

# WCM QUALITY GLOBAL GROWTH FUND (QUOTED MANAGED FUND) (ASX:WCMQ)

## INVESTMENT UPDATE

30 November 2019

### PORTFOLIO UPDATE

The portfolio returned 3.99% for the month of November, compared with the benchmark MSCI All Country World (ex-Australia) Total Return Index return of 4.39%. The long-term performance of the portfolio remains strong, with returns exceeding that of the benchmark over 1-year and since inception.

November was another positive month for global equity investors. The US led the way with all three of its major indices, the Dow Jones Industrial Average, the S&P500 and the Nasdaq Composite ending the month strongly and with year to date returns now in excess of 20%. European bourses were also mostly higher with investor confidence helped by relatively positive consumer sentiment and unemployment data in Germany. Takeover announcements were a feature too with the US company Charles Schwab confirming plans to acquire TD Ameritrade and French company LVMH declaring a deal to buy Tiffany and Co.

Asian and emerging market markets were weaker. This followed continued civil unrest in Hong Kong and softer than expected Chinese industrial production and retail sales data. The best performing sectors during the month included Health Care and Technology with Energy and Utilities amongst the laggards. The weaker Australian dollar in November added close to 2% to the returns of those unhedged portfolios such as WCM's Quality Global Growth strategy.

The best performing stocks in the WQG portfolio for the month included, engineering simulation software company Ansys Inc (+17.9%), Japanese factory automation specialist Keyence Corp (+9.5%) and ecommerce platform providers MercadoLibre (+13.4%) and Shopify (+9.4%). Medical technology group Stryker (-3.5%), British multinational contract foodservice company Compass Group (-6.2%), communication infrastructure manufacturer Crown Castle (-1.9%) and eye care product firm Alcon (-4.7%) were amongst the holdings that detracted from relative performance in November.

The violations of anti-money laundering laws recently revealed at Westpac Banking Corporation were another reminder of how a poor culture can negatively impact corporate performance and subsequently shareholder returns. The challenge for investors is how to analyse a factor which for many is so difficult to define let alone quantify. WCM Investment Management have long held the view that corporate culture is the biggest driver of sustainable long-term returns.

The WCM approach is not simply about identifying 'good' and 'avoiding' bad cultures. It is about finding companies that have a culture supportive of their competitive advantage. It is this alignment of culture and competitive advantage which enables long term positive 'moat trajectory' i.e. rising returns on capital. Identifying such companies has been the key to the impressive

PERFORMANCE <sup>1</sup> (after management fees)	WCMQ (%)	MSCI ACWI (ex-AU) (%)	VALUE ADDED (%) <sup>3</sup>
1 Month	3.99%	4.39%	-0.40%
3 Months	0.91%	7.04%	-6.13%
6 Months	11.45%	15.29%	-3.84%
12 months	26.94%	23.24%	3.70%
Inception <sup>2</sup>	16.46%	11.55%	4.91%

Notes: 1. Performance is portfolio performance calculated after expenses and investment management and performance fees. 2. Inception date is 31 August 2018. 3. Value Add equals portfolio return minus benchmark return.

### KEY DETAILS

Report Date	30 November 2019
Fund Name	WCM Quality Global Growth Fund (Quoted Managed Fund)
ASX Code	WCMQ
Listed on ASX	3 September 2018
Fund Manager	WCM Investment Management
Responsible Entity	Switzer Asset Management Limited
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)
Net asset value per unit	\$6.0596
Unit price	\$6.10
Management Fee <sup>1</sup>	1.25%
Administration Fee <sup>1</sup>	0.10%
Performance Fee <sup>1,2</sup>	10%

Notes: 1. Fees are inclusive of GST and less RITC. 2. Performance Fee is 10% of the Portfolio's outperformance relative to the benchmark plus Management Fee and subject to high water mark and capped at 0.375% of the value of the Portfolio in each calculation period.



performance of the underlying WCM Quality Global Growth strategy since its inception in March 2008.

#### 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 majority employee owned and manages over A\$58 billion of assets\* on behalf of institutional and retail investors around the world including Australia.



**PAUL BLACK**  
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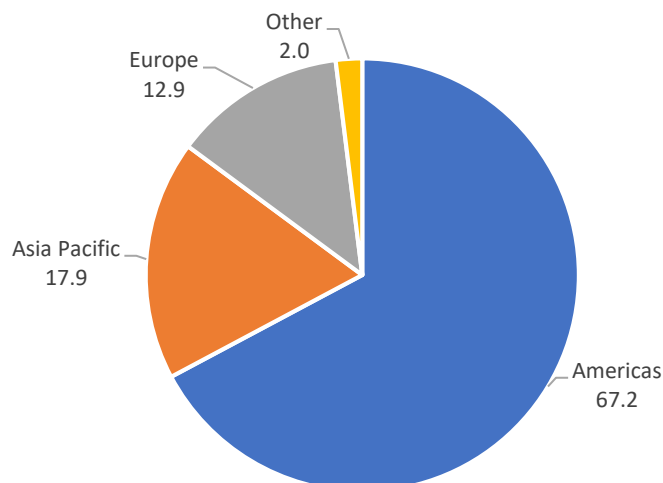
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#### REGIONAL MARKETS ALLOCATION



COMPANY	WCM QUALITY GLOBAL GROWTH FUND (%)
Shopify Inc.	4.41
Visa Inc.	4.23
West Pharmaceutical Services	3.49
HDFC Bank Ltd	3.36
Costco Wholesale Corp	3.27
First Republic Bank	3.22
MercadoLibre Inc	3.17
Taiwan Semiconductor Manufacturing Company Ltd	3.17
Chubb Ltd	3.03
Ecolab Inc	2.98

SECTOR BREAKDOWN	WCM QUALITY GLOBAL GROWTH FUND (%)
Health Care	19.52
Information Technology	19.17
Financials	14.34
Consumer Discretionary	9.70
Industrials	8.30
Consumer Staples	7.97
Materials	7.84
Not Classified	5.70
Communication Services	4.77
Real Estate	2.67

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