

# WCM QUALITY GLOBAL GROWTH FUND (MANAGED FUND)

## CLASS A (UNHEDGED)

### INVESTMENT UPDATE

31 August 2021

#### PORTFOLIO UPDATE

The portfolio delivered a return of 2.62% during the month, compared with the MSCI All Country World ex-Australia Index (the **benchmark**) return of 3.02%. The portfolio has delivered returns in excess of the Benchmark over three months, two years and since inception.

Global equity markets chalked up their seventh consecutive monthly gain in August, with several major indices hitting multiple new all-time highs. The seven-month winning streak for European equities is the first time this has been achieved since the end of financial crisis in 2012. While COVID-19 infections linked to the Delta variant continue to rise across the globe, rising vaccination rates are allowing most major economies to avoid the need to return to economically crippling lockdowns. Economic data continues to show strong growth although some leading indicators, such as the purchasing managers' indices, suggest the rate of this growth may be close to peaking.

With another (relatively) high inflation report in the US, markets took comfort from Federal Reserve Chairman, Jerome Powell's speech at Jackson Hole, in which he suggested the spike in the consumer price index is likely to be temporary. As such, the market's expectation is that a tapering of the Federal Reserve's bond purchasing program will remain on hold until closer to year end. At a regional level, there was little difference between the returns of developed and emerging markets, the latter recovering from another China regulatory related scare earlier in the month. Performance dispersion was also limited at a sector level, with Materials the only sector posting a negative return. Factor performance varied by region. Growth and quality outperformed in Europe while value measures were favoured in the US and emerging markets.

Portfolio relative performance during the month was helped by the overweight exposure to Technology and underweight position in Energy. Sector allocations detracting from performance included Consumer Discretionary (overweight in the portfolio relative to the benchmark) and the underweight position in Financials. Stock selection was positive in the Healthcare and Financials sectors, but a drag on performance in Technology and Consumer Staples.

Entegris, Inc. is an American provider of products and systems that purify, protect, and transport critical materials used in the semiconductor device fabrication process. The business is leveraging its superior technology, reputation and brand as well as its very sticky relationships with customers to expand its moat. Tailwinds include the growing complexity of semiconductor manufacturing that requires additional layers of materials.

Investment process is a key focus for capital allocators and researchers when forming a view on prospective money managers for their clients. A lot of this research focuses on the process money managers follow for identifying new investment opportunities.

| PERFORMANCE <sup>1</sup> | PORTFOLIO | MSCI ACWI (ex-AU) | VALUE ADDED <sup>2</sup> |
|--------------------------|-----------|-------------------|--------------------------|
| 1 Month                  | 2.62%     | 3.02%             | -0.40%                   |
| 3 Months                 | 14.39%    | 10.90%            | 3.49%                    |
| 6 Months                 | 20.19%    | 20.61%            | -0.42%                   |
| 1 Year                   | 29.99%    | 30.62%            | -0.63%                   |
| 2 Years <sup>3</sup>     | 25.20%    | 18.17%            | 7.03%                    |
| Inception <sup>4</sup>   | 24.54%    | 17.58%            | 6.96%                    |

*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 into the Fund. 2. Value Add equals portfolio return minus benchmark return. 3. Annualised. 4. Inception date is 17 June 2019.*

#### KEY DETAILS

|  |   |
|--|---|
| <b>Report Date</b>                     | <b>31 August 2021</b>   |
| <b>Fund Name</b>                       | WCM Quality Global Growth Fund (Managed Fund) Class A (Unhedged)  |
| <b>ARSN</b>                            | 630 062 047   |
| <b>APIR code</b>                       | SWI1413AU   |
| <b>Fund Manager:</b>                   | WCM Investment Management   |
| <b>Responsible Entity:</b>             | Switzer Asset Management Limited  |
| <b>Benchmark:</b>                      | MSCI All Country World Index ex-Australia (with gross dividends reinvested reported in Australian dollars and unhedged) |
| <b>Number of stocks:</b>               | 20-40   |
| <b>Maximum cash position:</b>          | 7%  |
| <b>Stock universe:</b>                 | Global (ex-Australia)   |
| <b>Net asset value per unit (Ex)</b>   | \$7.8986  |
| <b>Minimum initial investment</b>      | \$10,000  |
| <b>Management Fee <sup>1</sup></b>     | 1.25%   |
| <b>Administration Fee <sup>1</sup></b> | 0.10%   |
| <b>Performance Fee <sup>1, 2</sup></b> | 10%   |
| <b>Hedging:</b>                        | 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.*

