

# WCM Quality Global Growth Fund (Quoted Managed Fund) (ASX:WCMQ)

## INVESTMENT UPDATE



**31 August 2019**

### PORTFOLIO UPDATE

The portfolio outperformed the broader market in August 2019 with a return of 2.09% versus the -0.05% return of its benchmark MSCI All Country World (ex-Australia) Index. The portfolio continues to deliver returns in excess of the benchmark for the previous 3, 6, and 12 months and since inception.

August was a volatile month for financial markets triggered by an escalation of the trade dispute between the US and China, rising fears of a 'no deal' Brexit and growing concerns about the outlook for global growth. By month-end all major regional equity indices had posted a negative return in local currency terms. The continued decline in government bond yields around the world provided further evidence of investors' apprehension regarding the global economic outlook.

A weaker Australian dollar limited the impact for local investors with exposure to unhedged portfolios such as the WCM Quality Global Growth strategy. At an individual sector level, it was those sectors considered to be more defensive (i.e. less sensitive to economic growth) such as utilities and consumer staples which fared best.

Despite the abundance of negative news, a number of portfolio holdings made strong absolute gains during the month. Canadian ecommerce group Shopify again led the way, rising by more than 20%. Crown Castle International, America's largest communication infrastructure manufacturer, French alcoholic drinks firm Pernod Ricard and Essilor, the world's leading prescription lens provider, all advanced by close to 10%.

Portfolio holdings weighing on performance during the month included US oil services group Schlumberger, Chinese internet services provider Tencent and precision instruments manufacturer Mettler Toledo.

Volatile markets driven by global macroeconomic and geopolitical uncertainties provide challenges for all market participants. The temptation during such times is either to react impulsively to the most recent news or 'do nothing' and wait for the uncertainty to dissipate. WCM's approach is not influenced in any way by prevailing market conditions. The investment team's focus never waivers from identifying companies with expanding economic moats. This means they are permanently active but never reactive. The portfolio remains close to fully invested at all times.

August provided further evidence of the resilience of a portfolio of high quality (i.e. expanding moat) companies in volatile markets. This has been a feature of the WCM Quality Global Growth strategy since its inception in March 2008.

PERFORMANCE <sup>1</sup> <i>(after management fees)</i>	WCMQ (%)	MSCI ACWI (ex-Aus) (%)	VALUE ADD (%) <sup>3</sup>
1 Month	2.09%	-0.05%	2.14%
3 Months	10.44%	7.71%	2.73%
6 Months	17.47%	8.74%	8.73%
12 months	19.86%	7.08%	12.77%
Inception <sup>2</sup>	19.86%	7.08%	12.77%

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 August 2019</b>
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:	\$5.9704
Unit price:	\$6.02
Management Fee <sup>1</sup>	1.25%
Administration Fee <sup>1</sup>	0.10%
Performance Fee <sup>1, 2</sup>	10%

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	WCM GLOBAL GROWTH (%)
SHOPIFY INC - CLASS A	5.10
VISA INC-CLASS A SHARES	4.18
STERIS PLC	3.85
BOSTON SCIENTIFIC CORP	3.49
WEST PHARMACEUTICAL SERVICES	3.48
ECOLAB INC	3.33
MERCADOLIBRE INC	3.27
COSTCO WHOLESALE CORP	3.24
CHUBB LTD	3.16
PERNOD RICARD SA	2.98

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Moat trajectory is also the key driver of sell decisions in the strategy. If the investment team can no longer make the case that a company's moat is expanding, it no longer qualifies for inclusion in the portfolio. Valuation is one input in decisions to add to or trim from existing positions.

### 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.

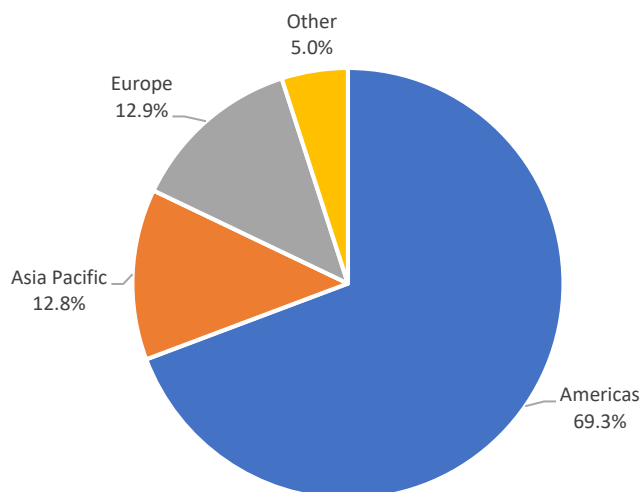
Their research therefore is focused on identifying those companies with a positive moat trajectory as measured by a rising return on invested capital (ROIC) as opposed to those with a large but static or declining moat. WCM also strongly believes that corporate culture is a key determinant of a firm's 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\$57 billion of assets\*\* on behalf of institutional and retail investors around the world including Australia.

### REGIONAL MARKETS ALLOCATION



SECTOR BREAKDOWN	WCM GLOBAL GROWTH (%)
Health Care	23.39
Information Technology	18.07
Financials	12.72
Consumer Discretionary	10.19
Industrials	8.21
Materials	7.92
Consumer Staples	6.22
Not Classified	4.97
Communication Services	4.62
Real Estate	2.93
Energy	0.78



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\*\* WCM AUM data at 30 June 2019.