

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

## INVESTMENT UPDATE

31 May 2020

### PORTFOLIO UPDATE

The portfolio had an excellent month, gaining 7.63% and outperforming the benchmark MSCI All Country World (ex-Australia) Index return of 2.57%. The portfolio has delivered returns in excess of the benchmark over the previous one, three, six and 12 month periods, as well as over two years and since inception.

May saw global equity markets continue their strong recovery from the March lows. This growing investor appetite for risk assets is based on the view that the level of global and fiscal monetary stimulus in response to the COVID-19 pandemic will more than offset the negative impact of the economic shutdown. With the global economy slowly re-opening and the downward trend in pandemic related death and infection rates, investors have chosen to look through the unprecedented poor economic statistics. The recovery in equity markets was broad based with most developed and emerging market indices recording positive returns for the month. It was a similar story at a sector level, with Technology and basic Materials leading the way. The Australian dollar strengthened further in May, reducing the gains for unhedged portfolios such as WCM Quality Global Growth strategy.

Holdings posting gains of 20% or more over May included E-commerce firms Shopify and MercadoLibre, eyecare specialist Alcon and a recent portfolio addition, athletic apparel retailer lululemon athletica. An additional 11 portfolio holdings rose by more than 10% over the month. Only four holdings recorded share price declines in May; Chinese internet services group Tencent, pan-Asian insurer AIA, Indian bank HDFC and the world's largest semiconductor manufacturer, Taiwan Semiconductor.

Unprecedented is a word being used to describe so much of what has happened in the global economy and financial markets in recent months. Unprecedented pace of decline in equity markets, unprecedented increases in unemployment, unprecedented falls in oil prices etc. Added to this can be the unprecedented sustained outperformance of quality and growth style investing relative to value.

This has undoubtedly provided a strong tailwind for the Quality Global Growth strategy. Going forward there will inevitably be periods when this style of investing is a headwind rather than the tailwind. While the Quality Global Growth strategy won't be immune to this effect, it should benefit from its diversification across the three (i.e. secular, cyclical and defensive) growth 'buckets'. Each of these buckets is populated with companies meeting WCM's own unique, expanding economic moat, definition of quality growth.

PERFORMANCE <sup>1</sup> (after management fees)	WCMQ (%)	MSCI ACWI (ex-AU) (%)	VALUE ADDED (%) <sup>3</sup>
1 Month	7.63%	2.57%	5.06%
3 Months	7.71%	-1.98%	9.69%
6 Months	11.58%	-3.68%	15.26%
12 months	24.36%	11.05%	13.31%
Inception <sup>2</sup>	18.69%	5.82%	12.87%

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 May 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	\$6.7409
Unit price	\$6.65
Management Fee <sup>1</sup>	1.25%
Administration Fee <sup>1</sup>	0.10%
Performance Fee <sup>1, 2</sup>	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.

### 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\$71.6 billion of assets\* on behalf of institutional and retail investors around the world including Australia.



**PAUL BLACK**  
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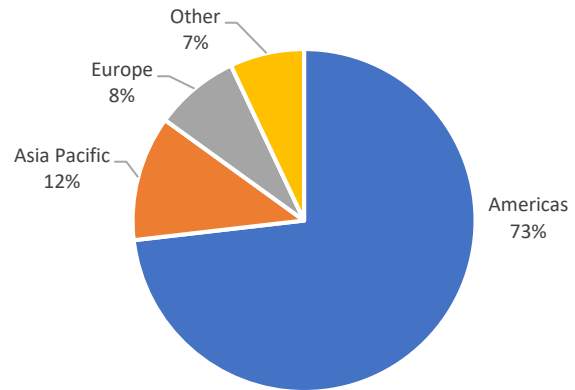
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### REGIONAL MARKETS ALLOCATION



TOP TEN PORTFOLIO HOLDINGS	WCM QUALITY GLOBAL GROWTH FUND (%)
Shopify	5.20
West Pharmaceutical Services	4.47
Stryker Corp	4.18
MercadoLibre	4.06
Visa Inc	3.90
Lululemon	3.08
Crown Castle	3.00
Ecolab	2.96
Tencent Holdings	2.95
First Republic	2.77
<b>Total</b>	<b>36.57</b>

SECTOR BREAKDOWN	WCM QUALITY GLOBAL GROWTH FUND (%)
Health Care	23.02
Information Technology	22.72
Industrials	10.67
Financials	10.59
Consumer Discretionary	9.13
Not Classified	7.02
Consumer Staples	5.92
Materials	4.98
Real Estate	3.00
Communication Services	2.95
<b>Total</b>	<b>100.00</b>

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