

# WCM GLOBAL GROWTH LIMITED (ASX:WQG)

## INVESTMENT UPDATE AND NTA STATEMENT



31 December 2018

### PORTFOLIO UPDATE

Despite a turbulent year for local and global equities, investors in the WCM Quality Global Growth strategy experienced a positive return in 2018 of circa 7.9% after fees, outperforming the benchmark MSCI All Country World Index (ex-Australia) by 6.8%.

The portfolios performed in line with the benchmark in December against a backdrop of sharply falling markets. The portfolios have delivered returns in excess of the benchmark over the previous three, six and twelve months.

Following a brief respite in November, global equity markets continued their steep decline in December. Investors' focus was again on a range of primarily US-centric issues which have potentially broader global macroeconomic and market implications. These issues included rising interest rates, signs of slowing economic activity, the US/China trade dispute and fears of a government shutdown over funding for the Mexican border wall.

By month end the S&P 500 had declined by 9.0%. This represented its worst December performance since 1931 and biggest monthly loss since February 2009. It brought the 3-month decline close to 14%, the worst quarterly performance since the December quarter of 2008.

In terms of individual sectors there were few clear standouts in terms of contribution to portfolio performance. The weaker performing positions in the portfolio came from a range of sectors, including energy (Schlumberger), technology (MercadoLibre), industrials (Canadian National) and financials (First Republic Bank).

Portfolio holdings that bucked the downward trend during the month included French alcoholic beverages firm Pernod Ricard, Indian banking and financial services group HDFC Bank and pan Asian life insurance provider AIA group.

In terms of portfolio activity, the weaker market conditions provided opportunities to add to existing positions at attractive valuations. Two examples of this during the quarter were US video game firm Activision Blizzard and Chinese internet services provider Tencent. Tencent is a top-ten holding in the strategy for the first time since November 2017.

WCM Investment Management's investment process is designed to identify companies with a rising competitive advantage (expanding economic moat) and a culture supportive of this positive moat trajectory. The strong performance over the 2018 calendar year provides validation for this unique process.

While 2019 begins with most investors' attention on the uncertain macroeconomic and geopolitical outlook, the team at WCM remain singularly focused on finding long term quality global growth opportunities.

PERFORMANCE <sup>1</sup> (after management fees)	PORT-FOLIO (%)	MSCI ACWI (ex-Aus) (%)	VALUE ADD (%) <sup>4</sup>	NTA <sup>3</sup> (%)
1 Month	-3.75%	-3.73%	-0.02%	-3.94%
3 Months	-9.44%	-10.33%	0.89%	-9.72%
6 Months	-1.73%	-4.22%	2.49%	-2.17%
12 months	7.90%	1.09%	6.81%	7.04%
Inception <sup>2</sup> (annualised)	8.30%	5.65%	2.65%	6.68%

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 DEC 2018	30 NOV 2018
<b>NTA before tax</b>	<b>\$1.170</b>	<b>\$1.218</b>
NTA after tax and before tax on unrealised gains	\$1.179	\$1.226
<b>NTA after tax</b>	<b>\$1.151</b>	<b>\$1.186</b>
Month end closing share price (WQG.ASX)	\$1.030	\$1.035
Month end closing option price (WQGO.ASX)	\$0.005	\$0.006

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 December 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 Total Return 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:	\$105.14
Shares on issue:	89.76 million
Share Price:	\$1.03

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## 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.

## WHO MANAGES THE PORTFOLIO?

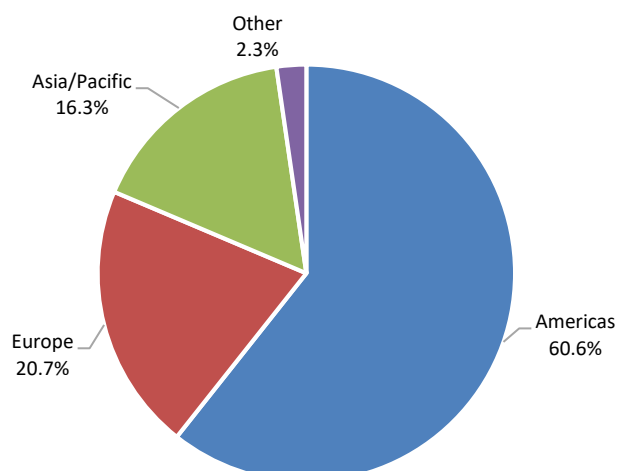
WCM is a California based asset management firm specialising in active global and emerging market equities.

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.



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

## REGIONAL MARKETS ALLOCATION



STOCK	WCM GLOBAL GROWTH (%)
Visa Inc	4.01
Costco Wholesale	3.97
The Cooper Companies	3.83
Boston Scientific	3.79
HDFC Bank	3.74
Steris PLC	3.50
Tencent Holdings Ltd	3.35
First Republic Bank	3.35
Pernod Ricard	3.32
Keyence	3.22

SECTOR BREAKDOWN	WCM GLOBAL GROWTH (%)
Communication Services	4.79
Consumer Discretionary	9.97
Consumer Staples	7.29
Energy	1.13
Financials	14.29
Health Care	23.30
Industrials	9.39
Information Technology	16.81
Materials	7.73
Real Estate	2.87
Cash	2.43

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