUN 2018
<b>NTA before tax</b>	<b>\$1.214</b>	<b>\$1.196</b>
NTA after tax and before tax on unrealised gains	\$1.227	\$1.213
<b>NTA after tax</b>	<b>\$1.180</b>	<b>\$1.167</b>
Month end closing share price (WQG.ASX)	\$1.100	\$1.075
Month end closing option price (WQGO.ASX)	\$0.029	\$0.025

1. NTA is calculated after all fees, expenses and incorporates and all company assets including the company's operating bank account

KEY DETAILS	
<b>Report Date:</b>	<b>31 July 2018</b>
ASX Code	WQG
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:	\$109.63m
Shares on issue:	90.65 million
Share Price:	\$1.100

# WCM GLOBAL GROWTH LTD (ASX:WQG)

## WHO MANAGES THE PORTFOLIO?

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

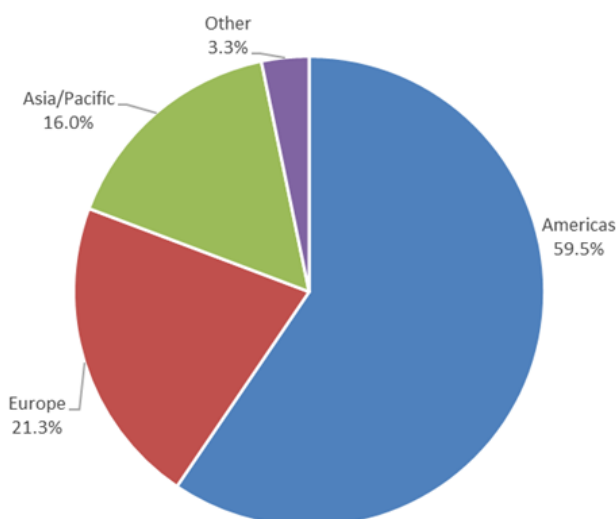
Founded in 1976, the business is 100% employee owned and manages over AUD35bn of assets on behalf of institutional and retail investors around the world including Australia.

## 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)



STOCK	CONTANGO GLOBAL GROWTH (%)
Costco Wholesale	3.9
Visa Inc	3.8
The Cooper Companies	3.6
Steris	3.4
HDFC Bank	3.4
Amphenol	3.4
Boston Scientific	3.3
Canadian National Railway	3.2
Keyence	3.0
MercadoLibre	3.0

SECTOR BREAKDOWN	WCM GLOBAL GROWTH (%)
Information Technology	25.9
Health Care	22.4
Financials	13.2
Industrials	8.0
Consumer Discretionary	7.3
Materials	7.2
Consumer Staples	6.3
Energy	3.8
Real Estate	2.7

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