

## INVESTMENT UPDATE AND NTA STATEMENT

31 March 2020

## PORTFOLIO UPDATE

The portfolio returned -5.10% for the month of March 2020, compared with the benchmark MSCI All Country World (ex-Australia) Total Return Index return of -7.69%. The portfolio has outperformed its benchmark during the volatile conditions of the last 3-months. The longer-term performance of the portfolio also remains strong with returns exceeding that of the benchmark over 1-year, 2-years and since inception.

The major selloff in global equity markets, which began on 19 February, reached its nadir on 23 March at which point the MSCI World Index had declined by 35%. The rapid worldwide spread of the COVID 19 virus has brought many businesses to a halt and confined employees across multiple 'non-essential' industries to their homes. Commentators have quickly moved on from debating if there will be a global recession to how long and how deep it will be.

While all regional indices recorded declines in March, losses were least severe in Asia where there are tentative signs that countries including China and South Korea may have seen the worst of the pandemic. At a sector level the hardest hit were those most sensitive to the pending economic downturn including Industrials, Financials and Energy. The weaker Australian dollar in March reduced the losses for unhedged global portfolios such as WQG.

As with previous periods of heightened market volatility, the portfolio's overweight exposure to quality and secular growth companies contributed significantly to relative outperformance in March. These included health care companies Illumina, West Pharmaceuticals and Thermo Fisher Scientific along with the communications infrastructure group, Crown Castle. The economically sensitive holdings in the portfolio and those most directly impacted by the COVID 19 shutdown fared worst. These included contract food service firm Compass Group and McDonalds.

Given WCM's long-term approach (i.e. a minimum time horizon of 3-5 years) and the belief that the full ramifications of sudden macro-related event, such as the current COVID-19 pandemic, are unknowable, the team remains convinced that the most important investment objective is to own businesses that: i) have solid balance sheets in industries with long-term structural growth drivers; ii) are improving their competitive position; and iii) possess strong, healthy cultures. Such firms are much more likely to navigate macro issues, including the current pandemic, better than their peers and win in the long run.

The positive aspect of market volatility is that it offers outstanding opportunities for bargains on high-quality companies that fit WCM's investment criteria. Further, these volatile periods tend to refocus markets on structurally high-quality businesses (i.e., growing moats and strong, long-term tailwinds) rather than mediocre businesses benefitting from temporary/cyclical phenomena. That plays to WCM's strengths. With valuations having been reset, the ultimate return to stability will be accompanied by ample opportunity for strong long-term returns.

PERFORMANCE <sup>1</sup> (after management fees)	PORTFOLIO (%)	MSCI ACWI (ex-AU) (%)	VALUE ADDED (%) <sup>3</sup>
1 Month	-5.10%	-7.69%	2.59%
3 Months	-1.17%	-9.08%	7.91%
6 Months	0.70%	-4.65%	5.35%
1 Year	12.90%	4.16%	8.74%
2 Year	17.62%	7.86%	9.76%
Inception <sup>2</sup> (annualised)	15.32%	8.78%	6.54%

Notes: 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 21 June 2017. 3. Value Add equals portfolio return minus benchmark return.

NET TANGIBLE ASSETS <sup>1</sup> (PER SHARE)	31 MAR 2020	29 FEB 2020
NTA before tax	\$1.287	\$1.369
NTA after tax and before tax on unrealised gains	\$1.277	\$1.362
NTA after tax	\$1.218	\$1.283
Month end closing share price	\$1.010	\$1.135

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	31 March 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	\$224.02m
Shares on issue	174.01m
Management Fee	1.25% (ex-GST)
Performance Fee <sup>1</sup>	10% (ex-GST)

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.

## 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\$69.7 billion of assets\* on behalf of institutional and retail investors around the world including Australia.



**PAUL BLACK**  
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### WCM GLOBAL GROWTH LIMITED

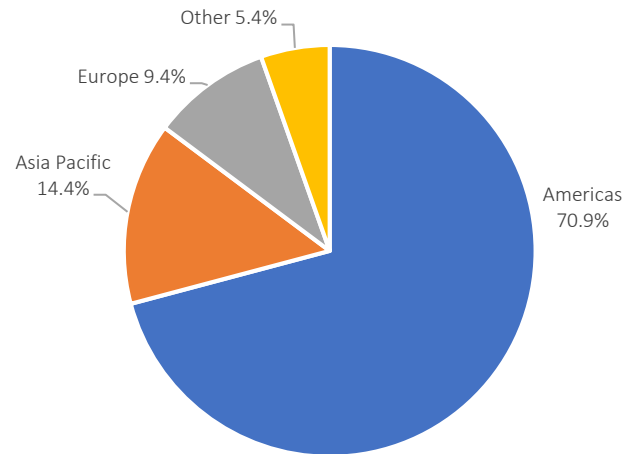
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## REGIONAL MARKETS ALLOCATION



TOP TEN PORTFOLIO HOLDINGS	WCM GLOBAL GROWTH (%)
Shopify Inc.	5.15
Stryker Corp	4.50
Visa Inc	4.16
West Pharmaceuticals	4.01
Tencent Holdings	3.64
Crown Castle International	3.20
Taiwan Semiconductor Manufacturing Company	3.17
Graco Inc	3.09
MercadoLibre	2.96
Ecolab	2.78
<b>Total</b>	<b>36.66</b>

SECTOR BREAKDOWN	WCM GLOBAL GROWTH (%)
Information Technology	20.18
Health Care	19.68
Financials	14.93
Industrials	12.16
Consumer Staples	8.00
Communication Services	6.29
Not Classified	5.41
Consumer Discretionary	5.08
Materials	5.01
Real Estate	3.25
<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 31 December 2019.