

# 2021 September Quarter

## Geoff Wilson AO

Chairman & Chief  
Investment Officer



## Catriona Burns CFA

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Manager



## Nick Healy

Portfolio Manager



### Portfolio update

Equity markets were mixed in the September quarter, with strong demand constrained by supply chain issues, concerns over the Evergrande situation in China, and increased hawkishness from the US Federal Reserve amidst rising inflation.

The coronavirus pandemic evolved further during the quarter as rising cases of the Delta variant saw hard lockdowns across many parts of Asia. This caused significant disruption to global supply chains, given the region is a key production zone for products such as apparel, electronics, furniture and automotives. Across Europe and the US, travel restrictions are slowly easing as vaccination rates continue to rise.

Chinese real estate was a key concern through September, with one of the country's largest developers, Evergrande, on the brink of collapse and default on its bond payments. Investors feared further contagion across Chinese property markets, and the subsequent impact on Chinese and global growth.

Globally, a scarcity of product and labour is the major issue. In our meetings with management teams across multiple sectors, supply chain shortages and input cost pressures were a consistent theme. Double handling of components is compounding an already tight freight market, pushing up logistics costs. The upcoming reporting season will be particularly interesting as these issues are factored into earnings results and forecasts. Corporates are generally upbeat on demand, however downbeat on supply. Margins across many businesses are suffering, and it has become important to have pricing power to avoid this situation.

The US market was up 0.6% for the September quarter in local terms. In the US, consumer confidence is being impacted by a hit to purchasing power, which in August hit a one-year low as government support schemes roll off. With supply shortages putting renewed pressure on prices, the US Federal Reserve has grown increasingly hawkish. The policy statement issued in September indicated the Fed is likely to begin reducing its monthly bond purchases as soon as November and signalled interest rate increases may follow more quickly than expected. Nine of the 18 Fed officials are ready to raise interest rates next year in response to inflation, which the central bank now expects to run at 4.2% this year, more than double its 2% target rate.

European markets were broadly flat (down 0.4%) in the September quarter, in local terms. The European Central Bank has slowed its pandemic stimulus program, buying bonds at a slower pace during the quarter. It remains relatively dovish, however, compared to the Fed and the Bank of England.

In September, the Bank of England was slightly more hawkish than expected, announcing it would be willing to tighten monetary policy before the end of its existing bond asset repurchase program. In the UK, the strong

bounce back in economic growth is being affected by a significant shortage in truck drivers, causing logjams of containers at commercial ports and concerns regarding the supply of goods into Christmas.

Having been the only major market to decline in the June quarter, the Japanese market showed relative strength in the September quarter, rallying 5.3% in local terms. With weak consumption and inflation well below its 2% target, the Bank of Japan (BOJ) has declared it will maintain its massive stimulus regardless of the new government's policies. With vaccination rates climbing higher and lockdowns easing, the BOJ is predicting Japan's economy will recover to pre-pandemic levels by the end of this year or early in 2022.

Within the WAM Global investment portfolio, we continue to maintain a balanced approach to portfolio construction. In the September quarter, significant contributors to performance came from the healthcare sector, specifically ICON Plc (NASDAQ: ICLR), Avantor (NYSE: AVTR) and Thermo Fisher Scientific (NYSE: TMO). Underlying demand for these companies continues to remain strong, while the unwarranted valuation disconnect identified for ICON specifically, relative to its peers, has begun to narrow.

Specialty contractor Quanta Services (NYSE: PWR) was a significant contributor to the investment portfolio performance during the quarter. The company announced results in August that beat expectations and raised full year guidance. Quanta is seeing strong opportunities in grid modernisation and 5G network deployment. In early September, it announced it will acquire Blattner, the largest utility-scale renewable infrastructure contractor in North America, further increasing its exposure to the high growth renewables space.

E-commerce exposures home24 (ETR: H24), Westwing Group (ETR: WEW) and BHG Group (STO: BHG) detracted from the investment portfolio performance as consumer spending shifted to areas such as travel and entertainment as economies re-opened, and the market rotated away from businesses viewed as coronavirus beneficiaries. We anticipate near-term pressure on growth but remain positive on the long-term outlook and market penetration opportunity for these businesses as spending in their categories continues to move online.

Looking forward, major US government stimulus programs in areas such as infrastructure are yet to be deployed into the real economy, which will benefit a number of our portfolio holdings such as Quanta Services, MasTec (NYSE: MTZ) and Carrier Global (NYSE: CARR).

