

Contango Global Growth Limited  
(CQG)

Listed Managed Investments

June 2017 Quarterly Review

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## Rating



## LMI Type

Listed investment company

## Investment Area

International

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 15 August 2017	1.07
Market cap (\$M)	97.4
Shares on issue (M)	91.0
Options on issue (M)	90.9
Shares traded (\$M p.a)	4.7
12-month L/H (\$)	1.05/1.19
Listing date	June 2017

## Fees

Management Fee (% p.a)	1.25
Performance incentives (%)*	10.0

\*Outperformance of MSCI ACWI ex Australia (AUD), subject to a high water mark. 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.

## Premium/Discount to Pre-tax NTA

30 June 2017	6.9%
Average since inception	6.9%

## Dividend Yield

	%
FY15	na
FY16	na
FY17	na

## Largest Shareholders

	%
HSBC Custody Nominees	4.2
Brispot Nominees Pty Ltd	4.0

As at 30 June 2017

## COMPANY OVERVIEW

Contango Global Growth Limited (ASX:CQG) is a listed investment company that invests in a portfolio of global growth equities, excluding Australia. The company listed in June 2017 after raising \$100m through the issue of 90.9m shares at \$1.10. Investors also received one free attaching option for each share issued. Contango International Management Pty Limited, a wholly owned subsidiary of Contango Asset Management Limited (ASX:CGA), has been appointed the Manager but has delegated the management of the portfolio to the Investment Adviser, WCM Investment Management (WCM) an independent asset management firm based in California.

## INVESTMENT OBJECTIVE

CQG 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 (WCM) will seek to achieve this with lower volatility than the benchmark index.

## STYLE AND PROCESS

WCM has developed a unique investment strategy based on rigorous bottom-up analysis to identify quality stocks with sustainable growth potential. It looks for companies that have durable and competitive advantages (growing economic moat), good corporate cultures and are involved in industries with growth tailwinds. It has a focused approach to investing, investing only in its best ideas and not diluting the portfolio with inferior ideas. The valuation discipline is to invest in shares at a fair price where there is a margin of safety that helps provide downside protection. The investment process includes five main stages, idea generation and screening; quantitative analysis; fundamental analysis; portfolio construction; and portfolio monitoring and ongoing management.

## PORTFOLIO CHARACTERISTICS

The portfolio is managed on a high conviction, active approach and is concentrated across 20-40 high quality growth companies. The portfolio is diversified across global sub-sectors and countries, both developed markets and emerging markets, based upon WCM's rigorous bottom-up analysis. Up to 7% of the portfolio may be held in cash. At 30 June 2017, the portfolio was close to fully invested with just 5.6% in cash. The majority of the portfolio was invested in developed markets with a 79.8% weighting at 30 June 2017, with a 51.3% weighting to U.S. stocks. The portfolio is relatively well-diversified with the largest stock exposure at 3.9% of the portfolio.

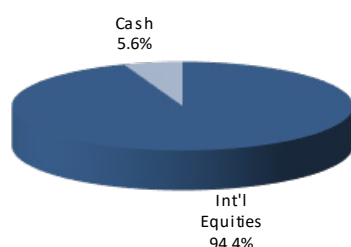
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

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 portfolio is 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. WCM has a long-term investment view and therefore the company is suitable for investors with a medium-to-long term investment horizon. Investors should not be seeking a regular income from this investment but have a focus on capital appreciation.

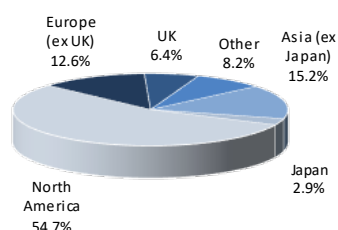
## SECTOR BREAKDOWN

Sector	30 Jun (%)
Energy	4.3
Materials	5.4
Industrials	8.5
Cons. Discret.	15.5
Cons.Staples	8.6
Health Care	14.0
Financials	10.1
Information Technology	25.2
Telco Svcs	0.0
Property	2.9
Utilities	0.0
Cash	5.6

### Asset Weighting



### Country Weighting



### Board of Directors

Valentina Stojanovska	Chairman (Non-Executive & Independent)
Micheal Liu	Director (Non-Executive)
Stephen Merlicek	Director (Non-Executive)
Paul Rickard	Director (Non-Executive)
Martin Switzer	Director (Non-Executive)

Note: IIR classifies Directors that are employed by the appointed Investment Manager as Executive Directors.

