

## INVESTMENT UPDATE AND NTA STATEMENT

31 July 2020

## PORTFOLIO UPDATE

The portfolio delivered a return of 3.74% during the month, outperforming the benchmark MSCI All Country World (ex-Australia) Index return of 1.57%. The portfolio has delivered returns in excess of the benchmark over the previous one, three, six and 12 month periods, as well as over three years and since inception.

Global equity markets continued their strong rally throughout July. Every major market, with the exception of Japan, ended the month in positive territory. The continued implied optimism from rising equity markets comes against a backdrop of at best mixed signals from the global economy and the COVID-19 pandemic. While second quarter US GDP declined by almost 30% on an annualised basis, retail sales have recovered to within 1% of the 2020 high. The corporate earnings season in the US has also been sending disparate signals to investors. Earnings results to date have slightly exceeded analysts' expectations, however these estimates had been revised to a decline of circa 45% ahead of the reporting season.

At a regional level it was a particularly strong month for emerging markets, with China being the standout, rising by over 9.0%. The weaker US dollar in July (its weakest month for a decade), was one of the key drivers of this strong performance from emerging markets. Materials was one of the stronger sectors in July, led by another beneficiary of a weaker dollar; precious metals. At a style factor level, it was another month of growth outperforming value.

The portfolio's best performing stocks during the month came from a variety of sectors. These included household product manufacturer, Church and Dwight; the global leader in veterinary diagnostics, software and water microbiology testing, IDEXX Laboratories; pharmaceutical packaging firm West Pharmaceuticals; and semiconductor giant, Taiwan Semiconductor Manufacturing Company. Aerospace and electronics company HEICO Corporation and American global provider of water, hygiene and infection preventions solutions and services firm Ecolab were amongst the handful of portfolio names that declined during the month.

The corporate reporting season is a busy time for equity portfolio managers and research analysts. Many money management firms' investment processes, and hence portfolio returns accurately, are heavily dependent on their ability to forecast annual (and in some cases even quarterly) earnings. While the team at WCM Investment Management do pay attention to corporate earnings releases, their focus is much more on knowledge that would be considered long term/compounding rather than short term/expiring. Quarterly earnings is an example of expiring knowledge. Once this information is known it is of little value going forward, as the focus then becomes forecasting the following quarter. Corporate culture, a key focus for the WCM investment team, is an example of long-term knowledge. Understanding a company's culture is information that doesn't expire. If you understand a company's culture today, that information is still useful, one, five or even 10 years from today.

PERFORMANCE <sup>1</sup> (after management fees)	PORTFOLIO	MSCI ACWI (ex-AU)	VALUE ADDED <sup>3</sup>
1 Month	3.74%	1.57%	2.17%
3 Months	11.48%	3.60%	7.88%
6 Months	10.17%	-5.99%	16.16%
1 Year	20.20%	4.09%	16.11%
3 Year (PA)	22.62%	7.90%	14.72%
Inception <sup>2</sup> (PA)	22.52%	11.73%	10.79%

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 JULY 2020	30 JUNE 2020
NTA before tax	\$1.511	\$1.453
NTA after tax and before tax on unrealised gains	\$1.504	\$1.447
NTA after tax	\$1.379	\$1.338
Month end closing share price	\$1.280	\$1.245

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 July 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	\$264.30m
Shares on issue	174.01m
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.

## 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\$85.6 billion of assets\* on behalf of institutional and retail investors around the world including Australia.



**PAUL BLACK**  
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WCM Investment Management

### WCM GLOBAL GROWTH LIMITED

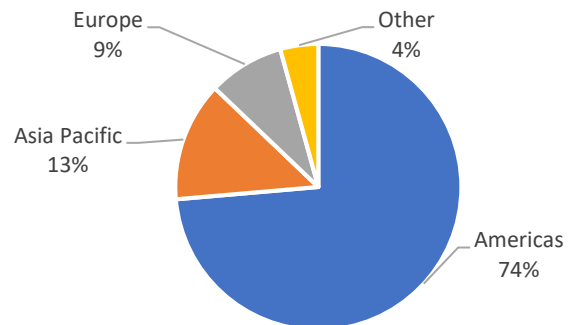
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## REGIONAL MARKETS ALLOCATION



TOP TEN PORTFOLIO HOLDINGS	WCM GLOBAL GROWTH (%)
Shopify	5.56
West Pharmaceuticals	5.13
MercadoLibre	4.92
Stryker Corp	3.78
Taiwan Semiconductor	3.78
Visa Inc	3.56
Tencent Holdings	3.44
lululemon athletica	2.92
Thermo Fisher Scientific	2.73
Crown Castle International	2.67
<b>Total</b>	<b>38.49</b>

SECTOR BREAKDOWN	WCM GLOBAL GROWTH (%)
Information Technology	24.59
Health Care	23.31
Industrials	10.67
Financials	10.57
Consumer Discretionary	9.73
Consumer Staples	6.36
Materials	4.37
Cash	4.28
Communication Services	3.44
Real Estate	2.67
<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 July 2020.