Of importance currently is identifying businesses that have pricing power and the ability to successfully navigate the inflation headwinds and supply chain disruptions. We continue to find exciting opportunities that fit our investment process and ended the quarter with cash levels of 4.8%.

### Performance

as at 30 September 2021

	Fin YTD	6 mths	1 yr	Since inception %pa (Jun-18)
WGB Investment Portfolio <sup>†</sup>	3.1%	9.7%	23.9%	12.6%
MSCI World Index (AUD)	3.9%	13.6%	27.8%	13.8%
<b>Outperformance</b>	<b>-0.8%</b>	<b>-3.9%</b>	<b>-3.9%</b>	<b>-1.2%</b>
MSCI World SMID Cap Index in AUD terms	3.8%	10.6%	35.2%	11.2%
<b>Outperformance</b>	<b>-0.7%</b>	<b>-0.9%</b>	<b>-11.3%</b>	<b>+1.4%</b>

<sup>†</sup>Investment portfolio performance and index returns are before expenses, fees and taxes, to compare to the relevant index which is also before expenses, fees and taxes.

### WAM Global top 20 holdings

as at 30 September 2021

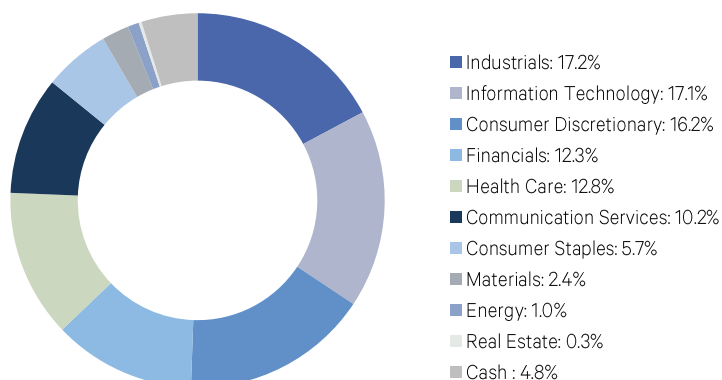
Code	Company	Country of domicile	Description	Portfolio Weightings
ICLR US	Icon PLC	United States	Clinical contract research organisation	5.5%
AVTR US	Avantor Inc	United States	Life sciences tools and services company	4.2%
FISV US	Fiserv Inc	United States	Fintech and payments company	3.5%
V US	Visa Inc	United States	Payments technology company	3.3%
SAX GR	Ströer SE & Co. KGaA	Germany	Advertising and internet services company	3.1%
EA US	Electronic Arts Inc	United States	Video game and entertainment company	3.1%
ICE US	Intercontinental Exchange Inc	United States	Financial and commodity markets exchange	3.0%
CNXC US	Concentrix Corporation	United States	Business services company	2.8%
TRU US	TransUnion	United States	Credit bureau and data solutions company	2.7%
TMO US	Thermo Fisher Scientific Inc	United States	Life sciences tools and services company	2.6%
CARR US	Carrier Global Corporation	United States	HVAC and refrigeration manufacturer	2.5%
DB1 GY	Deutsche Börse AG	Germany	Financial and commodity markets exchange	2.5%
LOW US	Lowe's Cos Inc	United States	Home improvement retailer	2.4%
BKNG US	Booking Holdings	United States	Online travel company	2.3%
ZBRA US	Zebra Technologies Corporation	United States	Data and automation technology company	2.3%
BOO LN	boohoo Group PLC	United Kingdom	Online fashion retailer	2.3%
FERG LN	Ferguson PLC	United Kingdom	Plumbing and HVAC distributor	2.2%
PWR US	Quanta Services Inc	United States	Specialty infrastructure solutions company	2.2%
SMPL US	The Simply Good Foods Company	United States	Nutritional snack food company	2.1%
067160 KS	Afreeca TV Co	Korea	Video streaming service company	1.9%

