

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

INVESTMENT UPDATE

31 AUGUST 2020

PORTFOLIO UPDATE

The portfolio delivered a return of 0.78% during the month, underperforming compared with the benchmark MSCI All Country World (ex-Australia) Index return of 2.66%. The portfolio has delivered returns in excess of the benchmark over the previous three, six and 12 month periods, and since inception.

The V shape recovery in global equity markets from their March 2020 lows continued in August. The 6% plus local currency return in global equities represented the strongest August for over 30 years. The strength in markets reflects growing investor confidence in the pace and scale of the policy response from governments and central banks to the COVID-19 pandemic.

While consensus estimates for 2020 global corporate earnings are still pointing to a decline of greater than 20%, the recent reporting season did lead to a marginal uptick in these forecasts. Federal Reserve chair Jerome Powell's announcement of a move to target inflation was another positive factor for equity markets. Investors took this as a sign that monetary conditions are likely to remain looser for longer.

At a regional level, developed markets outperformed emerging markets, with the latter impacted by concerning COVID-19 case numbers in India, Brazil and Turkey. Consumer discretionary, technology and communication stocks continued to lead the way at a sector level. These sectors contributed to the continued outperformance of growth versus value factors too. The likelihood of ongoing lower interest rates in the US (referenced above) was behind further weakness in the US dollar. This in turn lead to a stronger return for currency hedged portfolios.

Positive contributors to portfolio performance during the month included: aerospace and electronics company HEICO Corporation; athletic apparel retailer lululemon athletica; and global payments technology group Visa. Portfolio holdings weighing on performance included: Illumina, the market leader in next generation sequencing; credit scoring services firm Fair Isaac; and eye care group Alcon.

The relentless share price appreciation of the FAANG (Facebook, Apple, Amazon, Netflix and Alphabet) stocks has many market commentators making comparisons with the technology sector boom, then bust of the late 1990's. Collectively these companies now represent over 20% of the US benchmark S&P 500 Index. Concern is growing that while they have been the major contributor to many 'growth style portfolios' outperformance, they may be reaching unsustainable valuation levels. The WCM Quality Global Growth strategy has in the past had exposure to each of these stocks. Each was purchased at a time when the WCM investment team could make a case that their competitive advantage (economic moat) was expanding. Each was subsequently sold despite continuing to meet most 'great

PERFORMANCE ¹	PORTFOLIO	MSCI ACWI (ex-AU)	VALUE ADDED ³
1 Month	0.78%	2.66%	-1.88%
3 Months	4.89%	3.69%	1.20%
6 Months	14.04%	1.64%	12.40%
12 months	18.43%	6.91%	11.52%
Inception ²	18.90%	6.99%	11.91%

Notes: 1. Fund performance is calculated based on net asset value per unit, which is after management fees, performance fees and expenses and assumes that all distributions are reinvested in the Fund. 2. Inception date is 31 August 2018. 3. Value Add equals portfolio return minus benchmark return.

KEY DETAILS	
Report Date	31 August 2020
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	\$6.8569
Unit price	\$6.95
Management Fee ¹	1.25%
Administration Fee ¹	0.10%
Performance Fee ^{1, 2}	10%
Hedging	Unhedged

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.

company' definition criteria. A core tenet of WCM's investment process is that only companies it believes are getting better (i.e. have an expanding competitive advantage) qualify for inclusion in the portfolio. Being 'great' isn't good enough.

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\$85.6 billion of assets* on behalf of institutional and retail investors around the world including Australia.

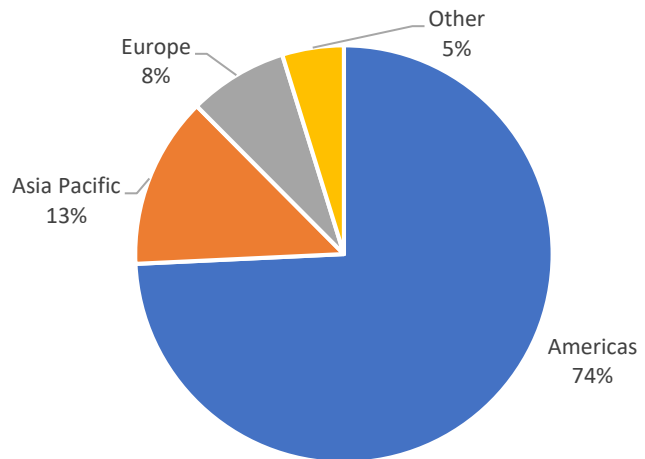


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REGIONAL MARKETS ALLOCATION



TOP TEN PORTFOLIO HOLDINGS	WCM QUALITY GLOBAL GROWTH FUND (%)
Shopify	5.60
West Pharmaceutical Services	5.12
MercadoLibre	4.85
Stryker Corp	3.69
Visa Inc	3.69
Taiwan Semiconductor	3.59
lululemon athletica	3.36
Tencent Holdings	3.32
Ansys Inc	2.69
Thermo Fisher Scientific	2.63
Total	38.54

SECTOR BREAKDOWN	WCM QUALITY GLOBAL GROWTH FUND (%)
Information Technology	23.66
Health Care	22.58
Industrials	10.72
Financials	10.51
Consumer Discretionary	10.22
Cash	6.12
Consumer Staples	6.00
Materials	4.38
Communication Services	3.32
Real Estate	2.48
Total	100.00

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