

# WCM QUALITY GLOBAL GROWTH (ASX:WCMQ) INVESTMENT UPDATE



31 May 2019

## PORTFOLIO UPDATE

We are pleased to report that the portfolio outperformed the broader market during the month of May when world equity markets experienced significant declines. WCMQ outperformed the benchmark MSCI All Country World (ex-Australia) Gross Total Return Index by over 3%, with the decline in the value of the portfolio limited to only 1.3% versus the 4.4% decline in the benchmark index.

The portfolio has delivered returns in excess of the benchmark over the previous one, three, six and 12 months.

Global equity markets experienced very difficult conditions in May. The deterioration in the trade dispute between the US and China dominated headlines and had a material negative impact on market sentiment. However, it was the sharp decline in long-term US interest rates and the cautious signal this sends on the outlook for economic growth that arguably caused most concern for investors.

At a regional level, Asia (ex Japan) was weakest followed by the Eurozone. In terms of sectors, it was those most exposed to a potential slowdown in economic growth which were hardest hit. These included basic materials and energy – two sectors in which the portfolio is underweight. Conversely the more economically defensive sectors such as healthcare and utilities outperformed during the month. Healthcare is the portfolio's largest exposure, while the portfolio is underweight utilities.

Despite the weaker market backdrop, several portfolio holdings delivered strong positive returns during the month. These included ecommerce specialists Shopify and MercadoLibre, and Indian private bank HDFC Bank. Chinese internet services company Tencent, global oil services firm Schlumberger and Taiwan Semiconductor were amongst the holdings that weighed most heavily on performance.

The strong relative performance of the portfolio in May further provides further evidence of its favourable 'downside capture' attribute. The downside capture ratio is a statistical measure of a portfolio's performance in down-markets. When the ratio is less than 100 it indicates that the portfolio has lost less than the market in periods when the market has declined. By way of example a downside capture ratio of 70 would indicate that when markets decline by 10% the portfolio has on average declined by only 7%. The downside capture ratio for the underlying Quality Global Growth strategy (QGG) since inception (March 2008) to March 2019 has been 59%\*.

\*As at 31 March 2019. **Source:** WCM Investment Management, prepared by Contango Asset Management Limited. **Notes:** \*Chart refers to the underlying WCM Quality Global Growth (QGG) investment strategy. The QGG composite is a representative portfolio containing fully discretionary equity accounts with a minimum account size of \$1 million USD in equities. Prior to 1 Jan 2014 there was no minimum account size for this composite. Specific account holdings may vary due to size or other restrictions. Past performance is not a reliable indication of future performance.

PERFORMANCE <sup>1</sup> (after management fees)	WCMQ (%)	MSCI ACWI (ex-Aus) (%)	VALUE ADD (%) <sup>3</sup>
1 Month	-1.33%	-4.37%	3.04%
3 Months	6.37%	0.96%	5.41%
6 Months	13.90%	6.90%	7.00%
12 months	-	-	-
Inception <sup>2</sup>	8.53%	-0.58%	9.11%

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

<b>Report Date:</b>	<b>31 May 2019</b>
<b>Fund Name</b>	WCM Quality Global Growth Fund (Quoted Managed Fund)
<b>ASX Code</b>	WCMQ
<b>Listed on ASX:</b>	3 September 2018
<b>Fund Manager:</b>	WCM Investment Management
<b>Responsible Entity:</b>	Switzer Asset Management Limited
<b>Benchmark:</b>	MSCI All Country World Index ex-Australia with gross dividends reinvested reported in Australian dollars and unhedged
<b>Number of stocks:</b>	20-40
<b>Maximum cash position:</b>	7%
<b>Stock universe:</b>	Global (ex-Australia)
<b>Net asset value per unit:</b>	\$5.4045
<b>Unit price:</b>	\$5.470

# WCM QUALITY GLOBAL GROWTH (ASX:WCMQ)

## 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\$49 billion of assets\*\* on behalf of institutional and retail investors around the world including Australia.

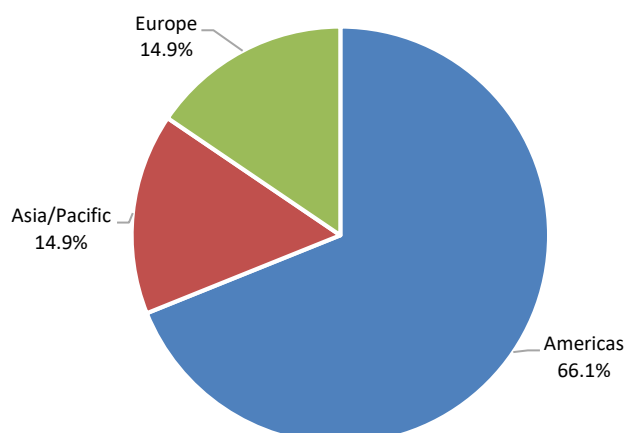


**PAUL BLACK**  
CEO & Portfolio Manager  
WCM Investment Management

**Responsible Entity SWITZER ASSET MANAGEMENT LIMITED**  
AFSL 312 247 ABN 26 123 611 978  
Level 6, 10 Spring Street, Sydney NSW 2000

**T:** +61 2 9016 5397  
**E:** invest@switzer.com.au  
**W:** www.switzerassetmanagement.com.au/investments/wcmq

## REGIONAL MARKETS ALLOCATION



COMPANY	WCM GLOBAL GROWTH (%)
SHOPIFY INC - CLASS A	4.91
VISA INC-CLASS A SHARES	4.07
COSTCO WHOLESALE CORP	3.86
HDFC BANK LTD-ADR	3.72
STERIS PLC	3.64
MERCADOLIBRE INC	3.44
BOSTON SCIENTIFIC CORP	3.41
VERISK ANALYTICS INC	3.34
ECOLAB INC	3.24
FIRST REPUBLIC BANK/CA	3.14

SECTOR BREAKDOWN	WCM GLOBAL GROWTH (%)
Health Care	23.48
Information Technology	19.16
Financials	13.27
Industrials	9.26
Materials	7.67
Consumer Discretionary	7.02
Consumer Staples	6.86
Communication Services	5.27
Real Estate	2.79
Energy	0.88
Cash	4.34

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\*\* WCM AUM data at 31 March 2019.