

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

## INVESTMENT UPDATE

31 October 2020

### PORTFOLIO UPDATE

The portfolio delivered a return of 1.28% during the month, outperforming compared with the benchmark MSCI All Country World (ex-Australia) Index return of -0.34%. The portfolio has delivered returns in excess of the benchmark over the previous three, six and 12 month periods, 2 years and since inception.

Global equities recorded a second consecutive month of negative returns in October. Having moved steadily higher over the first half of the month, markets retreated in the final couple of weeks. This was following news of a second COVID-19 wave and consequential lockdowns in Europe. Investors were also disappointed by delays to additional fiscal stimulus in the US. European markets, weighed down by the second wave of COVID-19 infections, led the global equity markets decline. On a brighter note, the Chinese equity market rose over 5.0% as China continued to report positive news relating to its control of the virus and subsequent relatively strong economic data. This rise in Chinese equities was a major contributor to the outperformance of emerging markets relative to developed markets during the month. Sector leaders and laggards were similar to September; Communication Services and Utilities lead the way with the Energy sector again the weakest. At a factor level, value marginally outperformed growth and quality. The weaker Australian dollar over the month dampened the decline for unhedged portfolios, such as the WCM Global Growth Equity Strategy.

Despite the weaker market backdrop, several portfolio holdings rose strongly during the month. These included three of the portfolio's emerging market stocks: Indian banking and financial services company, HDFC Bank; Chinese multinational technology conglomerate Tencent; and Argentine ecommerce firm MercadoLibre. US private bank and wealth manager First Republic Bank was another strong performer. Medical devices firm Boston Scientific and global payments group Visa were amongst the biggest decliners, as were two portfolio positions whose share prices have more than doubled year to date: Canadian ecommerce multinational Shopify and Dutch payment firm Adyen.

The US presidential election will most likely continue to dominant global news headlines in the coming weeks. Equity market strategists will be busy sharing their views and recommendations on the possible implications of victory for either side. Many money management firms too will be trying to position their portfolios towards those stocks they see to be the winners from the election result. The research team at WCM Investment Management looks through election outcomes in the same way it looks through economic cycles. The team's focus is on identifying companies it believes can continue to grow their economic moats over the long term, not just over a short term political or economic cycle. The ability to adapt to different circumstances is one of the key cultural traits WCM

| PERFORMANCE <sup>1</sup> | PORTFOLIO | MSCI ACWI (ex-AU) | VALUE ADDED <sup>3</sup> |
|--------------------------|-----------|-------------------|--------------------------|
| 1 Month                  | 1.28%     | -0.34%            | 1.62%                    |
| 3 Months                 | 3.10%     | 2.15%             | 0.95%                    |
| 6 Months                 | 14.44%    | 5.83%             | 8.61%                    |
| 12 Months                | 24.15%    | 3.75%             | 20.40%                   |
| 2 Years                  | 24.05%    | 9.78%             | 14.27%                   |
| Inception <sup>2</sup>   | 18.53%    | 6.19%             | 12.34%                   |

*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 October 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        | \$7.0145  |
| Unit price                      | \$7.08  |
| Management Fee <sup>1</sup>     | 1.25%   |
| Administration Fee <sup>1</sup> | 0.10%   |
| Performance Fee <sup>1,2</sup>  | 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.*

looks for when identifying these expanding moat companies. An adaptable culture can help see a company through fluctuations in a political and economic environment. WCM’s long term focus and preference for companies with adaptable cultures means the election will have minimal impact on its Quality Global Growth portfolio.

**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\$93.1 billion of assets\* on behalf of institutional and retail investors around the world including Australia.

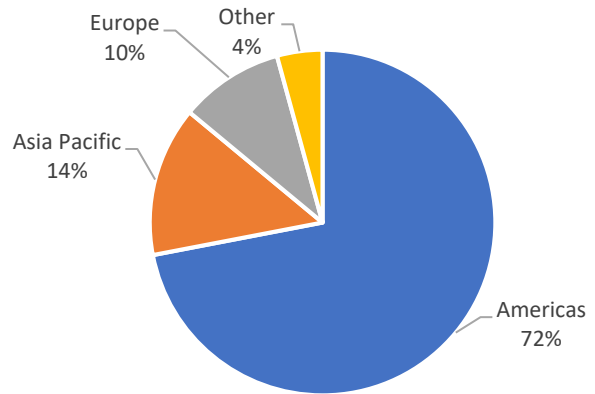


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**REGIONAL MARKETS ALLOCATION**



| TOP TEN PORTFOLIO HOLDINGS | WCM QUALITY GLOBAL GROWTH FUND (%) |
|----------------------------|------------------------------------|
| MercadoLibre               | 5.10                               |
| West Pharmaceuticals       | 4.02                               |
| Shopify                    | 3.89                               |
| Taiwan Semiconductor       | 3.84                               |
| Stryker Corp.              | 3.80                               |
| Tencent Holdings           | 3.73                               |
| Visa Inc.                  | 3.20                               |
| Amphenol Corp.             | 3.13                               |
| Sherwin-Williams           | 2.98                               |
| Thermo Fisher Scientific   | 2.93                               |
| <b>Total</b>               | <b>36.62</b>                       |

| SECTOR BREAKDOWN       | WCM QUALITY GLOBAL GROWTH FUND (%) |
|------------------------|------------------------------------|
| Information Technology | 25.70                              |
| Health Care            | 19.75                              |
| Consumer Discretionary | 10.70                              |
| Industrials            | 10.63                              |
| Financials             | 10.46                              |
| Cash                   | 6.76                               |
| Consumer Staples       | 5.72                               |
| Materials              | 5.19                               |
| Communication Services | 3.73                               |
| Real Estate            | 1.35                               |
| <b>Total</b>           | <b>100.00</b>                      |

**DISCLAIMER.** Switzer Asset Management Limited (“Switzer”) (ABN 26 123 611 978 and Australian Financial Services Licence Number 312247) is the Responsible Entity of the Fund. Switzer has prepared this Fact Sheet for information purposes only. It does not contain investment recommendations nor provide investment advice. Neither Switzer, Contango Asset Management Limited, their related bodies corporate, entities, directors or officers guarantees the performance of, or the timing or amount of repayment of capital or income invested in the Fund or that the Fund will achieve its investment objectives. Past performance is not necessarily indicative of future performance. It is recommended that investors seek professional investment and/or financial or other relevant and/or applicable advice to assist investors determine the individual tolerance to risk and the investors need to attain a particular return on your investment. In no way should the investor rely on the information contained in this Fact Sheet. We strongly encourage you to obtain independent professional, financial, investment, or legal advice and to read the Funds Product Disclosure Statement (“PDS”) before making a decision to invest in the Fund. Applications for an investment can only be made by way of completing the application form accompanying a current Product Disclosure Statement which can be obtained by contacting on the Switzer or via the website [www.switzerassetmanagement.com.au](http://www.switzerassetmanagement.com.au). \* WCM AUM data at 30 September 2020.