

# WCM GLOBAL GROWTH LIMITED (ASX:WQG)

## INVESTMENT UPDATE AND NTA STATEMENT



31 October 2018

### PORTFOLIO UPDATE

The portfolio underperformed the broader market during the month with a return of -7.1% versus the -5.3% return of its benchmark MSCI All Country World (ex-Australia) Index. The portfolio has delivered returns greater than the benchmark over the previous three, six and twelve months.

October was a challenging month for global equity markets with most market indices posting negative returns of between 5 and 10%. Volatility was high too, with the US benchmark index, the S&P500, moving up or down by more than 1% on 10 separate days.

Unusually for such a sharp move in markets, there was no obvious single catalyst. Higher bond yields in the US, ongoing fears related to US and China trade and downward revisions to US corporate earnings each played their part. While the attention of many investors during the month had been on the correction in technology stocks, the market sell-off was broad based. All major sectors were in negative territory for the month with oil and gas, basic materials and industrials sectors each having comparable declines to that of technology.

WQG did not escape the general malaise afflicting markets with declining share prices a feature across the portfolio. Amazon, the portfolio's only holding amongst the so called FAANG stocks (Facebook, Apple, Amazon, Netflix and Google), led the decliners with a fall of 19%. However, despite this fall the share price is still up close to 50% over the past 12 months.

Other portfolio holdings experiencing particularly sharp declines during the month included US video game company, Activision Blizzard, Canadian eCommerce company Shopify, Chinese internet services provider Tencent and oils services company giant Schlumberger. Verisk Analytics was a rarity for the month, recording a marginal positive return.

Some market participants are questioning whether the recent weakness in technology related sectors is the beginning of a longer-term shift from growth to value style investing. The broad-based selling across a range of sectors (as highlighted above) suggests that this may not be case. However, regardless of the short-term fluctuations in market trends, the investment approach underpinning the WQG portfolio won't change. Our investment team will remain focused on finding companies with widening economic moats (i.e. expanding competitive advantages) and corporate cultures aligned to this moat trajectory.



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

PERFORMANCE <sup>1</sup> <i>(after management fees)</i>	PORT-FOLIO (%)	MSCI ACWI (ex-Aus) (%)	VALUE ADD (%) <sup>4</sup>	NTA <sup>3</sup> (%)
1 Month	-7.1	-5.3	-1.8	-7.1
3 Months	-0.7	-1.3	0.6	-0.8
6 Months	5.3	2.8	2.5	5.1
12 months	11.6	8.5	3.2	10.9
Inception <sup>2</sup> (annualised)	11.5	10.7	0.8	10.5

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 OCT 2018	28 SEP 2018
<b>NTA before tax</b>	<b>\$1.204</b>	<b>\$1.296</b>
NTA after tax and before tax on unrealised gains	\$1.211	\$1.306
<b>NTA after tax</b>	<b>\$1.175</b>	<b>\$1.240</b>
Month end closing share price (WQG.ASX)	\$1.030	\$1.120
Month end closing option price (WQGO.ASX)	\$0.010	\$0.030

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 October 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 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:	\$107.99 million
Shares on issue:	89.83 million
Share Price:	\$1.030

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## WHO MANAGES THE PORTFOLIO?

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

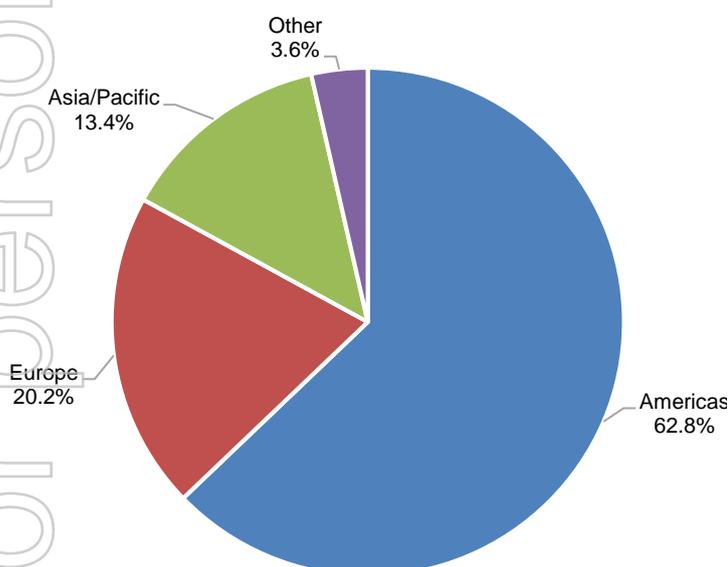
Founded in 1976, the business is 100% employee owned and manages over AUD35bn of assets on behalf of institutional and retail investors around the world including Australia.

## 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.

## REGIONAL MARKETS ALLOCATION



STOCK	WCM GLOBAL GROWTH (%)
Costco Wholesale	4.3
Visa Inc	4.1
The Cooper Companies	3.8
Boston Scientific	3.8
Steris PLC	3.5
Amphenol	3.4
First Republic Bank	3.4
Verisk Analytics	3.3
Canadian National Railway	3.2
West Pharmaceutical Services	3.2

SECTOR BREAKDOWN	WCM GLOBAL GROWTH (%)
Healthcare	24.7
Information Technology	16.8
Financials	13.3
Industrials	9.8
Consumer Discretionary	8.3
Materials	8.0
Consumer Staples	7.3
Communication Services	3.8
Real Estate	2.8
Energy	1.6
Cash	3.6

## WCM GLOBAL GROWTH LIMITED

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