

**Portfolio Managers**

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**Investment Process**

WCM Investment Management's process is based on the belief that corporate culture is the biggest influence on a company's ability to grow its competitive advantage ('economic moat').

**Company Objective**

To exceed its benchmark, MSCI All Country World Index (ex-Australia) (with gross dividends reinvested reported in Australian dollars and unhedged) over rolling three-year time periods, and to experience lower volatility than the benchmark.

**Portfolio Construction**

A portfolio of 20 – 40 stocks with access to quality global companies primarily in the high-growth Consumer, Technology and Health Care sectors. Typical cash allocation is between 0% – 7%.

**Key Portfolio Information**

NTA Before Tax <sup>1</sup>	NTA After Tax and Before Tax on Unrealised Gains	NTA After Tax <sup>1</sup>	Fully Franked Annual Dividend <sup>2</sup>
A\$2.030	A\$1.986	A\$1.846	A8.2c
Month End Closing Share Price	Dividend Frequency	Stock Universe	Fees <sup>3</sup>
A\$1.900	Quarterly	Global (ex-Australia)	Management: 1.25% p.a. Administration: 0.10% p.a. Performance: 10% <sup>4</sup>

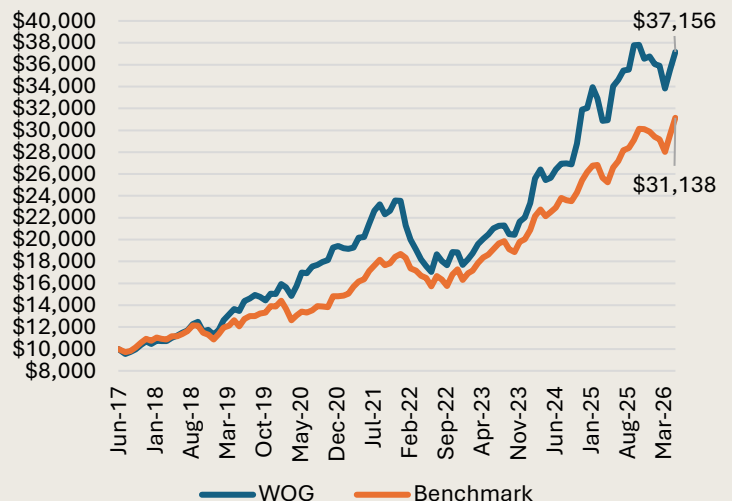
**Performance<sup>5</sup>**

	Company <sup>5</sup>						Strategy <sup>9</sup>	
	1 Month	3 Months	1 Year	3 Years	5 Years	Inception <sup>8</sup>	10 Years	Inception <sup>10</sup>
Portfolio	4.54%	3.51%	9.17%	21.99%	12.92%	15.81%	16.13%	14.54%
Benchmark <sup>6</sup>	5.17%	6.75%	17.07%	18.69%	13.71%	13.54%	13.43%	10.52%
Value Added <sup>7</sup>	-0.63%	-3.24%	-7.90%	3.30%	-0.79%	2.27%	2.70%	4.02%

**Top 10 Portfolio Holdings**

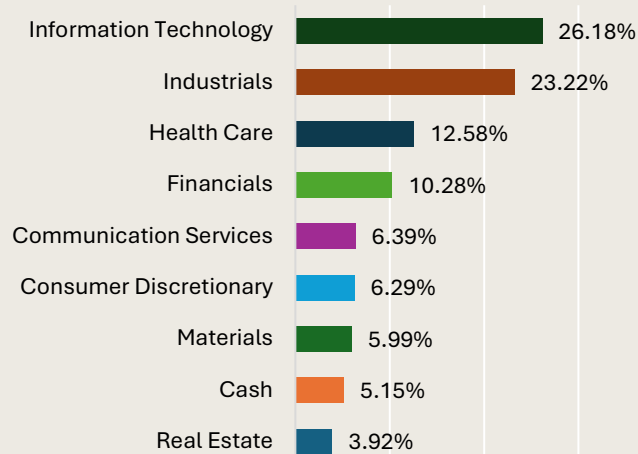
Company	Weight (%)
Western Digital	6.59
Taiwan Semiconductor	6.23
Siemens Energy	5.83
AppLovin	5.17
Amazon.com	4.44
SK Square Co	4.39
Rolls-Royce Holdings	4.11
Corning	3.10
Saab	2.90
Meta Platforms	2.74

