

# WCM GLOBAL GROWTH LIMITED (ASX:WQG)

## INVESTMENT UPDATE AND NTA STATEMENT



31 January 2019

### PORTFOLIO UPDATE

The portfolio performed in line with the broader market during the month with a portfolio return of 4.03% versus the 4.54% return of its benchmark, the MSCI All Country World (ex-Australia) Index. The portfolio has delivered returns in excess of the benchmark over the previous three, six and twelve months, as well as since inception.

Global equity markets posted strong gains in January with the bellwether MSCI All Country World Index rising by 7.8% in USD terms. The stronger Australian dollar over the month reduced these gains back to 4.4% for unhedged index investors (the WCM Global Growth portfolio is unhedged).

The main catalyst for the rebound was the more dovish message from the US Federal Reserve regarding the outlook for interest rates. This follows a very weak end to 2018 for risk assets, during which investors feared rising US interest rates would trigger a material slowdown in economic growth. Markets also took solace from signs of a possible breakthrough in the long running trade dispute between the US and China.

In terms of regions, there was little difference between the returns of the broader developed and emerging market indices. The best performing sectors during the month were those considered likely to benefit most from the more benign interest rate environment. These included autos, industrials and basic materials.

The stand out performers (share price gains of 15% plus) in the portfolio for January included Latin America's leading ecommerce firm, MercadoLibre, the world's largest oilfield services company Schlumberger, and Shopify, another ecommerce platform provider. German flavour and fragrance firm Symrise, and medical technologies specialist Stryker were also among the major positive contributors for the month. Indian private bank HDFC Bank and life science technology firm Illumina were part of a small group of stocks that posted negative returns for the month.

The recent market environment has provided challenges for many money management firms, particularly those with an investment process that relies on making macro-economic predictions. Sentiment on economic growth, interest rates and trade has been changing on almost a monthly basis, causing the increased volatility in equity markets. This typically leads to increased portfolio turnover and ultimately lower returns. WCM Investment Management's process does not rely on any economic forecasting. Their sole focus is on identifying companies with expanding economic moats and corporate cultures supportive of this moat trajectory. The performance of the portfolio during the recent market volatility is consistent with its objective of minimising drawdowns when markets are weaker and keeping pace with them when rising sharply.

PERFORMANCE <sup>1</sup> (after management fees)	PORT-FOLIO (%)	MSCI ACWI (ex-Aus) (%)	VALUE ADD (%) <sup>4</sup>	NTA <sup>3</sup> (%)
1 Month	4.03%	4.54%	-0.51%	3.93%
3 Months	1.39%	-0.97%	2.36%	1.00%
6 Months	0.64%	-2.28%	2.92%	0.16%
12 months	9.15%	3.04%	6.10%	8.19%
Inception <sup>2</sup> (annualised)	10.52%	8.29%	2.23%	8.89%

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 JAN 2019	31 DEC 2018
<b>NTA before tax</b>	<b>\$1.216</b>	<b>\$1.170</b>
NTA after tax and before tax on unrealised gains	\$1.224	\$1.179
<b>NTA after tax</b>	<b>\$1.184</b>	<b>\$1.151</b>
Month end closing share price (WQG.ASX)	\$1.035	\$1.030
Month end closing option price (WQGO.ASX)	\$0.005	\$0.005

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 January 2019</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:	\$109.15m
Shares on issue:	89.76 million
Share Price:	\$1.035

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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?

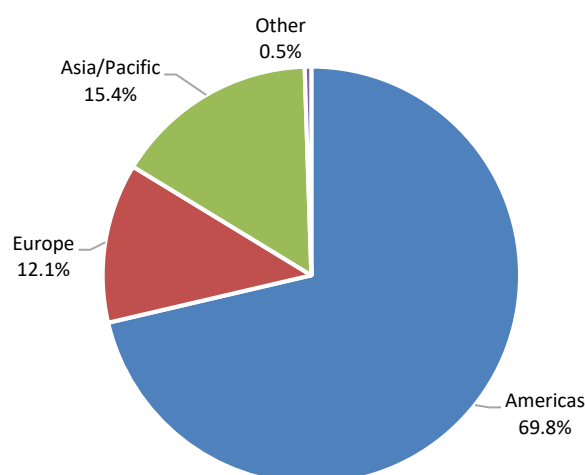
WCM is a California based asset management firm specialising in active global and emerging market equities.

Founded in 1976, the business is 100% employee owned and manages over AUD42bn of assets on behalf of institutional and retail investors around the world including Australia.



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

## REGIONAL MARKETS ALLOCATION



STOCK	WCM GLOBAL GROWTH (%)
Costco Wholesale	3.77
The Cooper Companies	3.76
Visa Inc.	3.70
Boston Scientific	3.66
First Republic Bank	3.46
Tencent Holdings	3.42
Steris PLC	3.35
Shopify Inc	3.25
HDFC Bank	3.19
West Pharmaceutical Services	3.14

SECTOR BREAKDOWN	WCM GLOBAL GROWTH (%)
Communication Services	4.79
Consumer Discretionary	9.97
Consumer Staples	7.29
Energy	1.13
Financials	14.29
Health Care	23.30
Industrials	9.39
Information Technology	16.81
Materials	7.73
Real Estate	2.87
Cash	2.43

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