

# 2020 December Quarter

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Chairman & Chief  
Investment Officer



**Catriona Burns**  
CFA  
Lead Portfolio  
Manager



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Portfolio Manager



## Portfolio update

Global markets continued their rise in the December quarter following coronavirus vaccine announcements on 9 November and 16 November that showed efficacy rates of greater than 90% in achieving an immune response. Pfizer-BioNTech and Moderna released successful phase 3 trial data using novel mRNA technology, while Oxford University and AstraZeneca experienced success with traditional technology.

In the US, Joe Biden was announced as President-elect and initially it appeared the Senate would have a Republican majority which would likely rule out rises in business taxes. In January, the Democrats achieved a majority following the Georgia run-offs, paving the way for a USD1.9 trillion stimulus package and markets focused on the likelihood of less erratic foreign policy, rather than risks to corporate earnings from potential tax rises.

The US Federal Reserve confirmed it would provide open-ended stimulus to assist economic recovery and the US congress agreed to additional fiscal stimulus. With hopes of a vaccine rollout, markets looked through rising waves of coronavirus infections and economic reports that showed the ongoing lockdowns were negatively affecting businesses. Strong stock market returns in USD (+11.7% in local terms) were dampened by the strong rise in the Australian dollar (+7.4%).

In Europe, markets rallied 11.2% in local terms and 8.1% in AUD terms, buoyed by news of the vaccine, agreement over the budget and stimulus package, and a long awaited announcement on the completion of a trade deal between the UK and the European Union days before the 31 December 2020 deadline. The spread of a highly infectious mutant strain of coronavirus in the UK which led to more extreme lockdowns through to February 2021, remains a concern.

In Japan, markets rallied strongly with the Nikkei 225 Index hitting levels not seen since 1991. After three quarters of contraction, economic data showed Japan exited recession in Q3 with Gross Domestic Product rising 5.3%. The Bank of Japan's Tankan survey indicated that Japanese business sentiment continued to rebound in Q4, surpassing expectations.

During the December quarter, the portfolio benefitted from our decision to increase our European exposure in the prior period. The additions were largely small and mid-cap stocks which rallied strongly during the period.

The portfolio continues to hold investments in a number of long-term structural winners with compelling valuation upside, including:

- E-commerce: eHome 24 (ETR: H24) and WestWing (ETR: WEW);
- Payments: FIS (NYSE: FIS), Fiserv (NASDAQ: FISV) and Visa (NYSE: V);
- Health and wellness: Avantor (NYSE: AVTR) and Thermo Fisher Scientific (NYSE: TMO); and
- Automation: Zebra (NASDAQ: ZBRA).

We continue to transition a portion of the portfolio from coronavirus winners to beneficiaries of re-opening economies. In doing so, we remain focused on owning businesses that meet our investment process, with strong industry positions, quality management teams, solid earnings growth and compelling valuations. We have found opportunities in taking a view that the market is underestimating the future earnings power of a business or the possible recovery on the other side of the pandemic. A resetting of cost bases through the pandemic means certain businesses will have greater profitability on the other side. We have found selective opportunities in the travel, media, automotive and industrial sectors and we remain positive on US housing given low interest rates, significant unmet supply and years of underbuild.

Various countries, such as the US and Europe, are currently battling ongoing waves of coronavirus and there are rolling lockdowns in place, which will dampen economic data in the near term. However, we expect the global economy to strengthen in 2021 as the pandemic is controlled. Our expectation is that a rapid roll-out of vaccines will mean a return towards normality through the second half of the year. Monetary and fiscal policy are likely to stay highly accommodative. Ample support should see consumption accelerate, companies invest to meet demand, and prevent the negative effects that would have been expected from a wave of bankruptcies. This combination of strong growth and low interest rates should be positive for risk assets.

Inflation remains a focal point as many hard and soft commodity prices continue to rise and many states and companies across the US implement minimum wage increases in 2021. Central banks remain firmly on hold for now, but may be faced with difficult decisions as we look forward.

We ended the quarter with cash levels of 3.3%, reducing over the period as we identified new ideas that fit our investment process.

## WAM Global investment team update

Nick Healy has been promoted to WAM Global Portfolio Manager. Nick joined Wilson Asset Management at the inception of WAM Global in 2018, after three years in London covering US industrials companies for Fidelity International. In 2015, Nick received his MBA from INSEAD, where he received the Henry Ford II prize for graduating first in class. Prior to his MBA, Nick spent six years as a mechanical engineer on infrastructure and mining projects across Australia.

## FY2021 Interim Results Webinar

In case you missed it, you can listen to a recording of our [FY2021 Interim Results Webinar](#).

