

WCM Quality Global Growth Fund (Quoted Managed Fund) (ASX:WCMQ)

INVESTMENT UPDATE



30 SEPTEMBER 2019

PORTFOLIO UPDATE

The portfolio returned -1.49% for the month compared to the benchmark MSCI All Country World (ex-Australia) Index return of 1.83%. The long-term performance of the portfolio remains strong, with returns exceeding that of the benchmark over 6 months, 1-year, 2-years and since inception.

September saw a recovery of global equity markets after the steep losses incurred in August. Central banks including the US Federal Reserve and the European Central Bank responded to the ongoing signs of slowing economic growth by lowering interest rates. The latter also committed to reinitiating quantitative easing. Geopolitics continued to be dominated by the US and China trade dispute and the ongoing BREXIT shenanigans in the UK parliament. Unlike recent positive months, it was the European and Japanese markets, not the US which lead the way. At a sector level there was also a change of market leadership in September, with 'value' stocks (e.g. industrial cyclicals) and financials outperforming 'growth' (e.g. technology and healthcare). The Australian dollar had minimal impact on returns during the month.

The stand out performers (both negatively and positively) in the portfolio during the month reflected that of the broader market. Technology and health care names were generally weaker, with positive contributions coming from some of the more cyclical growth and financial sector holdings in the portfolio. In the technology related sectors, Shopify and Mercadolibre both gave up some of their strong year to date returns as did health care holdings West Pharmaceuticals and Steris. Positive contributors to portfolio returns during month included electronic and fibre optic connector firm, Amphenol and Taiwan Semiconductor Manufacturing. The portfolio's two bank sector holdings, First Republic Bank and HDFC Bank, both outperformed the market during the month.

The recent outperformance of value style investing relative to growth has prompted several market commentators to question whether this is the beginning of a new trend in markets. Historically value stocks (many of which are found in the more cyclical sectors of the market) have tended to outperform when economic growth is improving, and interest rates are rising. Whether such economic conditions currently exist or are likely to in the near future has no influence on the management of the WCMQ portfolio. The WCM approach is based on the belief that regardless of economic conditions, companies with positive economic moat trajectories will continue to grow as a result of their leading products, clean balance sheets and aligned corporate cultures.

| PERFORMANCE ¹ (after management fees) | WCMQ (%) | MSCI ACWI (ex-Aus) (%) | VALUE ADD (%) ³ |
|---|-------------|------------------------------|-------------------------------|
| 1 Month | -1.49% | 1.83% | -3.32% |
| 3 Months | 2.11% | 4.03% | -1.92% |
| 6 Months | 11.45% | 9.23% | 2.22% |
| 12 months | 17.09% | 9.20% | 7.89% |
| Inception ² | 18.07% | 9.04% | 9.03% |

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

| | |
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| Report Date: | 30 September 2019 |
| 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: | \$5.9079 |
| Unit price: | \$5.90 |
| Management Fee ¹ | 1.25% |
| Administration Fee ¹ | 0.10% |
| Performance Fee ^{1, 2} | 10% |

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.

| COMPANY | WCM GLOBAL GROWTH (%) |
|------------------------------|--------------------------|
| Shopify Inc. | 4.15 |
| Visa Inc. | 4.01 |
| Steris PLC | 3.57 |
| West Pharmaceutical Services | 3.42 |
| Boston Scientific Corp | 3.34 |
| Ecolab Inc. | 3.16 |
| HDFC Bank | 3.15 |
| Costco Wholesale Corp | 3.14 |
| Mercadolibre Inc. | 3.01 |
| McDonald's Corp | 2.91 |

WCM QUALITY GLOBAL GROWTH (ASX:WCMQ)

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?

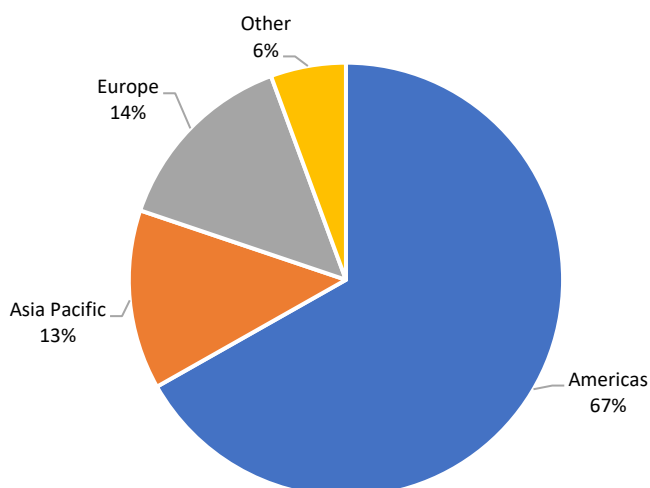
WCM is a California based asset management firm specialising in active global and emerging market equities.

Founded in 1976, the business is majority employee owned and manages over A\$58 billion of assets* on behalf of institutional and retail investors around the world including Australia.



PAUL BLACK
CEO & Portfolio Manager
WCM Investment Management

REGIONAL MARKETS ALLOCATION



| SECTOR BREAKDOWN | WCM GLOBAL GROWTH (%) |
|------------------------|-----------------------|
| Health Care | 23.23 |
| Information Technology | 17.75 |
| Financials | 13.25 |
| Consumer Discretionary | 9.93 |
| Industrials | 8.20 |
| Materials | 7.98 |
| Consumer Staples | 5.93 |
| Not Classified | 5.60 |
| Communication Services | 4.51 |
| Real Estate | 2.82 |
| Energy | 0.79 |

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* WCM AUM data at 30 June 2019.