

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

INVESTMENT UPDATE

31 May 2021

PORTFOLIO UPDATE

The portfolio delivered a return of 0.36% during the month. The portfolio has delivered returns in excess of the benchmark MSCI All Country World Index (ex-Australia) over two years and since inception.

Global equity markets continued to move higher in May, the fourth consecutive month of positive local currency gains. Markets are continuing to benefit from the gradual reopening of economies, the ongoing vaccine rollout and supportive global monetary and fiscal policy. Corporate earnings in the US in its first quarter were another source of positive news with an estimated 86% of S&P 500 constituents surpassing consensus earnings estimates. Inflation remains a key measure, being closely watched by equity market investors. Inflation fears were stoked by a higher than consensus April number in the US and some strong leading indicators of future economic activity including the Purchasing Managers Indices (in both the US and Europe). This strong growth and higher inflation picture provided a backdrop for economically sensitive companies in May. It also led to a relatively stronger month for value sectors such as Financials and Energy. At a regional level European and emerging markets, which have heavier weighting towards cyclical sectors, outperformed the US.

In line with the broader market trend, some of the portfolio's financial holdings were among the better performing stocks during the month. Likewise, several of the portfolio's more cyclical consumer discretionary and industrial names outperformed. Portfolio holdings weighing on relative performance could be found in the less economically sensitive, defensive growth sectors such as Health Care.

A recent new addition to the portfolio is Old Dominion Freight Line (ODFL), the fifth largest less-than-truckload (LTL) carrier in North America. WCM Investment Management (WCM) believes ODFL is well positioned to benefit from North American industrial production growth, share gains, pricing power and the longer-term shift to domestic onshoring. The expansion of ODFL's moat is expected to be driven by: leveraging its scale and reputation; consolidating sub-scale 'mom and pop' competitors; and maintaining its lead as the most customer obsessed LTL carrier in the sector.

Equity market investors are becoming increasingly aware of how a poor culture can negatively impact corporate performance and subsequently, shareholder returns. The challenge for investors is how to analyse this factor which for many is so difficult to define, let alone quantify. WCM have long held the view that corporate culture is the biggest driver of sustainable long-term returns. The WCM approach is not simply about identifying 'good' and avoiding 'bad' cultures. It is about finding companies that have a culture supportive of their competitive advantage. It is this alignment of culture and competitive

PERFORMANCE ¹	PORTFOLIO	MSCI ACWI (ex-AU)	VALUE ADDED ³
1 Month	0.36%	1.22%	-0.86%
3 Months	5.27%	8.76%	-3.49%
6 Months	4.65%	10.49%	-5.84%
12 Months	19.09%	22.14%	-3.05%
2 Years	21.88%	16.46%	5.42%
Inception ²	18.80%	11.49%	7.31%

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	31 May 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	\$7.8143
Unit price	\$7.84
Portfolio size	\$281.16m
Management Fee ¹	1.25%
Administration Fee ¹	0.10%
Performance Fee ^{1,2}	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.

advantage which enables long-term positive ‘moat trajectory’ i.e. rising returns on capital. WCM’s proprietary framework for identifying such companies has been a key to the impressive performance of the underlying WCM Quality Global Growth Strategy since its inception in March 2008.

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\$114 billion of assets* on behalf of institutional and retail investors around the world including Australia.

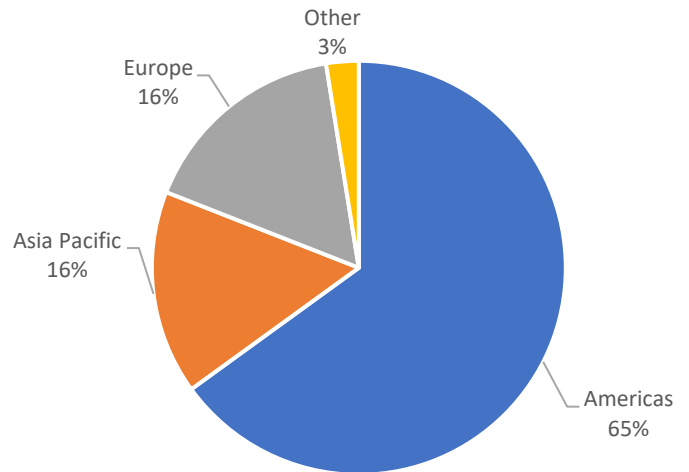


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REGIONAL MARKETS ALLOCATION



TOP TEN PORTFOLIO HOLDINGS	WCM QUALITY GLOBAL GROWTH FUND (%)
Stryker Corp.	4.96
Shopify	4.23
West Pharmaceutical Services	4.15
Sherwin-Williams	4.10
LVMH (Moet Hennessy Louis Vuitton)	3.99
First Republic Bank	3.52
Thermo Fisher Scientific	3.32
Taiwan Semiconductor	3.31
Visa Inc.	3.24
MercadoLibre	3.22
Total	38.04

SECTOR BREAKDOWN	WCM QUALITY GLOBAL GROWTH FUND (%)
Information Technology	23.88
Health Care	18.85
Consumer Discretionary	17.53
Industrials	11.17
Financials	10.45
Materials	6.24
Consumer Staples	6.19
Communication Services	3.15
Cash	2.54
Total	100.00

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