

# WCM QUALITY GLOBAL GROWTH FUND (QUOTED MANAGED FUND)

## (ASX:WCMQ)

### INVESTMENT UPDATE

28 February 2021

#### PORTFOLIO UPDATE

The portfolio delivered a return of -0.25% during the month, below the benchmark MSCI All Country World Index (ex-Australia) return of 1.29%. The portfolio has delivered returns in excess of the benchmark over the previous 12-month periods, as well as over two years and since inception.

Global equity markets continued to reach new highs in early February as US president Joe Biden and treasury secretary Janet Yellen maintained pressure on Congress to pass their proposed US\$1.9tn fiscal stimulus package. Investors also welcomed news about the pace of the COVID-19 vaccine rollout and new case numbers in the US dropping below 100,000 for the first time in three months. However, a sudden sharp rise in global bond yields dampened this investor optimism, leaving markets off their highs by month end. The yield on the US 10-year Treasury reached a 12-month high of 1.6% with concerns growing around the potential impact on global inflation from the expected strong economic rebound in 2021. This increase in interest rates was the catalyst for the underperformance of emerging relative to developed markets and quality and growth factors relative to value. At an individual sector level energy and financials led the way with the lagging sectors including healthcare and consumer staples. The Australian dollar was stronger during the month reducing returns for unhedged portfolios.

The portfolio's financial sector holdings were amongst the positive contributors to returns in February. The technology and industrial sectors also provided some names which outperformed the market. On the flip side, healthcare and consumer staples were relatively weaker. US private bank and wealth management services provider, First Republic Bank has been a core financial sector holding in the WCM Quality Global Growth portfolio since March 2017. It focuses on the affluent in attractive markets and does not try to be all things to all people. WCM views it as a service company whose product happens to be banking. Its extraordinary culture and service orientation distinguishes it as one of the few high quality, high organic growth stories in banking.

The big question investors are asking at present is whether the stock market could be dragged down by an increase in bond yields caused by rising inflation pressures. Higher price to earnings multiple 'growth' stocks are considered particularly vulnerable to an increase in interest rates, as they reduce the value of their future cash flows. The WCM Quality Global Growth strategy has exposure to several higher multiple stocks. However, it also has meaningful exposure to companies which will benefit from a rebound in economic activity and are less sensitive to an increase in interest rates. Examples of these holdings include: paint and coating manufacturer Sherwin Williams; fluid handling systems firm Graco; and Swedish multinational industrial company Atlas Copco. This exposure to

PERFORMANCE <sup>1</sup>	PORTFOLIO	MSCI ACWI (ex-AU)	VALUE ADDED <sup>3</sup>
1 Month	-0.25%	1.29%	-1.54%
3 Months	-0.59%	1.59%	-2.18%
6 Months	8.26%	8.30%	-0.04%
12 Months	23.17%	10.08%	13.09%
2 Years	22.44%	12.21%	10.23%
Inception <sup>2</sup>	18.49%	8.99%	9.50%

*Notes: 1. Fund performance is calculated based on net asset value per unit, which is after management fees, performance fees and expenses and assumes that all distributions are reinvested in the Fund. 2. Inception date is 31 August 2018. 3. Value Add equals portfolio return minus benchmark return.*

KEY DETAILS	
Report Date	28 February 2021
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	\$7.4231
Unit price	\$7.39
Management Fee <sup>1</sup>	1.25%
Administration Fee <sup>1</sup>	0.10%
Performance Fee <sup>1,2</sup>	10%
Hedging	Unhedged

*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.*

cyclical growth companies is a key element of WCM’s all-weather approach to portfolio construction.

**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\$106.7 billion of assets\* on behalf of institutional and retail investors around the world including Australia.

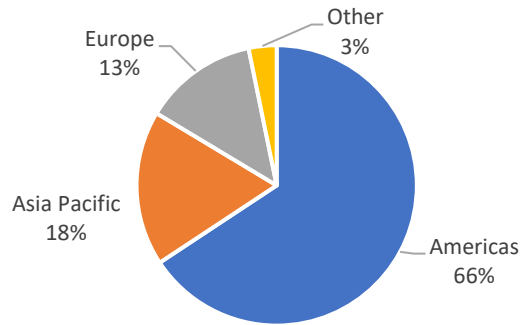


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**REGIONAL MARKETS ALLOCATION**



TOP TEN PORTFOLIO HOLDINGS	WCM QUALITY GLOBAL GROWTH FUND (%)
MercadoLibre	5.87
Taiwan Semiconductor	4.93
Shopify	4.60
Stryker Corp.	3.90
Tencent Holdings	3.57
West Pharmaceuticals	3.54
LVMH (Moet Hennessy Louis Vuitton)	3.35
Visa Inc.	3.19
First Republic Bank	3.17
Amphenol Corp.	2.98
<b>Total</b>	<b>39.10</b>

SECTOR BREAKDOWN	WCM QUALITY GLOBAL GROWTH FUND (%)
Information Technology	27.35
Health Care	18.29
Consumer Discretionary	14.91
Financials	11.78
Industrials	10.39
Consumer Staples	5.77
Materials	4.72
Communication Services	3.57
Cash	3.22
<b>Total</b>	<b>100.00</b>

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