

# WCM QUALITY GLOBAL GROWTH (ASX:WCMQ)

## INVESTMENT UPDATE



30 April 2019

### PORTFOLIO UPDATE

The portfolio had another very strong month of performance, with a return of 3.6%. This was slightly below the 4.2% return of its benchmark MSCI All Country World (ex-Australia) Index. However, the portfolio has delivered returns well in excess of the benchmark over the previous three and six months as well as since inception.

Following on from a strong first quarter, global equity markets continued to move higher in April. The primary macroeconomic drivers of this strong performance have been the more accommodative position adopted by the US Federal Reserve and signs of stabilisation in Chinese economic growth.

The first quarter corporate earnings season has, thus far, proved to be a positive for markets, with early indications being that aggregate earnings will exceed analyst forecasts.

At a regional level, Eurozone equities led the way followed by the US. The Chinese equity market, which was one of the strongest performers in the first quarter, gave up some ground in April.

In terms of sectors it was a positive month for some of the more cyclical parts of the market including consumer discretionary and industrials. Defensive sectors on the other hand, including healthcare and consumer staples, underperformed in April.

The largest positive contributors to returns in April for the portfolio included Swedish industrial group Atlas Copco, Canadian ecommerce specialist Shopify and French ophthalmic firm Essilor.

Holdings that weighed on performance during the month included Agilent, the US analytical laboratory instrument manufacturing company, as well as medical technologies firms Stryker and Boston Scientific.

The strong start which equity markets have made to 2019 has caught many market participants flat footed. The 2018 year ended with the worst December performance since 1931 and the worst full year for the market since 2008. Market sentiment was hugely bearish, and many investors responded by reducing their allocation to equities in favour of cash. These same investors are now wondering whether it is time once again to increase their exposure to equities.

WCM's investment approach is not dependent on accurately forecasting market direction or making asset allocation decisions between equities and cash. Throughout the recent market gyrations, the portfolio's allocation to cash remained at the same level of circa 5.0%. More importantly, the portfolio's circa 95% equity exposure was and remains solely on companies WCM believes have expanding economic moats and appropriately aligned corporate cultures.

PERFORMANCE <sup>1</sup> (after management fees)	WCMQ (%)	MSCI ACWI (ex-Aus) (%)	VALUE ADD (%) <sup>3</sup>
1 Month	3.62%	4.15%	-0.53%
3 Months	15.42%	11.07%	4.35%
6 Months	16.68%	9.99%	6.69%
12 months	-	-	-
Inception <sup>2</sup> (annualised)	9.61%	3.97%	5.64%

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>30 April 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:	\$5.444
Unit price:	\$5.470

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## 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 100% employee owned and manages over AUD 42 billion of assets on behalf of institutional and retail investors around the world including Australia.



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

Responsible Entity **SWITZER ASSET MANAGEMENT LIMITED**

AFSL 312 247 ABN 26 123 611 978

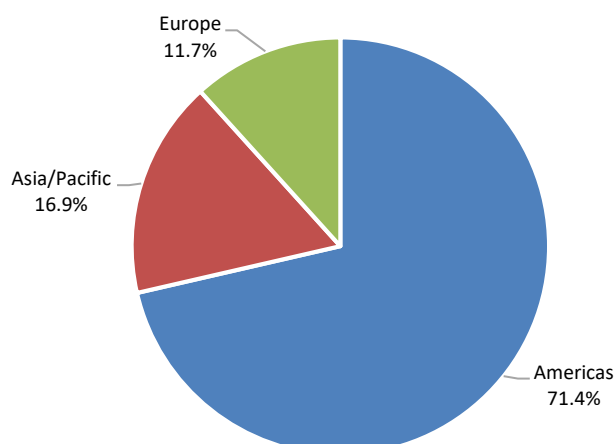
Level 6, 10 Spring Street, Sydney NSW 2000

T: +61 2 9016 5397

E: [invest@switzer.com.au](mailto:invest@switzer.com.au)

W: [www.switzerassetmanagement.com.au/investments/wcmq](http://www.switzerassetmanagement.com.au/investments/wcmq)

## REGIONAL MARKETS ALLOCATION



COMPANY	WCM GLOBAL GROWTH (%)
VISA INC	4.03
SHOPIFY	3.93
COSTCO WHOLESALE	3.84
STERIS PLC	3.45
THE COOPER COMPANIES	3.42
TENCENT HOLDINGS	3.38
HDFC BANK	3.34
FIRST REPUBLIC BANK	3.34
VERISK ANALYTICS	3.26
KEYENCE CORP	3.21

SECTOR BREAKDOWN	WCM GLOBAL GROWTH (%)
Health Care	23.85
Information Technology	19.28
Financials	13.42
Industrials	9.69
Materials	7.78
Consumer Staples	6.72
Consumer Discretionary	6.55
Communication Services	6.00
Real Estate	2.65
Energy	1.11
Cash	2.95

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