### WAM Global Bonus Issue of Options

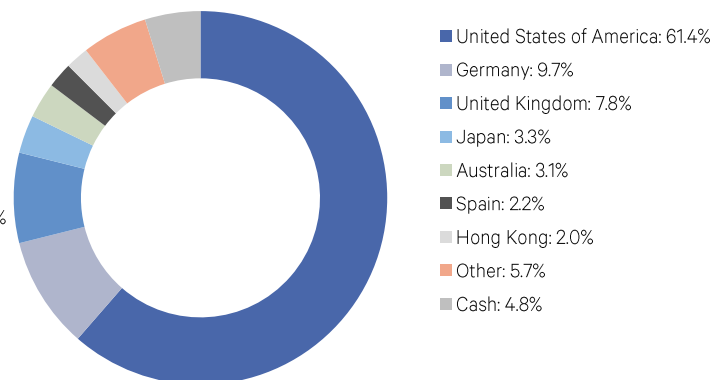
Shareholders are now able to exercise their WAM Global options (ASX: WGBO) via a **dedicated online facility**.

Shareholders who exercise their WAM Global Options before 17 November 2021 will be entitled to receive the fully franked final dividend of 5.0 cents per share, provided they continue to hold the shares on the dividend record date of 22 November 2021. The Options can be exercised at any time, up until they expire on 12 September 2022. As at 22 October, 14.3% of options have been converted to shares, raising \$77.1 million.

### Portfolio composition by sector



### Portfolio composition by domicile



### Market capitalisation

\$641.8m\*

### Gross assets

\$676.0m

### Listed equities

\$643.7m

### Fully franked full year dividend

10.0c

### Profits reserve

62.7c

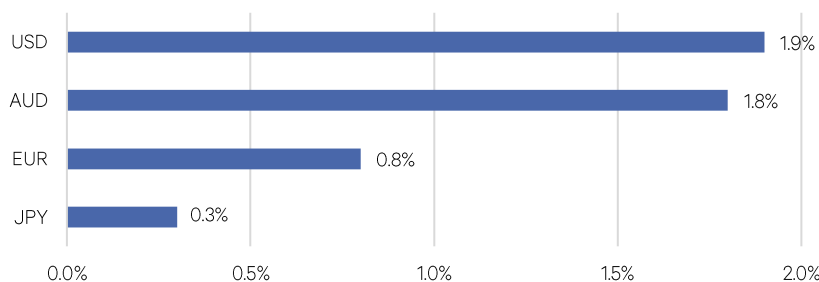
\*Based on the 30 September 2021 share price of \$2.66 per share. WAM Global has 241,290,077 shares on issue as at 30 September 2021.

The above figures are not adjusted for the 184,454,263 options on issue, as at 30 September 2021, with an exercise price of \$2.54 per option.

## WAM Global and Templeton Global Growth Fund (ASX: TGG) set to merge

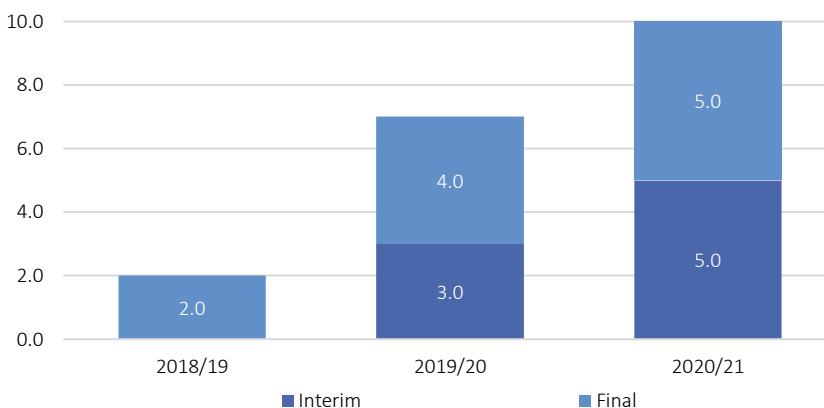
In September, Templeton Global Growth Fund Limited (ASX: TGG) held a Scheme Meeting where an overwhelming 98.8% of TGG shareholders voted in favour of the merger with WAM Global. The WAM Global Board of Directors believes the merged entity will equitably and efficiently grow the Company's net assets to approximately \$913 million and see an increase to more than 17,700 shareholders, making WAM Global one of the largest global listed investment companies on the ASX. In early October, TGG announced the calculation of the scrip consideration and the cash consideration to shareholders.

### Cash currency exposure



### History of fully franked dividends

Cents per share



### Platforms and research

All major platforms provide access to WAM Global, including AMP North, BT Panorama, Colonial First State FirstWrap, Netwealth, Macquarie Wrap and Hub24. WAM Global receives coverage from the following independent investment research providers:



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