**Portfolio Performance Growth of AUD \$10,000<sup>11</sup>**

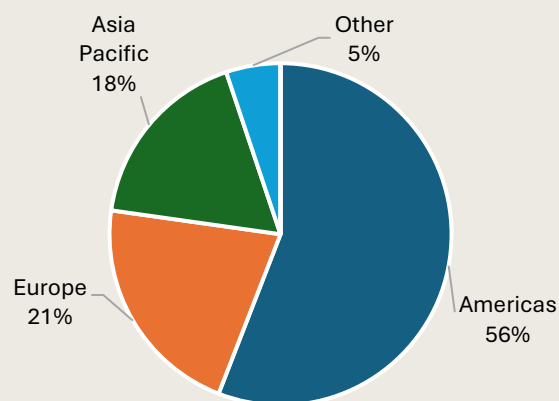


**Footnotes:** 1. NTA means net tangible assets and is calculated after all fees and expenses and incorporates all company assets including WQG's operating bank account. NTA per share is based on WQG's issued capital 276,103,165 shares as at the date of this report. NTA Before Tax has been reduced by cash payments of income tax liabilities where applicable 2. Dividends paid in the 12-month period to the date of this report are rounded to two decimal places. 3. Fees are inclusive of GST and less RITC. 4. Performance Fee is 10% (ex-GST) of the Portfolio's outperformance relative to the benchmark after the 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. 5. Periods greater than 1 year are annualised. Portfolio return is in AUD and calculated before expenses and after investment management and performance fees are paid. Performance includes the reinvestment of dividends and income. 6. Benchmark for the Company is MSCI All Country World Index (ex-Australia). Benchmark for WCM Quality Global Growth Strategy (the Strategy) is MSCI All Country World Index. 7. Value Add equals Portfolio or Strategy performance minus applicable Benchmark performance. 8. Company inception date is 21 June 2017. 9. The Company has the same Investment Adviser and investment team, the same investment principles, philosophy, strategy and execution of approach as those used for the Strategy however, it should be noted that due to certain factors including, but not limited to, differences in cash flows, management and performance fees, expenses, performance calculation methods, and portfolio sizes and composition, there may be variances between the investment returns demonstrated by each of these portfolios and the Strategy in the future. As the Company has only been in operation for a relatively short period of time, this table refers to the Strategy to provide a better understanding of how the team has managed this strategy over a longer period. Performance is net of fees and includes the reinvestment of dividends and income. 10. Strategy inception date is 31 March 2008. 11. Calculations are based on the portfolio return in AUD and calculated before taxes and expenses and after investment management and performance fees. Portfolio value includes the reinvestment of dividends and income. Source: AGP International Management Pty Ltd.

## Sector Exposure



## Geographic Exposure



## Portfolio Update

The portfolio delivered a return of 4.54% during the month, compared with the MSCI All Country World Index (ex-Australia) (the **Benchmark**) return of 5.17%. The portfolio has delivered returns in excess of the Benchmark over three years and since its inception.

Global equity markets extended their gains through May, with investor enthusiasm for the Artificial Intelligence (**AI**) investment cycle remaining the dominant driver. Rising optimism towards month-end around a potential U.S-Iran agreement contributed to a meaningful pullback in oil prices and, consequently, a softening in global bond yields. Economic data released during the month, however, presented a mixed picture for markets. While growth remained resilient and supportive of corporate earnings, inflation pressures showed little sign of abating. Earnings results for the March quarter were particularly strong, rising approximately 30% year-on-year in the U.S and around 40% across Asia. Korean and Taiwanese markets were standout performers, rising 33% and 14% respectively, reflecting their outsized exposure to the AI theme. In keeping with the AI theme, Information Technology was the month's best-performing sector, while growth factors outpaced value. The Australian dollar was relatively unchanged in May, trading within a narrow range throughout.

Sector allocation was the primary contributor to the portfolio's underperformance versus the market in May. The most significant drag came from the portfolio's underweight position in Information Technology, the month's best-performing sector, notwithstanding its 26.18% month-end portfolio weighting. Above-benchmark exposures to both Industrials and Real Estate also weighed on relative returns. Partially offsetting these headwinds, the absence of any allocation to Energy, Consumer Staples and Utilities proved beneficial from a relative return perspective. At the stock selection level, holdings within Industrials, Health Care and Consumer Discretionary contributed positively, while Financials, Communication Services and Materials were the main areas of weakness.

The portfolio has an overweight position relative to the market in the Health Care sector, with holdings such as Cardinal Health Inc, Illumina Inc, Vertex Pharmaceuticals Inc and Switzerland based Novartis AG. Under the leadership of CEO Vas Narasimhan, Novartis has transformed from a sprawling conglomerate into a pure-play pharmaceutical compounder, spinning-off its Alcon and Sandoz divisions, disposing of its veterinary medicine division and terminating circa 70 misaligned Phase 2 pharmaceutical research and development projects to narrow its focus on selected therapeutic areas where it has a genuine right to win. The result is "best-in-class" or "first-in-class" assets across each of its chosen categories, accompanied by arguably the best pipeline in European large-cap pharmaceuticals. WCM Investment Management (WCM) believes investors are significantly underappreciating these positive changes and Novartis' earnings trajectory.

A standout feature of the WCM Quality Global Growth Strategy is its exposure to sectors which traditionally have not been associated with 'quality' and 'growth'. Examples of these sectors and current portfolio holdings include aerospace engines (Rolls Royce), non-US defence (BAE Systems) and gas turbines (Siemens Energy). These sectors have historically been associated with poor capital allocation, cyclical pain and weak returns and as such have been easy to put into the 'stay away' pile. WCM however identified that the post-COVID era presented a new quality environment and identified that these sectors appeared poised for long cycle inflections. In WCM's assessment, what differentiated aerospace, defence and gas turbines went beyond signals of secular tailwinds. The companies identified had implemented critical cultural and operational changes during recent downcycles. They had a new focus on derisked contract underwriting and aggressive pursuit of long-term cash flow streams. Following detailed research, WCM built conviction around a genuine inflection in trajectory and the belief that these companies presented compelling long-term investment opportunities.

## For More Information

Please visit our website at [www.associateglobal.com/funds/wqg](http://www.associateglobal.com/funds/wqg) or contact us on 1300 052 054.

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