## PERFORMANCE ANALYTICS

Performance	June Quarter	1 year	3 year p.a	5 year p.a
Pre-tax NTA + Dividends (%)	na	na	na	na
Peer Group Median (pre-tax NTA plus dividends), %*	na	na	na	na
MSCI ACWI (ex Australia) (%)	na	na	na	na
Out/Under performance of index (%)	na	na	na	na
Share Price + Dividends (%)	na	na	na	na
Tracking Error (%)	na	na	na	na

\*Diversified International Shares as classified in the IIR monthly LIC report

## OTHER DATA

- ◆ **Dividend policy** – Dividends will be paid at the board's discretion and will be largely dependent on the profit reserve position of the company and franking credits available.
- ◆ **Capital management policy** – na
- ◆ **LIC tax concessions** – no
- ◆ **DRP available** – na

### CQG's Portfolio (Top 10) Weighting

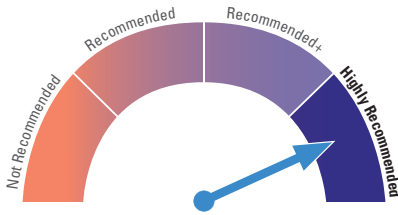
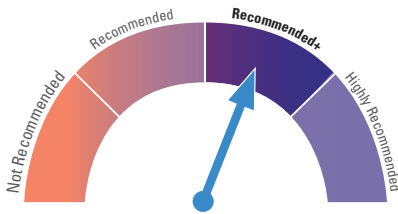
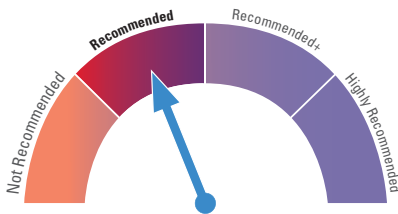
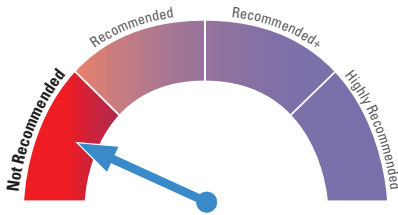
Company	Portfolio (%)
The Cooper Companies	3.9
Amazon.Com Inc	3.8
Reckitt Benckiser Group PLC	3.5
Canadian National Railway Co	3.4
HDFC Bank Ltd	3.4
Boston Scientific Corp	3.2
Techtronic Industries Co Ltd	3.1
Amphenol Corp	3.1
Quintiles Transnational Holdings	3.1
Cisa Inc	3.1
	<b>33.5</b>

Source all figures: CQG/Independent Investment Research/IRESS. All data as at 30 June 2017 unless otherwise specified.

## APPENDIX A – RATINGS PROCESS

### Independent Investment Research Pty Ltd “IIR” rating system.

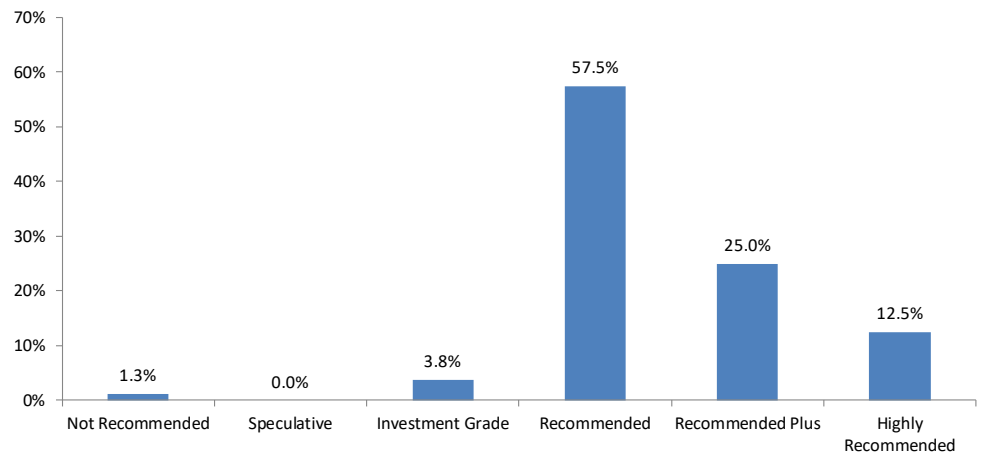
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction;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

LMI Ratings	SCORE
<p><b>Highly Recommended</b></p> 	<p><b>83 and above</b></p> <p>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.</p>
<p><b>Recommended +</b></p> 	<p><b>79–82</b></p> <p>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.</p>
<p><b>Recommended</b></p> 	<p><b>60–78</b></p> <p>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.</p>
<p><b>Not Recommended</b></p> 	<p><b>&lt;60</b></p> <p>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.</p>

## 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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