

CONTANGO GLOBAL GROWTH LIMITED (ASX:CQG)

INVESTMENT UPDATE AND NTA STATEMENT

28 February 2018

PERFORMANCE UPDATE

February was a volatile month for global equities. The falls early in the month were caused by an increase in US inflation, and concerns that interest rates may rise faster than expected. By the end of February, most of the losses experienced earlier in the month had been recovered.

The portfolio performed well to generate a low negative return, despite the significant market fluctuations over the month. The portfolio returned -0.3% (after fees) for February and was ahead of the benchmark return by 0.7%. This is an example of downside capture, where the manager outperforms in falling markets. The portfolio's return reflects our investment approach to select high quality, wealth creating growth businesses for the final portfolio of 36 companies. These companies hold up well in volatile markets because of their strong and growing moats around their businesses. The return since inception is solid at 10.1%. The share price also increased by 2 per cent month on month.

The portfolio benefited from the AUD's fall of 3.7% over the month as the AUD depreciated to USD 0.776 from USD 0.806. An upswing of the AUD detracts from the portfolio's value and a fall boosts value.

The portfolio is geographically diversified to lower risk. It is invested in 15 countries, including the high growth economies of Asia and South America. The fund owns a broad range of businesses that are leaders in their respective industries including technology (e-commerce), healthcare (medical devices) and consumer discretionary (household goods).

This month our top two performing stocks operate in very different industries of healthcare and luxury automobiles.

Edwards Lifesciences is based in Irvine, California and is a global leader in the manufacture of specialist medical devices and equipment. Its heart valve products are used to repair or replace a patient's diseased or defective heart valves. The company's Perimount heart valves are the world's most frequently implanted valves because of their long-term durability. The company experienced strong financial results in 2017 with sales growth of 16% to US \$3.4 billion and earnings growth of 20% to US \$2.5 billion. This was due to continued strong doctor and patient demand for their innovative products. The company expects a strong 2018 and has revised its sales forecast up to US \$4.0 billion. The company's moat is defined by its reputation for product reliability and its relentless focus on research to develop a pipeline of new technologies that is well ahead of competitors.

PORTFOLIO PERFORMANCE

PERFORMANCE (after fees)	CONTANGO GLOBAL GROWTH (%)	MSCI ACWI (ex-Aust) (%)	VALUE ADD (%)
1 Month	-0.3	-1.0	0.7
3 Months	0.4	-0.1	0.5
6 Months	10.6	11.3	-0.7
Since Jul 2017	10.1	11.3	-1.2

Source: Bloomberg, Contango Funds Management, as of 28 February 2018

NET TANGIBLE ASSETS

NET TANGIBLE ASSETS (PER SHARE)	28 FEB 2018	31 JAN 2018
NTA before tax	\$1.119	\$1.124
NTA after tax and before tax on unrealised gains	\$1.138	\$1.142
NTA after tax	\$1.114	\$1.117
Month end closing share price (CQG.ASX)	\$1.010	\$0.990
Month end closing option price (CQGO.ASX)	\$0.025	\$0.030

Source: Contango Funds Management, as of 28 February 2018

KEY DETAILS

Report Date:	28 February 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:	\$102.03m
Shares on issue:	90.98 million
Share Price:	\$1.01

Ferrari, the prestigious designer and manufacturer of super luxury sports cars based in Maranello, Italy is a recent addition to the portfolio being purchased in mid-2017. Since listing as an independent company in 2016 it has a perfect record of delivering nine profit results that all beat market forecasts by an average of 10%. This has propelled the company's share price to record high levels. Management want to expand the Ferrari brand from a premium car maker into a luxury goods company to profit more from the brand's exclusivity in future years. The company enjoys high barriers to entry, as there are very few genuine competitors with its unmatched automotive pedigree. Buyers of Ferrari cars have no price bargaining power as demand outstrips supply and there are waiting periods of up to 2 years. In recent years the Ferrari has successfully grown its global business by attracting buyers from new markets of China, Russia and the Middle East.

Companies that posted share price pullbacks over the month included Reckitt Benckiser (a leading global manufacturer of everyday household brands such as Finish Detergents and Nurofen), and Tractor Supply Company that dominates the US specialty retail market for sales of farm and ranch merchandise.



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	3.8
Keyence	3.7
Visa Inc	3.6
Costco Wholesale	3.6
Mercado Libre	3.5
Amphenol Corp	3.5
HDFC Bank	3.4
The Cooper Companies	3.3
Taiwan Semiconductor	3.2
Canadian National Railway	2.9

Source: WCM Investment Management, as of 28 February 2018

REGIONAL MARKET ALLOCATIONS

DEVELOPED & EMERGING MARKETS ALLOCATION	CONTANGO GLOBAL GROWTH (%)
Developed Markets	82.9
Emerging Markets	12.9
Cash	4.2

Source: WCM Investment Management, as of 28 February 2018

ASSET COMPOSITION

ASSET COMPOSITION	28 FEB 2018		31 JAN 2018	
	\$m	%	\$m	%
Investment Type				
Listed shares	97.72	96.4	98.93	97.4
Liquidity	4.13	4.1	3.29	3.2
Tax asset (liability)	(0.53)	-0.5	(0.64)	(0.6)
Net Assets After Tax	\$101.32	100.0%	\$101.58	100.0%
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
E: info@contangoglobalgrowth.com.au

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