

# WCM GLOBAL GROWTH LIMITED (ASX:WQG)

## INVESTMENT UPDATE AND NTA STATEMENT



31 July 2019

### PORTFOLIO UPDATE

The portfolio achieved a positive performance of 1.52%, marginally under the broader market movement during the month of July 2019, with the benchmark MSCI All Country World (ex-Australia) Index returning 2.22%.

Global equity markets edged higher in July, a month in which the S&P 500 index reached another all-time high in the US, with the S&P 500 and the NASDAQ up a remarkable 17% and 22% respectively year to date. US equities have been the primary driver of the outperformance of developed markets versus their emerging market peers.

July provided plenty of macroeconomic and political news for investors to ponder. As expected, the Federal Reserve announced its first interest rate cut since the financial crisis over 10 years ago, Christine Lagarde was nominated as the next leader of the European Central Bank and Boris Johnson became the UK's prime minister.

Second quarter economic growth data in China signalled a slowing in activity, while manufacturing data in the US and Germany remained weak. This slowing growth and lower interest rate environment contributed to the sustained outperformance of the less economically sensitive growth and quality sectors (e.g. technology) during the month.

The best performing stocks in the portfolio for the month came from a number of different sectors. These included UK foodservice company Compass Group, the world's largest manufacturer of discrete semiconductor devices Taiwan Semiconductor, US building materials firm Sherwin Williams, and pharmaceutical packaging firm West Pharmaceutical Services.

The importance of valuation to an equity manager's investment process is a topical one at present. The continued outperformance of growth versus value style investing has led many market commentators to suggest that we are approaching the next market bubble.

The bubble case rests on the view that the valuation the market is attributing to certain growth sectors cannot be justified in the context of their future growth prospects. So, what role does valuation play in the investment process behind the WCM Quality Global Growth strategy?

The key criteria for all candidates in this strategy is an expanding economic moat. Actual inclusion in the portfolio hinges on the extent to which WCM's view of this positive moat trajectory differs from that of the market. Valuation is one input to measuring this inefficiency, which the WCM team is seeking to exploit.

PERFORMANCE <sup>1</sup> (after management fees)	PORT- FOLIO (%)	MSCI ACWI (ex-Aus) (%)	VALUE ADD (%) <sup>4</sup>	NTA <sup>3</sup> (%)
1 Month	1.52%	2.22%	-0.70%	-2.70%
3 Months	6.99%	3.05%	3.94%	-6.52%
6 Months	24.31%	14.46%	9.85%	7.76%
1 Year	25.09%	11.84%	13.25%	7.94%
2 Year	23.70%	15.76%	7.94%	14.47%
Inception <sup>2</sup> (annualised)	19.69%	13.31%	6.38%	10.58%

1. Portfolio return is calculated before expenses and after investment management and performance 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 and fees paid. 4. Value Add equals portfolio return minus benchmark return.

NET TANGIBLE ASSETS <sup>1</sup> (PER SHARE)	31 JULY 2019	30 JUNE 2019 Diluted <sup>2</sup>	30 JUNE 2019 <sup>3</sup>
<b>NTA before tax</b>	<b>\$1.310</b>	<b>\$1.288</b>	<b>\$1.347</b>
NTA after tax and before tax on unrealised gains	\$1.313	\$1.286	\$1.344
<b>NTA after tax</b>	<b>\$1.247</b>	<b>\$1.225</b>	<b>\$1.264</b>
Month end closing share price	\$1.115	\$1.120	\$1.120

1. NTA is calculated after all fees and expenses and incorporates all company assets including WQG's operating bank account. 2. Diluted NTA at 30 June 2019 adjusts for the additional 41.9m shares allotted on 4 July 2019 as a result of WQG's partial option underwriting. The final shortfall was 3.8m options. 3. NTA at 30 June 2019 was the actual NTA at that date, excluding the new shares allotted on 4 July 2019 as a result of WQG's partial option underwriting.

KEY DETAILS	
<b>Report Date:</b>	<b>31 July 2019</b>
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:	\$230.74m
Shares on issue:	176.31m

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Moat trajectory is also the key driver of sell decisions in the strategy. If the investment team can no longer make the case that a company's moat is expanding, it no longer qualifies for inclusion in the portfolio. Valuation is one input in decisions to add to or trim from existing positions.

## 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 majority employee owned and manages over A\$57 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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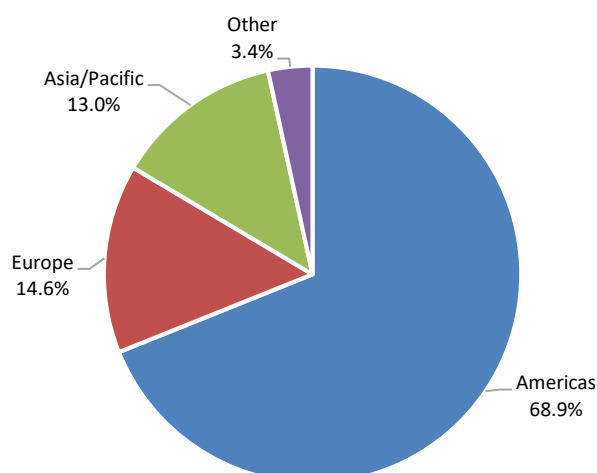
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## REGIONAL MARKETS ALLOCATION



COMPANY	WCM GLOBAL GROWTH (%)
SHOPIFY INC - CLASS A	4.25
VISA INC-CLASS A SHARES	4.17
COSTCO WHOLESALE CORP	4.14
STERIS PLC	3.75
BOSTON SCIENTIFIC CORP	3.51
MERCADOLIBRE INC	3.46
VERISK ANALYTICS INC	3.36
WEST PHARMACEUTICAL SERVICES	3.33
ECOLAB INC	3.29
HDFC BANK LTD-ADR	3.20

SECTOR BREAKDOWN	WCM GLOBAL GROWTH (%)
Health Care	24.19
Information Technology	19.19
Financials	12.69
Industrials	9.40
Materials	7.87
Consumer Discretionary	7.38
Consumer Staples	6.92
Communication Services	5.23
Real Estate	2.72
Energy	0.97
Cash	3.44

**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 at 30 June 2019.