

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

## INVESTMENT UPDATE

29 February 2020

### PORTFOLIO UPDATE

The portfolio returned -1.92% for the month of February, compared with the benchmark MSCI All Country World (ex-Australia) Total Return Index return of -5.04%. The portfolio has outperformed its benchmark during the volatile conditions of the last 3-months. The long-term performance of the portfolio also remains strong, with returns exceeding that of the benchmark over 1-year and since inception.

Global equity markets began the month strongly, shrugging off the potential impact of the outbreak of the Coronavirus in China. By month-end however, most global equity indices had declined by over 8% in local currency terms. The catalyst for the market sell off was the increasing number of reported cases of the virus outside of China and fears of the impact it may have on global economic growth and, in turn, corporate earnings. Bond and commodity markets were also impacted by this potentially lower economic growth outlook with the US 10-year Treasury yield reaching a record low yield of 1.15% and the oil price falling by 13.4%. The Australian dollar declined 2.6% during the month too, partially reducing the losses for unhedged portfolios such as the WCM Quality Global Growth strategy.

Investors' preference for high quality companies during times of market nervousness was a supportive factor for the WQG portfolio in February. Portfolio holdings recording a positive return during the month included media services group Netflix (+11.4%), eye care products manufacturer Alcon (+7.1%) and Chinese internet services provider Tencent (+6.9%). Healthcare firm Thermo Fisher Scientific (-10.8%), multinational contract foodservice provider Compass Group (-8.4%) and trading exchange technology group, Intercontinental Exchange (-7.2%) were amongst the holdings that weighed on performance during the month.

February's market decline provided plenty of headline making material for macroeconomic and market commentators. For the investment team at WCM however, it was and very much remains business as usual. The portfolio's relative outperformance in February was consistent with its long-term track record during similar prior periods of declining markets. As long-term investors with a minimum timeframe of 3-5 years, WCM do not allocate time or resources to analysing the potential short-term impact on company earnings of events such as the coronavirus. Instead, the team's focus will be on identifying attractive price levels to invest in new high quality (i.e. expanding moat) companies and/or to add to existing portfolio positions.

### 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.

PERFORMANCE <sup>1</sup> (after management fees)	WCMQ (%)	MSCI ACWI (ex-AU) (%)	VALUE ADDED (%) <sup>3</sup>
1 Month	-1.92%	-5.04%	3.12%
3 Months	3.60%	-1.73%	5.33%
6 Months	4.55%	5.19%	-0.64%
12 months	22.81%	14.38%	8.43%
Inception <sup>2</sup>	16.26%	8.27%	7.99%

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	29 February 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	\$6.2001
Unit price	\$6.22
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.

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\$69.7 billion of assets\* on behalf of institutional and retail investors around the world including Australia.



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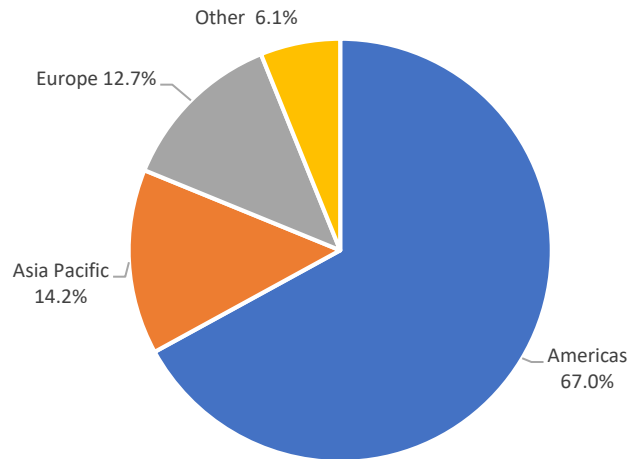
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#### REGIONAL MARKETS ALLOCATION



TOP TEN PORTFOLIO HOLDINGS	WCM QUALITY GLOBAL GROWTH FUND (%)
Shopify Inc.	5.01
Visa Inc.	4.18
West Pharmaceutical Services	3.58
MecadoLibre	3.37
Taiwan Semiconductor Manufacturing Company Ltd	3.23
Tencent Holdings	3.17
Costco Wholesale Corp	3.07
HDFC Bank	3.00
First Republic Bank	2.96
Chubb	2.91
<b>Total</b>	<b>34.55</b>

SECTOR BREAKDOWN	WCM QUALITY GLOBAL GROWTH FUND (%)
Information Technology	19.25
Health Care	18.58
Financials	13.47
Industrials	9.70
Consumer Discretionary	9.46
Materials	7.51
Consumer Staples	7.43
Not Classified	6.11
Communication Services	5.61
Real Estate	2.88
<b>Total</b>	<b>100.00</b>

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