

WCM QUALITY GLOBAL GROWTH FUND (QUOTED MANAGED FUND)

(ASX:WCMQ)

INVESTMENT UPDATE

31 March 2020

PORTFOLIO UPDATE

The portfolio returned -5.79% for the month of March, compared with the benchmark MSCI All Country World (ex-Australia) Total Return Index return of -7.69%. The portfolio has outperformed its benchmark during the volatile conditions of the last 3-months. The long-term performance of the portfolio also remains strong, with returns exceeding that of the benchmark over 1-year and since inception.

The major selloff in global equity markets, which began on 19 February, reached its nadir on 23 March at which point the MSCI World Index had declined by 35%. The rapid worldwide spread of the COVID 19 virus has brought many businesses to a halt and confined employees across multiple 'non-essential' industries to their homes. Commentators have quickly moved on from debating if there will be a global recession to how long and how deep it will be.

While all regional indices recorded declines in March, losses were least severe in Asia where there are tentative signs that countries including China and South Korea may have seen the worst of the pandemic. At a sector level the hardest hit were those most sensitive to the pending economic downturn including Industrials, Financials and Energy. The weaker Australian dollar in March reduced the losses for unhedged global portfolios such as WQG.

As with previous periods of heightened market volatility, the portfolio's overweight exposure to quality and secular growth companies contributed significantly to relative outperformance in March. These included health care companies Illumina, West Pharmaceuticals and Thermo Fisher Scientific along with the communications infrastructure group, Crown Castle. The economically sensitive holdings in the portfolio and those most directly impacted by the COVID 19 shutdown fared worst. These included contract food service firm Compass Group and McDonalds.

Given WCM's long-term approach (i.e. a minimum time horizon of 3-5 years) and the belief that the full ramifications of sudden macro-related event, such as the current COVID-19 pandemic, are unknowable, the team remains convinced that the most important investment objective is to own businesses that : i) have solid balance sheets in industries with long-term structural growth drivers; ii) are improving their competitive position; and iii) possess strong, healthy cultures. Such firms are much more likely to navigate macro issues, including the current pandemic, better than their peers and win in the long run.

The positive aspect of market volatility is that it offers outstanding opportunities for bargains on high-quality companies that fit WCM's investment criteria. Further, these volatile periods tend to refocus markets on structurally high-quality businesses (i.e., growing moats and strong, long-term tailwinds) rather than mediocre businesses benefitting from temporary/cyclical phenomena. That plays to WCM's strengths. With valuations having been reset, the ultimate return to

PERFORMANCE ¹ (after management fees)	WCMQ (%)	MSCI ACWI (ex-AU) (%)	VALUE ADDED (%) ³
1 Month	-5.79%	-7.69%	1.90%
3 Months	-2.24%	-9.08%	6.84%
6 Months	-0.01%	-4.65%	4.64%
12 months	11.43%	4.16%	7.27%
Inception ²	11.06%	2.49%	8.57%

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	31 March 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	\$5.9008
Unit price	\$5.86
Management Fee ¹	1.25%
Administration Fee ¹	0.10%
Performance Fee ^{1, 2}	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.

stability will be accompanied by ample opportunity for strong long-term returns.

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\$69.7 billion of assets* on behalf of institutional and retail investors around the world including Australia.



PAUL BLACK
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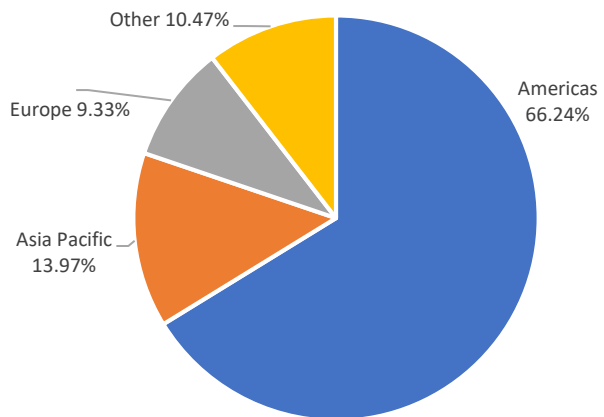
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REGIONAL MARKETS ALLOCATION



TOP TEN PORTFOLIO HOLDINGS	WCM QUALITY GLOBAL GROWTH FUND (%)
Shopify Inc.	4.90
Stryker Corp	4.32
Visa Inc	4.13
West Pharmaceutical Services	4.05
Tencent Holdings	3.39
Crown Castle International	3.20
Taiwan Semiconductor Manufacturing Company Ltd	3.20
MercadoLibre	2.97
Graco Inc	2.94
AIA Group	2.68
Total	35.78

SECTOR BREAKDOWN	WCM QUALITY GLOBAL GROWTH FUND (%)
Health Care	21.01
Information Technology	19.12
Financials	14.12
Industrials	11.96
Not Classified	10.46
Consumer Staples	6.85
Consumer Discretionary	5.28
Materials	4.61
Communication Services	3.39
Real Estate	3.20
Total	100.00

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