

## INVESTMENT UPDATE AND NTA STATEMENT

31 August 2021

## PORTFOLIO UPDATE

The portfolio delivered a return of 2.66% 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, six and twelve months, two years, three 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. However, an equally important factor which often

| PERFORMANCE <sup>1</sup> | PORTFOLIO | MSCI ACWI (ex-AU) | VALUE ADDED <sup>2</sup> |
|--------------------------|-----------|-------------------|--------------------------|
| 1 Month                  | 2.66%     | 3.02%             | -0.36%                   |
| 3 Months                 | 14.78%    | 10.90%            | 3.88%                    |
| 6 Months                 | 21.26%    | 20.61%            | 0.65%                    |
| 1 Year                   | 31.38%    | 30.62%            | 0.76%                    |
| 2 Year <sup>3</sup>      | 24.76%    | 18.17%            | 6.59%                    |
| 3 Year <sup>3</sup>      | 23.69%    | 14.35%            | 9.34%                    |
| Inception <sup>3,4</sup> | 22.25%    | 15.29%            | 6.96%                    |

Notes: 1. Portfolio return is calculated before expenses and after investment management and performance fees are paid. Performance includes the reinvestment of dividends and income. 2. Value added equals portfolio return minus benchmark return. 3. Annualised. 4. Inception date is 21 June 2017.

| NET TANGIBLE ASSETS <sup>1</sup><br>(PER SHARE)  | 31 AUG<br>2021 | 31 JUL<br>2021 |
|--|----------------|----------------|
| NTA before tax                                   | 1.923          | 1.880          |
| NTA after tax and before tax on unrealised gains | 1.879          | 1.842          |
| NTA after tax                                    | 1.666          | 1.636          |
| Month end closing share price                    | 1.645          | 1.610          |
| Month end closing option price                   | 0.145          | 0.135          |

Notes: 1. NTA is calculated after all fees and expenses and incorporates all company assets including WQG's operating bank account. NTA per share is based on WQG's issued capital of 177,179,328 shares as at 31 August 2021. Assuming the exercise of all WQG's August 2022 Options, the Company's fully diluted issued capital would be 234,102,572 shares and the adjusted NTA per share before and after tax would be \$1.820 and \$1.626 respectively.

| KEY DETAILS                  |   |
|------------------------------|---|
| Report Date                  | 31 August 2021  |
| ASX Code                     | WQG   |
| Investment Adviser           | WCM Investment Management   |
| 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)   |
| Portfolio size               | \$342.19m   |
| Shares on issue              | 177.18m   |
| Management Fee               | 1.25% (ex-GST)  |
| Performance Fee <sup>1</sup> | 10% (ex-GST)  |
| Hedging                      | Unhedged  |

Notes: 1. Performance Fee is 10% (ex-GST) of the Portfolio's outperformance relative to the benchmark plus Management Fee and subject to high water mark. Maximum fee is capped at 0.75% of the closing market value of the Portfolio in each financial year.

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**  
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WCM Investment Management

### WCM GLOBAL GROWTH LIMITED

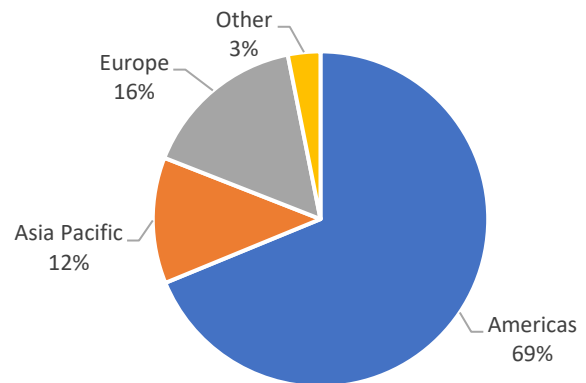
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## REGIONAL MARKETS ALLOCATION



| TOP 10 PORTFOLIO HOLDINGS          | WCM GLOBAL GROWTH (%) |
|------------------------------------|-----------------------|
| West Pharmaceutical Services       | 4.97                  |
| Stryker Corporation                | 4.93                  |
| Shopify                            | 4.82                  |
| Sherwin-Williams                   | 4.01                  |
| Thermo Fisher Scientific           | 3.59                  |
| LVMH (Moet Hennessy Louis Vuitton) | 3.41                  |
| First Republic Bank                | 3.35                  |
| Old Dominion Freight Line          | 3.21                  |
| Amphenol                           | 3.18                  |
| ServiceNow                         | 3.17                  |
| <b>Total</b>                       | <b>38.64</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 GLOBAL GROWTH (%) |
|------------------------|-----------------------|
| Information Technology | 28.15                 |
| Health Care            | 20.04                 |
| Consumer Discretionary | 18.65                 |
| Financials             | 10.42                 |
| Industrials            | 9.72                  |
| Consumer Staples       | 5.87                  |
| Materials              | 4.02                  |
| Cash                   | 3.13                  |
| <b>Total</b>           | <b>100.00</b>         |

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