

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

## INVESTMENT UPDATE

31 July 2020

### PORTFOLIO UPDATE

The portfolio delivered a return of 3.70% during the month, outperforming the benchmark MSCI All Country World (ex-Australia) Index return of 1.57%. The portfolio has delivered returns in excess of the benchmark over the previous one, three, six and 12 month periods, as well as over three years and since inception.

Global equity markets continued their strong rally throughout July. Every major market, with the exception of Japan, ended the month in positive territory. The continued implied optimism from rising equity markets comes against a backdrop of at best mixed signals from the global economy and the COVID-19 pandemic. While second quarter US GDP declined by almost 30% on an annualised basis, retail sales have recovered to within 1% of the 2020 high. The corporate earnings season in the US has also been sending disparate signals to investors. Earnings results to date have slightly exceeded analysts' expectations, however these estimates had been revised to a decline of circa 45% ahead of the reporting season.

At a regional level it was a particularly strong month for emerging markets, with China being the standout, rising by over 9.0%. The weaker US dollar in July (its weakest month for a decade), was one of the key drivers of this strong performance from emerging markets. Materials was one of the stronger sectors in July, led by another beneficiary of a weaker dollar; precious metals. At a style factor level, it was another month of growth outperforming value.

The portfolio's best performing stocks during the month came from a variety of sectors. These included household product manufacturer, Church and Dwight; the global leader in veterinary diagnostics, software and water microbiology testing, IDEXX Laboratories; pharmaceutical packaging firm West Pharmaceuticals; and semiconductor giant, Taiwan Semiconductor Manufacturing Company. Aerospace and electronics company HEICO Corporation and American global provider of water, hygiene and infection preventions solutions and services firm Ecolab were amongst the handful of portfolio names that declined during the month.

The corporate reporting season is a busy time for equity portfolio managers and research analysts. Many money management firms' investment processes, and hence portfolio returns accurately, are heavily dependent on their ability to forecast annual (and in some cases even quarterly) earnings. While the team at WCM Investment Management do pay attention to corporate earnings releases, their focus is much more on knowledge that would be considered long term/compounding rather than short term/expiring. Quarterly earnings is an example of expiring knowledge. Once this information is known it is of little value going forward, as the focus then becomes forecasting the following quarter.

PERFORMANCE <sup>1</sup> (after management fees)	PORTFOLIO	MSCI ACWI (ex-AU)	VALUE ADDED <sup>3</sup>
1 Month	3.70%	1.57%	2.13%
3 Months	11.31%	3.60%	7.71%
6 Months	9.24%	-5.99%	15.23%
12 months	18.88%	4.09%	14.79%
Inception <sup>2</sup>	19.00%	5.85%	13.15%

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 July 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	\$6.8038
Unit price	\$6.81
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.

Corporate culture, a key focus for the WCM investment team, is an example of long-term knowledge. Understanding a company's culture is information that doesn't expire. If you understand a company's culture today, that information is still useful, one, five or even 10 years from today.

**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?**

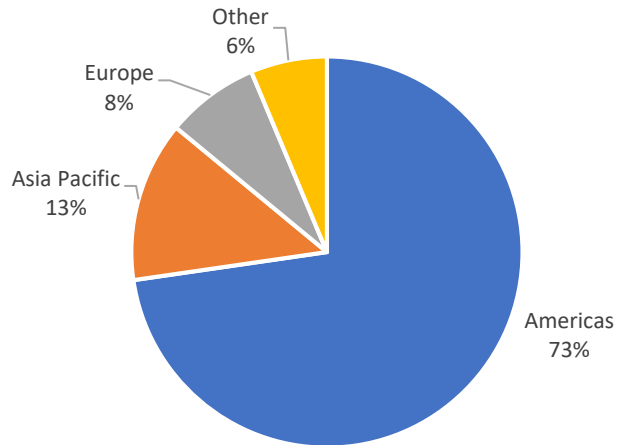
WCM is a California based asset management firm specialising in active global and emerging market equities. Founded in 1976, the business is majority employee owned and manages over A\$85.6 billion of assets\* on behalf of institutional and retail investors around the world including Australia.



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**REGIONAL MARKETS ALLOCATION**



TOP TEN PORTFOLIO HOLDINGS	WCM QUALITY GLOBAL GROWTH FUND (%)
Shopify	5.59
West Pharmaceutical Services	5.04
MercadoLibre	4.85
Stryker Corp	3.74
Taiwan Semiconductor	3.72
Tencent Holdings	3.47
Visa Inc	3.45
lululemon athletica	3.03
Thermo Fisher Scientific	2.64
Crown Castle	2.63
<b>Total</b>	<b>38.16</b>

SECTOR BREAKDOWN	WCM QUALITY GLOBAL GROWTH FUND (%)
Information Technology	23.56
Health Care	22.92
Industrials	10.44
Financials	10.37
Consumer Discretionary	9.79
Cash	6.32
Consumer Staples	6.12
Materials	4.36
Communication Services	3.47
Real Estate	2.63
<b>Total</b>	<b>100.00</b>

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