

# WCM GLOBAL GROWTH LIMITED (ASX:WQG)

## INVESTMENT UPDATE AND NTA STATEMENT

30 November 2020

### PORTFOLIO UPDATE

The portfolio delivered a return of 6.43% during the month, slightly below the benchmark MSCI All Country World (ex-Australia) Index return of 7.14%. The portfolio has delivered returns in excess of the benchmark over the previous three, six and 12 month periods, as well as over three years and since inception.

Having moved sideways over the two preceding months, global equity markets sharply advanced higher in November. Despite the legal challenges filed by the Trump campaign team, the apparently large margin of victory for Joe Biden removed the major cloud of uncertainty which had been overhanging markets. The likelihood of the Republicans retaining the Senate, thus ensuring a divided Congress was also taken positively by markets. The major driver of the strong returns in November however came from the announcements of three effective vaccines for COVID-19. The news of light at the end of the tunnel in the fight against the virus far outweighed the concerning rising case numbers, deaths, and poor economic data from Europe and the US. While all major equity sectors and geographical regions posted positive returns, it was the year-to-date laggards such as Energy, Financials and European Equities, which performed best. Consistent with the 'risk-on' theme of markets generally, the Australian dollar strengthened during the month, moderating returns for unhedged portfolios.

The outperformance of value versus growth stocks was a headwind for the portfolio in November. Individual stock performance within the portfolio reflected that of the broader market. Financial sector holdings such as Indian bank HDFC Bank and multinational insurer AIA Group, which have lagged the market year-to-date, outperformed. Aerospace and electronics company HEICO Corporation, water treatment group Ecolab and Latin American ecommerce firm MercadoLibre also contributed positively to the portfolio's relative return. The portfolio's defensive holdings such as medical device firm Boston Scientific Corporation and life science instrumentation group Thermo Fisher Scientific were amongst the underperformers during the month.

The combination of the positive vaccine news and ongoing expansionary global monetary and fiscal conditions has raised expectations of a significant economic rebound in 2021. This in turn has many market commentators predicting that the recent rotation away from growth stocks towards value and cyclical sectors may be sustainable. A sustained rotation of this kind may create challenges for growth-oriented portfolios including the WCM Quality Global Growth strategy. However, these challenges will be greatest for those portfolios exposed to secular growth stocks only. WCM's disciplined portfolio construction process ensures that its strategy is always diversified across three growth 'buckets', being: secular growth (e.g. Shopify, MercadoLibre and Tencent Holdings), defensive growth (e.g. Pernod Ricard and Costco Wholesale Corporation) and cyclical growth (e.g. Atlas Copco and HEICO

PERFORMANCE <sup>1</sup>	PORTFOLIO	MSCI ACWI (ex-AU)	VALUE ADDED <sup>3</sup>
1 Month	6.43%	7.14%	-0.71%
3 Months	9.07%	6.61%	2.46%
6 Months	13.44%	10.54%	2.90%
1 Year	28.11%	6.48%	21.63%
3 Year (p.a.)	21.68%	10.66%	11.02%
Inception <sup>2</sup> (p.a.)	21.00%	12.11%	8.89%

Notes: 1. Portfolio return is calculated before expenses and after investment management and performance fees are paid. 2. Inception date is 21 June 2017. 3. Value added equals portfolio return minus benchmark return.

NET TANGIBLE ASSETS <sup>1</sup> (PER SHARE)	30 NOV 2020	31 OCT 2020
NTA before tax	\$1.645	\$1.536
NTA after tax and before tax on unrealised gains	\$1.626	\$1.519
NTA after tax	\$1.467	\$1.390
Month end closing share price	\$1.510	\$1.415

Notes: 1. NTA is calculated after all fees and expenses and incorporates all company assets including WQG's operating bank account.

KEY DETAILS	
Report Date	30 November 2020
ASX Code	WQG
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	\$287.06m
Shares on issue	174.86m
Management Fee	1.25% (ex-GST)
Performance Fee <sup>1</sup>	10% (ex-GST)
Hedging	Unhedged

Notes: 1. Performance Fee is 10% (ex-GST) of the Portfolio's outperformance relative to the benchmark plus Management Fee and subject to high water mark. Maximum fee is capped at 0.75% of the closing market value of the Portfolio in each financial year.

Corporation). This diversification reduces the drag on relative returns during times when growth and quality style investing is out of favour, as was the case in November, and has proven to be successful over the long term.

#### 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.

Its research is therefore 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.

#### 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 majority employee owned and manages over A\$93.1 billion of assets\* on behalf of institutional and retail investors around the world including Australia.



**PAUL BLACK**  
CEO & Portfolio Manager  
WCM Investment Management

#### WCM GLOBAL GROWTH LIMITED

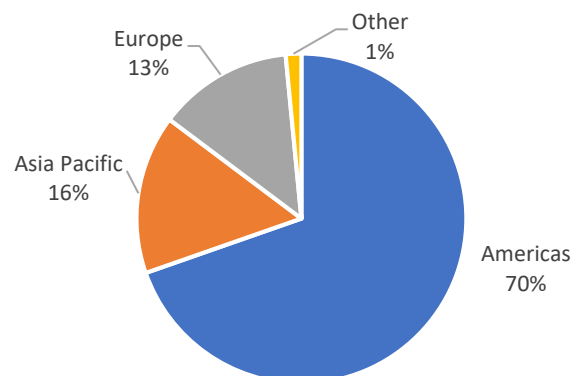
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#### REGIONAL MARKETS ALLOCATION



TOP TEN PORTFOLIO HOLDINGS	WCM GLOBAL GROWTH (%)
MercadoLibre	5.91
Shopify	4.19
Taiwan Semiconductor	4.03
Stryker Corp.	3.89
West Pharmaceuticals	3.72
Visa Inc.	3.35
Amphenol Corp.	3.32
Tencent Holdings	3.25
LVMH (Moet Hennessy Louis Vuitton)	3.19
Sherwin-Williams	2.96
<b>Total</b>	<b>37.81</b>

SECTOR BREAKDOWN	WCM GLOBAL GROWTH (%)
Information Technology	26.90
Health Care	19.15
Consumer Discretionary	13.04
Financials	11.23
Industrials	11.08
Consumer Staples	6.92
Materials	5.54
Communication Services	3.25
Cash	1.55
Real Estate	1.34
<b>Total</b>	<b>100.00</b>

**DISCLAIMER:** Past performance is not a predictor of future returns. This update has been prepared for information purposes only related to the underlying investment portfolio. The NTA figures provided in this document are unaudited and approximate. This document does not contain investment recommendations nor provide investment advice. Investors in LICs should understand the distinction between Investment Portfolio Performance, NTA Performance and Share Price return. Contango International Management Pty Ltd (CIM) ACN 617 319 123 Corporate Authorised Representative (CAR No. 1254169) of Switzer Asset Management Limited (AFSL No. 312 247) is the investment manager of WQG. Neither WQG, CIM nor their respective related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested within WQG or any associated product. You are strongly encouraged to obtain detailed professional advice and to read any relevant offer document in full before making any investment decision. WQG may not be suitable for your investment needs. This is not an offer to invest in any security or financial product. © 2018 Contango Asset Management Limited. \*WCM AUM data in AUD at 30 September 2020.