

# W | A | M Global

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

## Portfolio update

September saw continued volatility in global equity markets. Japan's TOPIX Index was particularly strong in September, increasing 4.7% in JPY terms (1.8% in AUD terms) while US and European equity markets demonstrated modest gains of 0.4% and 0.2% in USD and EUR terms, respectively (-0.2% and -0.3% in AUD terms). During the month, the Australian dollar strengthened 0.6% compared to the US dollar.

The People's Bank of China announced it would cut the reserve ratio requirement for most banks by 100 basis points in October as it moves to loosen its monetary policy to offset the impacts of the trade war with the United States. The stimulatory benefits of monetary policy generally lag between six to nine months while rising tariffs will come into play in January 2019, unless a truce can be negotiated.

US economic growth remains strong and we expect the Fed to continue to gradually increase interest rates. We believe that at some point, increasing rates will place downward pressure on share price valuations and demand for credit in the economy. During the month we met with former US Federal Reserve Chair Janet Yellen. Ms Yellen predicted the central bank would face difficulties in avoiding a US recession in the next few years, as it seeks to tighten monetary policy during a period of near-full employment.

Meanwhile, the risk of inflation is increasing as the labour market tightens. During the month, US unemployment fell to a 48-year low of 3.7%. In our meetings with more than 300 companies in recent weeks, management teams have consistently flagged increasing wage pressure as a key concern.

We are increasingly seeing evidence that trade wars are having real effects on US companies' supply chains and cost bases across various industries. As the next quarterly reporting season approaches, we are focused on how companies maintain profit margins in the face of rising wage, freight and energy costs.

In Europe, the new Italian government released a detailed economic plan that rejected the European Union (EU) commission rules, which disrupted European markets towards the end of the month. EU countries continue to show signs of slowing growth, despite accommodative monetary policy.

We continue to cautiously deploy capital in undervalued growth companies throughout the major developed economies.



**Catriona Burns**  
BCom M App Fin CFA  
Lead Portfolio Manager

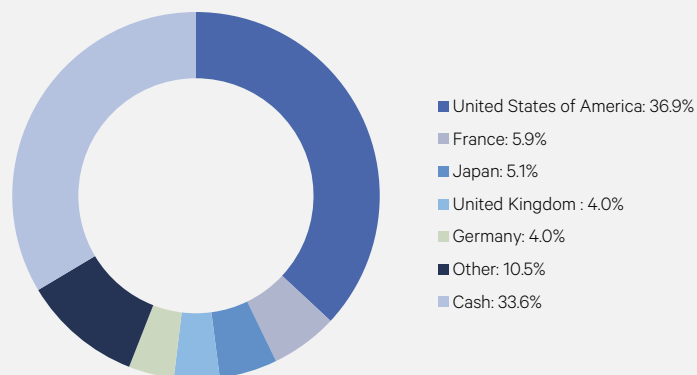
Pre-tax net  
tangible assets

\$2.24

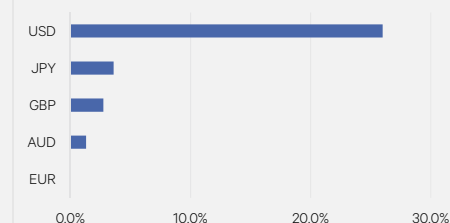
Gross assets

\$467.0m

## Portfolio composition by geographical exposure



## Cash currency exposure (33.6%)



## Top 20 holdings in alphabetical order

American Express Company	AXP US	USA
APN Outdoor Group Limited	APO	AUS
Becton Dickinson and Company	BDX US	USA
CDW Corporation	CDW US	USA
CME Group	CME US	USA
Elis SA	ELIS FP	FRA
Entertainment One Limited	ETO LN	UK
Finning International Inc	FTT CN	CAN
Fresenius SE & Co KGaA	FRE GY	GER
Hasbro Inc	HAS US	USA
Huntington Ingalls Industries Inc	HII US	USA
Logitech International SA	LOGN SW	SUI
Markel Corporation	MKL US	USA
Norfolk Southern Corporation	NSC US	USA
Open House Co. Limited	3288 JP	JPN
Reckitt Benckiser Group Plc	RB/ LN	UK
SMCP SA	SMCP FP	FRA
Thermo Fisher Scientific Inc	TMO US	USA
Vivendi SA	VIV FP	FRA
Waste Management Inc	WM US	USA

Investment type	August 2018		September 2018	
	\$m	%	\$m	%
Listed equities	303.2	64.4	310.3	66.4
Short portfolio	0.0	0.0	0.0	0.0
Fixed interest & cash	167.2	35.6	156.7	33.6
<b>Gross assets*</b>	<b>\$470.4m</b>	<b>100.0</b>	<b>\$467.0m</b>	<b>100.0</b>
Market capitalisation	\$463.4m		\$461.3m*	
Total shares on issue	211,607,623		211,607,623	

\*Gross assets exclude the \$70m Offer Costs receivable balance associated with the Initial Public Offer (repayable by the Investment Manager).

## Net tangible asset (NTA) figures

<b>NTA before tax</b>	<b>223.51c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>225.52c</b>
<b>NTA after tax</b>	<b>222.41c</b>

\*Based on the 30 September 2018 share price of \$2.18 per share.