

# WCM GLOBAL GROWTH LIMITED (ASX:WQG)

## INVESTMENT UPDATE AND NTA STATEMENT



30 September 2019

### PORTFOLIO UPDATE

The portfolio returned -1.16% for the month, underperforming the benchmark MSCI All Country World (ex-Australia) Index return of 1.83%. The long-term performance of the portfolio remains strong, with returns exceeding that of the benchmark over 6 months, 1-year, 2-years and since inception.

September saw a recovery of global equity markets after the steep losses incurred in August. Central banks including the US Federal Reserve and the European Central Bank responded to the ongoing signs of slowing economic growth by lowering interest rates. The latter also committed to reinitiating quantitative easing. Geopolitics continued to be dominated by the US and China trade dispute and the ongoing BREXIT shenanigans in the UK parliament. Unlike recent positive months, it was the European and Japanese markets, not the US which lead the way. At a sector level there was also a change of market leadership in September, with 'value' stocks (e.g. industrial cyclicals) and financials outperforming 'growth' (e.g. technology and healthcare). The Australian dollar had minimal impact on returns during the month.

The stand out performers (both negatively and positively) in the portfolio during the month reflected that of the broader market. Technology and health care names were generally weaker, with positive contributions coming from some of the more cyclical growth and financial sector holdings in the portfolio. In the technology related sectors, Shopify and Mercadolibre both gave up some of their strong year to date returns as did health care holdings West Pharmaceuticals and Steris. Positive contributors to portfolio returns during month included electronic and fibre optic connector firm, Amphenol and Taiwan Semiconductor Manufacturing. The portfolio's two bank sector holdings, First Republic Bank and HDFC Bank, both outperformed the market during the month.

The recent outperformance of value style investing relative to growth has prompted several market commentators to question whether this is the beginning of a new trend in markets. Historically value stocks (many of which are found in the more cyclical sectors of the market) have tended to outperform when economic growth is improving, and interest rates are rising. Whether such economic conditions currently exist or are likely to in the near future has no influence on the management of the WQG portfolio. The WCM approach is based on the belief that regardless of economic conditions, companies with positive economic moat trajectories will continue to grow as a result of their leading products, clean balance sheets and aligned corporate cultures

PERFORMANCE <sup>1</sup> (after management fees)	PORTFOLIO (%)	MSCI ACWI (ex-Aus) (%)	VALUE ADD (%) <sup>3</sup>
1 Month	-1.16%	1.83%	-2.99%
3 Months	2.52%	4.03%	-1.51%
6 Months	12.12%	9.23%	2.89%
1 Year	18.26%	9.20%	9.06%
2 Year	21.71%	14.35%	7.36%
Inception <sup>2</sup> (annualised)	18.63%	13.15%	5.48%

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)	30 SEP 2019	31 AUG 2019
NTA before tax	\$1.296	\$1.310
NTA after tax and before tax on unrealised gains	\$1.295	\$1.309
NTA after tax	\$1.231	\$1.241
Month end closing share price	\$1.090	\$1.090

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 September 2019
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:	\$226.78m
Shares on issue:	174.60m
Management Fee	1.25% (ex-GST)
Performance Fee <sup>1</sup>	10% (ex-GST)

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.

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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 majority employee owned and manages over A\$58 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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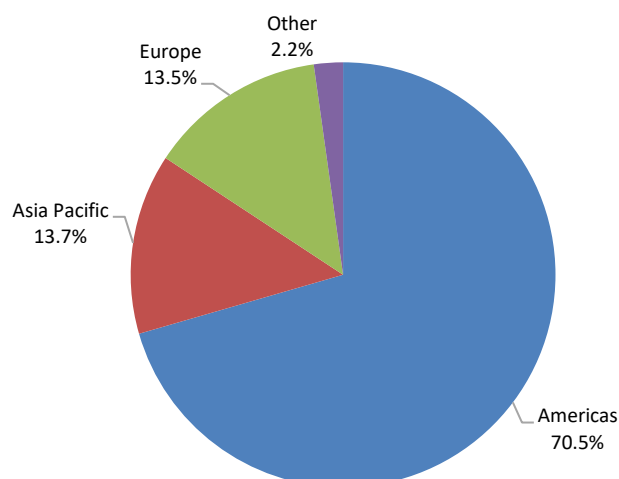
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## REGIONAL MARKETS ALLOCATION



COMPANY	WCM GLOBAL GROWTH (%)
Shopify Inc.	4.26
Visa Inc.	4.11
Steris PLC	3.72
West Pharmaceutical Services	3.51
Boston Scientific Corp.	3.43
Chubb	3.42
Mercadolibre Inc.	3.13
McDonald's Corp.	3.03
First Republic Bank	2.96
Crown Castle International Corp.	2.90

SECTOR BREAKDOWN	WCM GLOBAL GROWTH (%)
Health Care	23.92
Information Technology	18.52
Financials	13.75
Consumer Discretionary	10.31
Industrials	8.48
Materials	8.23
Consumer Staples	6.18
Communication Services	4.64
Real Estate	2.90
Cash	2.22
Energy	0.86

**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.