31 Dec 2020

Pre-tax NTA

\$2.51

Annualised fully  
franked interim  
dividend guidance

10.0cps

Profits reserve

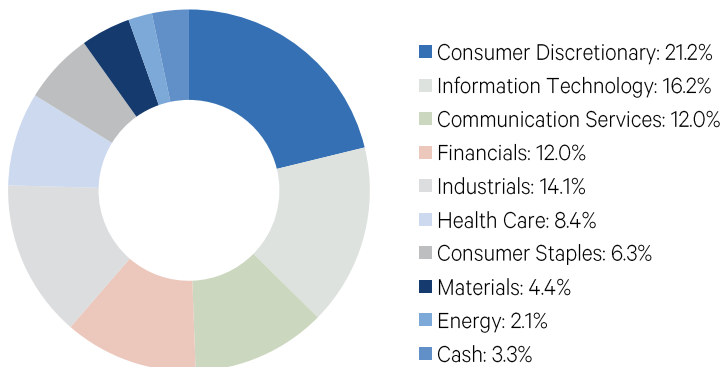
43.0cps

### WAM Global top 20 holdings

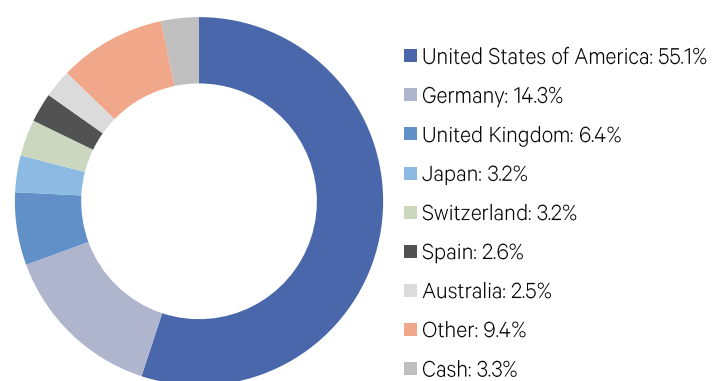
as at 31 December 2020

Code	Company	Country of domicile	Description	Portfolio Weightings
AVTR US	Avantor Inc.	United States	Life sciences tools and services company	3.2%
ICE US	Intercontinental Exchange Inc.	United States	Financial and commodity markets exchange	3.0%
H24 GR	Home24 SE	Germany	Online home and furnishings retailer	2.9%
SAX GR	Ströer SE & Co. KGaA	Germany	Advertising and internet services company	2.8%
FISV US	Fiserv Inc	United States	Financial services company	2.7%
700 HK	Tencent Holdings Limited	China	Internet services conglomerate	2.5%
APG US	API Group Corporation	United States	Building services and specialty contractor	2.4%
AZO US	AutoZone Inc.	United States	Automotive parts and accessories retailer	2.4%
SWON SW	SoftwareONE Holding AG	Switzerland	IT software outsourcing company	2.2%
SMPL US	The Simply Good Foods Company	United States	Nutritional snack food company	2.1%
FIS US	Fidelity National Information Services Inc.	United States	Financial services company	2.1%
V US	Visa Inc.	United States	Global payments technology company	2.0%
NOMD US	Nomad Foods Limited	United Kingdom	Frozen food company	2.0%
AON US	Aon Plc	Ireland	Insurance broker and services company	2.0%
EA US	Electronic Arts Inc.	United States	Video game and entertainment company	2.0%
ZBRA US	Zebra Technologies Corporation	United States	Data and automation technology company	2.0%
TMO US	Thermo Fisher Scientific Inc.	United States	Life sciences tools and services company	2.0%
LOW US	Lowe's Companies Inc.	United States	Home improvement retail company	2.0%
DB1 GY	Deutsche Börse AG	Germany	Financial and commodity markets exchange	2.0%
3038 JP	Kobe Bussan Co Limited	Japan	Discount food retailer	2.0%

### Portfolio composition by sector



### Portfolio composition by domicile



### Investment portfolio performance overview

The WAM Global investment portfolio increased 6.2% during the quarter ending December 2020 outperforming the MSCI World Index (AUD) by 0.3%.

### Performance

as at 31 December 2020

	3 mths	Fin YTD	1 yr	Since inception %pa (Jun-18)
WGB Investment Portfolio <sup>^</sup>	6.2%	15.5%	9.3%	9.9%
MSCI World Index (AUD)	5.9%	9.7%	5.6%	9.8%
<b>Outperformance</b>	<b>+0.3%</b>	<b>+5.8%</b>	<b>+3.7%</b>	<b>+0.1%</b>
MSCI World SMID Index (AUD)	12.4%	16.2%	5.5%	6.7%
<b>Outperformance</b>	<b>(6.2%)</b>	<b>(0.7%)</b>	<b>+3.8%</b>	<b>+3.2%</b>

<sup>^</sup>Investment portfolio performance and index returns are before expenses, fees and taxes.

### Market capitalisation

\$508.4m\*

### Gross assets

\$534.3m

### Listed equities

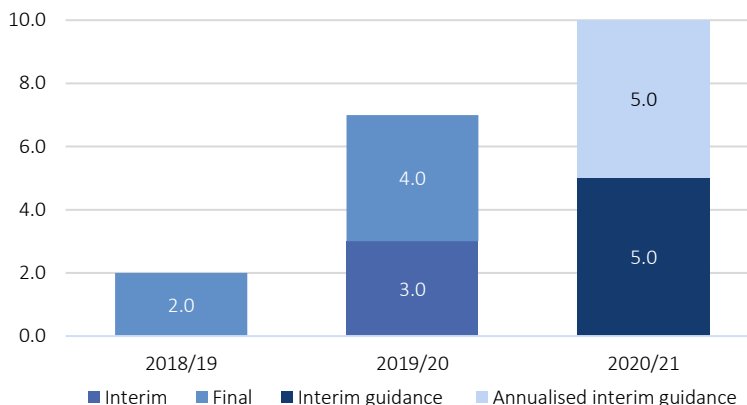
\$516.7m

### Annualised fully franked interim dividend

10.0c

### History of fully franked dividends

Cents per share



### Contact us

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