

W | A | M Global

Focus: small to mid-cap international companies
(ASX: WGB)

Portfolio update

The MSCI World Index (AUD) increased 5.6% in February to deliver calendar year-to-date gains of 9.9%, following the steep and volatile decline of 11.0% experienced in the December 2018 quarter. The performance of the Index was aided by a 2.5% fall in the Australia dollar against the US dollar during the month.

The best performing sectors in February were information technology, industrials and financials while communication services and real estate lagged. All major equity markets rallied in local terms: the US S&P 500 Index by 3.0%, the Euro Stoxx 50 Index by 4.4%, the UK FTSE 100 Index by 1.5%, Japan's TOPIX by 2.6% and China's CSI 300 Index by 14.6%. Australia's S&P/ASX All Ordinaries Accumulation Index increased by 6.1%.

Contributors to the investment portfolio performance during the month were IT software company SS&C Technologies (NASDAQ: SSNC), rail operator Norfolk Southern Corp (NYSE: NSC) and media company Vivendi (EPA: VIV). During the month SSNC announced its 2018 results, reporting sales and earnings per share that exceeded company guidance and upgrading its expectations for synergies arising from a recent acquisition.

NSC held an analyst day and articulated a clear path to reducing its operating expenses relative to sales ratio, which is currently above that of its peers. Our belief in the ability of management to achieve this goal was the key reason we invested in NSC and we believe the team will significantly increase earnings over the next three years.

VIV owns various assets across music, pay television and advertising, including Universal Music Group (UMG). We believe UMG is a valuable asset in the age of digital streaming where success is driven by content. VIV reported strong results in February, particularly for UMG, which is undervalued within the conglomerate structure. VIV has announced a program to realise value for this asset via a partial sale. We recently returned from the US where we met with management of more than 50 companies as well as a range of market participants. The general sentiment is bullish; however, it is not universally applied.

We found that technology companies' level of optimism is heightened while certain industrial business have expressed end-of-cycle fears. While consumer sentiment is generally high, corporates are largely cautious around their ability to continue to raise margins given building inflationary pressures. Earnings season delivered mixed results, reflecting the disparate nature of industries in the US. In many cases earnings expectations were reduced in the lead-up to reporting dates so more companies delivered artificial "beats".

We continue to focus on key macroeconomic indicators, which we believe will dictate the US Federal Reserve Bank's monetary policy going forward. A key risk for the extended bull run in equities is interest rate shock as the pause in the Fed's monetary cycle has significantly increased risk appetite.

Trade war negotiations continued throughout February with Trump eventually announcing an extension to the current ceasefire on raising tariffs before the 1 March deadline was reached – both sides claim a deal is imminent. Given the strong rebound in equity markets from the recent lows, it would not be surprising to see a pause in the equities rally until we get a definitive outcome on these trade negotiations.



Catriona Burns
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Lead Portfolio Manager

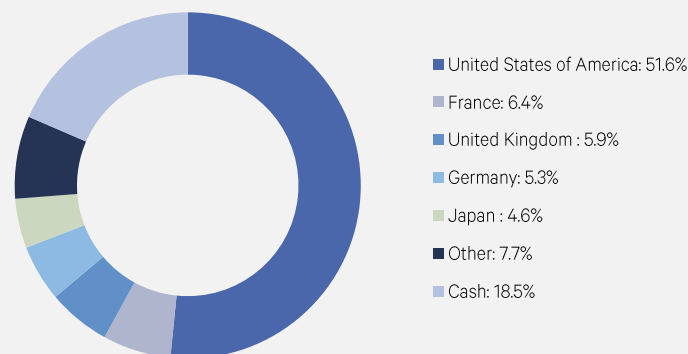
Pre-tax net
tangible assets

\$2.13

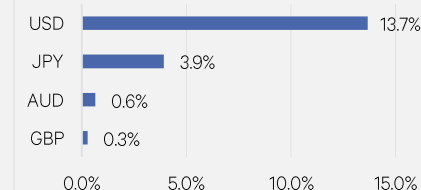
Gross assets

\$445.7m

Portfolio composition by geographical exposure



Cash currency exposure (18.5%)



Top 20 holdings in alphabetical order

Alphabet Inc	GOOG US	USA
American Express Company	AXP US	USA
Bandai Namco Holdings Inc	7832 JP	JPN
CDW Corporation	CDW US	USA
CME Group Inc	CME US	USA
Danone SA	BN FP	FRA
Deutsche Boerse AG	DB1 GY	GER
Diageo PLC	DGE LN	UK
Entertainment One Limited	ETO LN	UK
Harris Corporation	HRS US	USA
HCA Healthcare Inc	HCA US	USA
Logitech International SA	LOGN SW	SUI
Norfolk Southern Corporation	NSC US	USA
Reckitt Benckiser Group PLC	RB LN	UK
Scout24 AG	G24 GR	GER
SS&C Technologies Holdings Inc	SSNC US	USA
Thermo Fisher Scientific Inc	TMO US	USA
United Technologies Corporation	UTX US	USA
Vivendi SA	VIV FP	FRA
Waste Management Inc	WM US	USA

Investment type	January 2019		February 2019	
	\$m	%	\$m	%
Listed equities	327.5	77.5	363.2	81.5
Short portfolio	0.0	0.0	0.0	0.0
Fixed interest & cash	95.1	22.5	82.5	18.5
Gross assets*	\$422.6m	100.0	\$445.7m	100.0
Market capitalisation	\$412.6m		\$404.2m [†]	
Total shares on issue	211,607,623		211,607,623	

*Gross assets exclude the \$5.7m offer costs receivable balance associated with the Initial Public Offer (repayable by the Investment Manager).

Net tangible asset (NTA) figures

NTA before tax	212.77c
NTA after tax and before tax on unrealised gains	219.00c
NTA after tax	214.94c