However, an equally important factor which often gets overlooked is the manager’s sell discipline. WCM’s process, based on investing in companies with expanding economic moats with cultures aligned to their moat trajectory, is applied as both a buy and sell discipline. If the investment team can no longer make a case that a company’s moat is still expanding, it is sold regardless of recent performance or valuation. Positions can also be sold if the team identifies a more attractive opportunity than an existing one, or the investment thesis has played out and the valuation is no longer considered attractive to its long-term growth potential. A recent example of the former was the sale of Cooper Industries in favour of WuXi Biologics; and an example of the latter was the sale of Boston Scientific Corporation.

### 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.



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

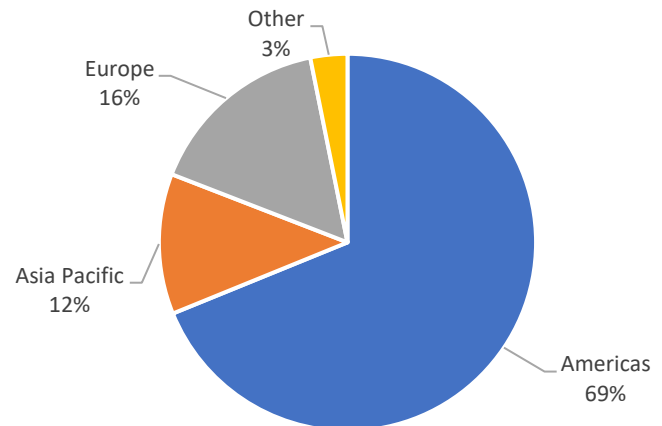
**Responsible Entity SWITZER ASSET MANAGEMENT LIMITED**  
AFSL 312 247 ABN 26 123 611 978  
Level 6, 10 Spring Street, Sydney NSW 2000

T: 1300 001 750

E: [invest@contango.com.au](mailto:invest@contango.com.au)

W: [www.contango.com.au/funds/wcma](http://www.contango.com.au/funds/wcma)

### REGIONAL MARKETS ALLOCATION



| SECTOR BREAKDOWN       | WCM QUALITY GLOBAL GROWTH FUND (%) |
|------------------------|------------------------------------|
| Information Technology | 28.23                              |
| Health Care            | 19.95                              |
| Consumer Discretionary | 18.66                              |
| Financials             | 10.29                              |
| Industrials            | 9.73                               |
| Consumer Staples       | 5.91                               |
| Materials              | 4.06                               |
| Cash                   | 3.17                               |
| <b>Total</b>           | <b>100.00</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.*

| TOP TEN PORTFOLIO HOLDINGS         | WCM QUALITY GLOBAL GROWTH FUND (%) |
|------------------------------------|------------------------------------|
| Stryker Corporation                | 4.99                               |
| Shopify                            | 4.80                               |
| West Pharmaceutical Services       | 4.73                               |
| Sherwin-Williams                   | 4.06                               |
| Thermo Fisher Scientific           | 3.63                               |
| LVMH (Moet Hennessy Louis Vuitton) | 3.41                               |
| First Republic Bank                | 3.37                               |
| Old Dominion Freight Line          | 3.22                               |
| ServiceNow                         | 3.21                               |
| Amphenol                           | 3.18                               |
| <b>Total</b>                       | <b>38.62</b>                       |

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