

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

## INVESTMENT UPDATE

31 December 2019

### PORTFOLIO UPDATE

The portfolio returned -0.15% for the month of December, compared with the benchmark MSCI All Country World (ex-Australia) Total Return Index return of -0.23%. The long-term performance of the portfolio remains strong, with returns exceeding that of the benchmark over 1-year and since inception.

Global equity markets continued to move higher in December. However, the stronger Australian dollar during the month resulted in negative returns for unhedged investors. Nonetheless, the full year proved a very rewarding one for global investors with the WQG benchmark index rising by circa 28% (on both a hedged and unhedged basis).

This strong performance was particularly noteworthy given the negative sentiment that dominated markets at the end of 2018 and the consistently weak economic data reported for most of 2019. The ongoing trade tensions between the US and China and uncertainty regarding Brexit were additional challenges for markets throughout the year. These headwinds were outweighed by the decision of the US Federal Reserve (and other central banks) to provide more further economic stimulus via sustained lower interest rates. At a regional level, 12-month returns for developed markets exceeded those of emerging markets and growth factors outperformed value.

The best performing stocks in the portfolio for the month included Canadian ecommerce company Shopify (+13.6%), multinational scales and analytical instrument manufacturer Mettler-Toledo International (+6.1%), the world's largest semiconductor manufacturer Taiwan Semi-Conductor Manufacturing Company (+6.1%) and Graco (+3.6%), the US fluid handling products and systems specialist.

Alcoholic beverages company Pernod Ricard (-6.3%), lens technology and eyewear manufacturer EssilorLuxottica (-5.6%) and retail warehouse group Costco Wholesale (-5.2%) were among the handful of holdings that recorded a negative return in December.

The WCMQ portfolio gained 31.78% over the course of the 2019 calendar year, outperforming its benchmark by a considerable margin. This again demonstrated the all-weather nature of the WCM Quality Global Growth strategy. While downside capture (i.e. minimising losses in falling markets) has been a hallmark of the strategy since inception, the portfolio also has an impressive history of strong relative returns during periods of rising markets (e.g. calendar years 2013, 2015 and 2017).

This consistency of performance can be attributed to WCM's unique investment process which is based on identifying companies with expanding economic moats (i.e. a growing a competitive advantage) and corporate cultures aligned to this moat trajectory.

PERFORMANCE <sup>1</sup> (after management fees)	WCMQ (%)	MSCI ACWI (ex-AU) (%)	VALUE ADDED (%) <sup>3</sup>
1 Month	-0.15%	-0.23%	0.08%
3 Months	2.28%	4.88%	-2.60%
6 Months	4.44%	9.11%	-4.67%
12 months	31.78%	27.73%	4.05%
Inception <sup>2</sup>	15.20%	10.59%	4.61%

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 December 2019
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	\$6.0538
Unit price	\$6.08
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\$63 billion of assets\* on behalf of institutional and retail investors around the world including Australia.



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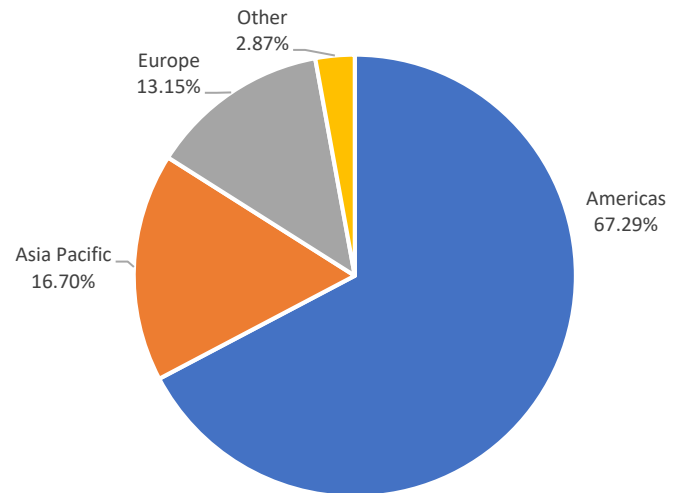
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### REGIONAL MARKETS ALLOCATION



COMPANY	WCM QUALITY GLOBAL GROWTH FUND (%)
Shopify Inc.	4.97
Visa Inc.	4.11
West Pharmaceutical Services	3.40
Taiwan Semiconductor Manufacturing Company Ltd	3.30
HDFC Bank	3.29
First Republic Bank	3.29
Costco Wholesale Corp	3.05
MercadoLibre	2.97
Chubb Ltd	2.97
Ecolab Inc	2.94

SECTOR BREAKDOWN	WCM QUALITY GLOBAL GROWTH FUND (%)
Information Technology	19.57
Health Care	19.24
Financials	14.14
Industrials	9.72
Consumer Discretionary	9.26
Materials	7.78
Consumer Staples	7.47
Not Classified	5.15
Communication Services	4.96
Real Estate	2.71

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