

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

## INVESTMENT UPDATE

31 July 2021

### PORTFOLIO UPDATE

The portfolio delivered a return of 5.12% during the month, outperforming the MSCI All Country World ex-Australia Index (the **Benchmark**) return of 2.86%. The portfolio has delivered returns in excess of the Benchmark over one month, three months, two years and since inception.

July was another positive month for global equity markets. The key tailwinds for markets remain accommodative global monetary and fiscal policy, rising vaccination rates and the continued lifting of lockdown restrictions. Longer term interest rates declined further during the month with the US ten-year treasury yields back to levels last seen in February. While declining yields can be a signal of slowing economic growth, markets are currently attributing the decline more to technical, rather than fundamental factors. Growth stocks were a beneficiary of these lower yields, with value sectors such as Financials and Energy lagging. At a regional level emerging markets struggled, held back by the impact of tighter regulation on Chinese technology and private tutoring businesses. The Australian dollar was marginally lower in July, a positive for unhedged portfolios.

The overweight exposure to the growth sectors such as Technology and Healthcare benefited the portfolio in July. At an individual stock level however, some of the larger contributors to performance came from a broad range of sectors including Consumer Discretionary, Financials and Materials. Geographically, portfolio holdings exposed to concerns of increased Chinese regulation were amongst the larger detractors from performance.

Evolution AB, a Sweden-based firm, is an online casino supplier focused on the 'live' vertical. Tailwinds are strong, driven by better technology (broadband, lower latency, better streaming technology, and improved cameras and mobile). In addition, regulatory changes towards increased legalisation of iGaming have increased the company's addressable market. Evolution AB's moat comes from complex execution, IP, switching costs, and regulatory barriers. That moat is growing as they leverage these strengths to a growing audience.

Rising concern about the impact of increased regulatory risk in the Chinese technology and private learning sectors has become a major topic of debate among market participants. Some investors are now describing China as below investment grade given the rising levels of regulation and government scrutiny. Others are taking a more sanguine view, accepting that regulatory risk has always been a factor to consider when investing in this economy. A structured investment process is key to avoiding the potential risks associated with these two very different

PERFORMANCE <sup>1</sup>	PORTFOLIO	MSCI ACWI (ex-AU)	VALUE ADDED <sup>2</sup>
1 Month	5.12%	2.86%	2.26%
3 Months	11.85%	8.97%	2.88%
6 Months	17.02%	18.59%	-1.57%
12 Months	28.00%	30.17%	-2.17%
2 Years	23.05%	16.40%	6.65%
Inception <sup>3</sup>	21.97%	13.63%	8.34%

*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. Value Add equals portfolio return minus benchmark return. 3. Inception date is 31 August 2018.*

### KEY DETAILS

<b>Report Date</b>	<b>31 July 2021</b>
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	\$8.4781
Distribution paid	\$0.230727
Unit price	\$8.42
Portfolio size	\$321.61m
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.*

responses, namely, a) reacting in a knee-jerk manner or b) complacency.

WCM’s process is anchored on the analysis of moat trajectory. The question WCM will ask is how this news impacts on its prior view on the future direction of the moats (i.e., the competitive advantage) of the companies in which it is invested in. This analysis, not emotion or complacency will determine any portfolio activity.

### 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.

Its research is therefore 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 its 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\$130.6 billion of assets (as at 30 June 2021) on behalf of institutional and retail investors around the world including Australia.



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WCM Investment Management

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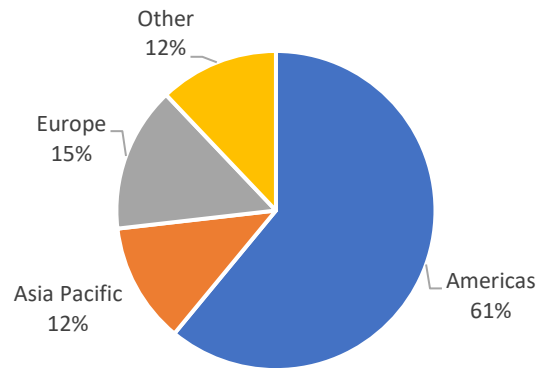
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### REGIONAL MARKETS ALLOCATION



TOP TEN PORTFOLIO HOLDINGS	WCM QUALITY GLOBAL GROWTH FUND (%)
Stryker Corporation	4.56
Shopify	4.41
West Pharmaceutical Services	4.27
Sherwin-Williams	3.64
LVMH (Moët Hennessy Louis Vuitton)	3.45
Thermo Fisher Scientific	3.31
MercadoLibre	3.22
First Republic Bank	3.08
Visa	3.04
Nike	2.88
<b>Total</b>	<b>35.86</b>

*Notes: The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.*

SECTOR BREAKDOWN	WCM QUALITY GLOBAL GROWTH FUND (%)
Information Technology	24.90
Health Care	17.96
Consumer Discretionary	16.34
Financials	9.29
Industrials	8.93
Consumer Staples	5.57
Materials	3.64
Communication Services	1.30
Cash	12.08
<b>Total</b>	<b>100.00</b>

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