

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

## INVESTMENT UPDATE

31 January 2021

### PORTFOLIO UPDATE

The portfolio delivered a return of -0.97% during the month, below the benchmark MSCI All Country World (ex-Australia) Index return of 0.22%. The portfolio has delivered returns in excess of the benchmark over the previous six and 12 month periods, as well as over two years and since inception.

Global equity markets began the year strongly, building on their solid finish to 2020. The Democrats' victory in the Senate race in Georgia was taken as a positive sign in terms of the increased probability of further larger fiscal stimulus in the US. By month end however these early gains were largely eroded as concerns about the supply of COVID-19 vaccines in Europe and fears over the emergence of new strains of the virus weighed on markets.

The sharp rally in several heavily shorted US stocks added to market volatility in the latter part of the month. This short squeeze on several hedge funds was co-ordinated by a group of retail investors executing trades via low-cost trading platforms. As the price of these stocks soared, the exposed hedge funds were forced to close their short positions. The better performing pockets of the market in January included small companies and emerging markets. At a sector level, energy and healthcare were among the better performers while consumer staples lagged. The Australian dollar was marginally lower by month end.

Chinese internet services group Tencent reached a record high in January and was the largest contributor to the portfolio's monthly return. The other leading contributors included Taiwan Semiconductor and US scientific instrument and software firm Thermo Fisher Scientific. The three largest detractors from returns were: data analytics specialists Verisk; Visa Inc.; and Fair Isaac Corporation.

The short selling controversy referenced above has captured a lot of media attention. Many commentators cried foul as they believed the aggressive buying of fundamentally challenged companies and forced selling of stronger ones to finance this activity threatened the concept of fair price discovery. While the media is likely to continue to focus on this 'battle' between retail investors and professionally managed hedge funds, it should not concern investors in long term focused portfolios such as the WCM Quality Global Growth Strategy. This portfolio is invested in companies the WCM investment team believes have growing competitive advantages (expanding economic moats) over the long term, i.e. 5 years and beyond. While the WCM Quality Global Growth Strategy will not be immune to short term retail investor and hedge-fund-induced market volatility, its longer-term performance will be driven by the strength of the underlying companies in the portfolio.

PERFORMANCE <sup>1</sup>	PORTFOLIO	MSCI ACWI (ex-AU)	VALUE ADDED <sup>3</sup>
1 Month	-0.97%	0.22%	-1.19%
3 Months	6.09%	7.45%	-1.36%
6 Months	9.38%	9.77%	-0.39%
12 Months	19.60%	3.19%	16.41%
2 Years	26.97%	14.35%	12.62%
Inception <sup>2</sup>	19.24%	8.71%	10.53%

*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.*

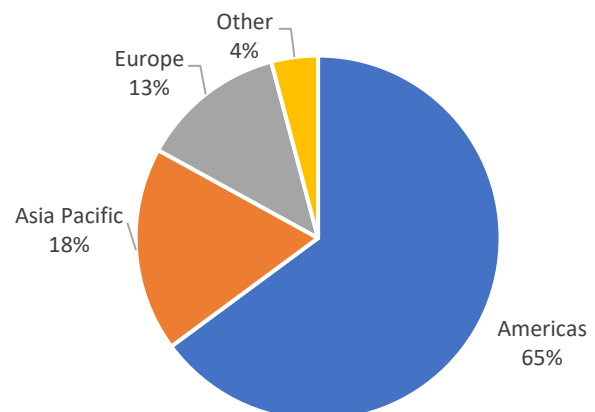
### TOP CONTRIBUTORS\*

STOCK	RETURN	AV. WEIGHT	CONTRIBUTION
Tencent Holdings	21.51	3.36	0.63
Taiwan Semiconductor	12.07	4.70	0.51
Thermo Fisher Scientific	10.04	2.58	0.25

### BIGGEST DETRACTORS\*

STOCK	RETURN	AV. WEIGHT	CONTRIBUTION
Verisk Analytics Inc.	-11.11	1.91	-0.22
Visa Inc.	-11.15	3.07	-0.36
Fair Isaac Corp.	-11.43	1.97	-0.24

### REGIONAL MARKETS ALLOCATION



## 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\$106.7 billion of assets\* on behalf of institutional and retail investors around the world including Australia.

TOP TEN PORTFOLIO HOLDINGS	WCM QUALITY GLOBAL GROWTH FUND (%)
MercadoLibre	6.40
Taiwan Semiconductor	4.77
Shopify	3.95
West Pharmaceuticals	3.79
Tencent Holdings	3.69
Stryker Corp.	3.56
LVMH (Moet Hennessy Louis Vuitton)	3.19
Amphenol Corp.	2.97
Visa Inc.	2.91
First Republic Bank	2.80
<b>Total</b>	<b>38.03</b>



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

SECTOR BREAKDOWN	WCM QUALITY GLOBAL GROWTH FUND (%)
Information Technology	26.46
Health Care	18.81
Consumer Discretionary	14.96
Financials	11.01
Industrials	10.18
Consumer Staples	6.03
Materials	4.72
Cash	4.14
Communication Services	3.69
<b>Total</b>	<b>100.00</b>

KEY DETAILS	
Report Date	31 January 2021
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	\$7.4419
Unit price	\$7.46
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.*

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