

# WCM QUALITY GLOBAL GROWTH FUND (QUOTED MANAGED FUND)

## (ASX:WCMQ)

### INVESTMENT UPDATE

31 October 2019

#### PORTFOLIO UPDATE

The portfolio returned -1.49% for the month of October, compared with the benchmark MSCI All Country World (ex-Australia) Total Return Index return of 0.70%. The long-term performance of the portfolio remains strong, with returns exceeding that of the benchmark over 6 months, 1-year and since inception.

Global equity markets moved higher throughout October, largely on the back of positive sentiment related to geopolitical factors outweighing ongoing negative economic data. The US and China made a minor breakthrough with the announcement of the first phase of a trade deal and the UK pulled back from the brink of what many considered to be a potentially disastrous 'no-deal' Brexit. Weak economic data was evident in China (lower quarterly GDP growth) and both the US and Germany recorded slowing jobs growth and declining consumer confidence. In response to these weaker conditions, the US Federal Reserve reduced interest rates by 25 basis points and the International Monetary Fund (IMF) lowered its forecasts for global growth.

In terms of individual equity markets, Asian equities led the charge higher with both Japan (+5.0%) and Hong Kong (+3.1%) posting strong gains. US markets also performed strongly with both the NASDAQ (+3.7%) and the S&P 500 (+2.0%) surging during the month. The UK (-2.2%) was one of only a handful of exchanges that recorded a negative return during the period along with Canada (-1.1%) and Australia (-0.4%). Technology, Health Care and Financials were among the better performing global sectors. The stronger Australian dollar in October reduced returns for the Fund's unhedged portfolio.

Positive contributors to the portfolio's performance during the month included Taiwan Semiconductor (+8.7%), the Swedish tools and industrial materials manufacturer Atlas Copco AB (+13.4%) and the two exposures to the banking sector, HDFC Bank (+7.9%) in India and First Republic Bank (+4.8%) in the US. Portfolio holdings detracting from performance included McDonald's Corp (-10.3%), risk assessment services and data analytics provider, Verisk Analytics Inc (-10.4%) and insurance group Chubb (-7.5%).

The gyrations in global markets over the past 12 months have, once again, highlighted the benefits of a long-term investment perspective. Whilst the December 2018 quarter was the worst on record for global equity markets in a decade, October 2019 saw the US S&P 500 hit another all-time high. As such, investors with a short-term investment horizon have had a torrid experience.

The WCM Quality Global Growth strategy is designed for the long-term investor. The portfolio is comprised of companies that the WCM investment team believes can continue to grow their competitive advantage (expand their economic moat) over many years. This is a major reason as to why the average holding

PERFORMANCE <sup>1</sup> (after management fees)	WCMQ (%)	MSCI ACWI (ex-AU) (%)	VALUE ADDED (%) <sup>3</sup>
1 Month	-1.49%	0.70%	-2.19%
3 Months	-0.93%	2.49%	-3.42%
6 Months	5.75%	5.61%	0.14%
12 months	23.73%	16.16%	7.57%
Inception <sup>2</sup>	16.31%	9.80%	6.51%

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 October 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:	\$5.8222
Unit price:	\$5.86
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.



period for individual portfolio positions is relatively high and turnover (i.e. trading activity) is low. This investment process has delivered strong outperformance for the 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\$58 billion of assets\* on behalf of institutional and retail investors around the world including Australia.



**PAUL BLACK**  
CEO & Portfolio Manager  
WCM Investment Management

#### Responsible Entity SWITZER ASSET MANAGEMENT LIMITED

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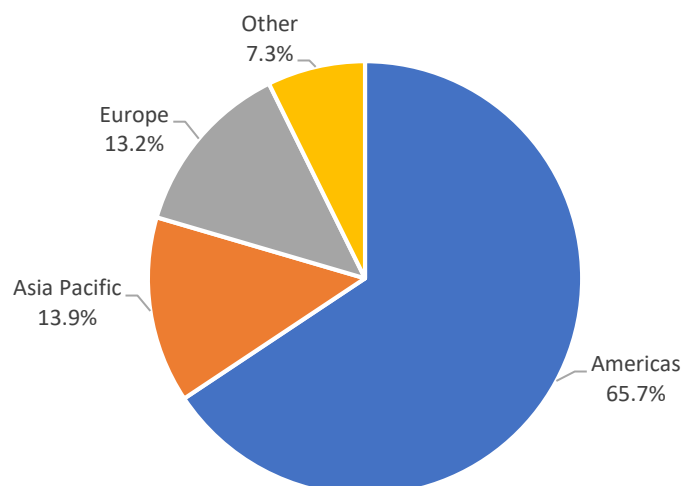
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#### REGIONAL MARKETS ALLOCATION



COMPANY	WCM QUALITY GLOBAL GROWTH FUND (%)
Shopify Inc.	4.15
Visa Inc.	4.14
West Pharmaceutical Services	3.44
HDFC Bank Limited	3.36
Costco Wholesale Corp	3.27
First Republic Bank	3.15
Taiwan Semiconductor	3.11
Ecolab Inc	3.10
Chubb Limited	3.08
Mercadolibre Inc	2.87

SECTOR BREAKDOWN	WCM QUALITY GLOBAL GROWTH FUND (%)
Health Care	19.25
Information Technology	18.15
Financials	14.34
Consumer Discretionary	9.64
Industrials	8.09
Consumer Staples	7.95
Materials	7.94
Not Classified	7.30
Communication Services	4.54
Real Estate	2.80

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