

# WCM Global Equity Fund

## Q4 2024 Commentary

### Portfolio Management



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### Investment Objective

The Fund aims to achieve long-term capital growth by investing primarily in equity securities of large cap global companies located throughout the world.

### Contact

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*Opinions expressed whether in general or in both on the performance of individual investments and in a wider economic context represent the views of the contributor at the time of preparation.*

The **WCM Global Equity Fund** (the "Fund") is a sub-fund of Heptagon Fund ICAV which is an open-ended umbrella type investment vehicle authorised pursuant to UCITS regulations. Heptagon Capital Limited ("Heptagon") is the Investment Manager and WCM Investment Management ("WCM") is the Sub-Investment Manager meaning WCM exercises discretionary investment authority over the Fund. The Fund was launched on 18<sup>th</sup> January 2017 and had AUM of USD 2,657m as of 31<sup>st</sup> December 2024.

### Performance review

For 2024's 4<sup>th</sup> Quarter, the WCM Global Equity Fund ("the Fund") returned +7.5% (C USD Acc Share class, net), outperforming the MSCI ACWI index by ~850 basis points (bps). For the trailing twelve months, the Fund is ~+1480 bps ahead of that benchmark.

Global equities rallied after Trump's November election win, driven by optimism over economic growth, profit expectations, and regulatory changes. However, December saw waning enthusiasm as concerns emerged, including hawkish Fed policies signaling fewer future rate cuts, Trump's policy uncertainties, strong dollar impacts, AI growth cracks, and narrow market leadership, leaving MSCI ACWI in the red in Q4. The Fund shined amidst this backdrop, with portfolio performance driven by excellent company fundamentals. This has been a consistent theme for the portfolio. In fact, over the course of 2024, the Fund's NTM P/E multiple contracted year-over-year, despite generating +32.4% (net) absolute returns.

Q4 attribution analysis, whether viewed through the sector or regional lens, revealed that all of the Fund's alpha came from stock selection. Selection was both strong and broad-based, highlighting, WCM believe, the benefits of owning positive-moat-trajectory businesses with aligned and adaptable corporate cultures, particularly in uncertain times.

Keeping an eye on the longer term (all net returns), the three-year excess (relative to the benchmark) return now stands at ~-80 bps (annualized), the five-year excess is ~+320 bps (annualized), the ten-year excess is ~+410 bps (annualized), and the since-inception excess (more than 16 years) is ~+420 bps (annualized).

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## I Attribution

Sector-based attribution showed a slight headwind from allocation, with selection driving returns. Regional attribution revealed a similar story with allocation about neutral, meaning that all of the outperformance came from selection.

### Contributors:

By sector, the only (barely) material allocation contributors were WCM's underweights to Real Estate, Utilities, and Staples (3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> worst in benchmark, respectively). For sector selection, Tech was the dominant contributor and the team's picks in all but one sector outperformed. By geography, the allocation underweight to Asia/Pacific (2<sup>nd</sup> worst) was the only material contributor. Regional selection was particularly strong in the Americas, while also being additive in Asia/Pacific.

### Detractors:

For sector allocation, the most notable detractor was WCM's overweight to Health Care (2<sup>nd</sup> worst in benchmark), followed by the underweight to Communication Services (2<sup>nd</sup> best). The lone detractor vis-à-vis sector selection was Discretionary. By geography, Europe (worst) was the sole detractor with WCM's allocation overweight and stock selection each working against them.

### Other Factors:

In Q4, the simple market factors were tailwinds for the Fund: Large Cap topped Small Cap, High Quality beat Low Quality ("Quality" uses ROE as a proxy), and Growth outperformed Value.

## I Comments

Goodbye 2024, hello future. Last year, investors navigated an onslaught of eye-popping headlines and developments. The velocity of change and introduction of new uncertainties were remarkable, as political regime changes around the world, geopolitical flashpoints, shifting monetary policy, and the overnight and ubiquitous adoption of AI, rendered making sense of "watershed moments" feel like a daily routine. 2025 should be no different with respect to the rate of transformation. Understanding the immediate or medium-term consequences of such changes may seem like a daunting set of unknowns and, therefore, risks. Case in point: WCM cannot precisely predict what Trump tariff policies or ensuing trade battles will look like, nor can they accurately assess the impacts of said policies on global equities' performance. No one can. While the current and future state of the world warrants investor mindfulness, the team believe trading on macro prognostications at the expense of temperament and balance rarely yields desired investment results. A better tack for us, and in the team's view, investors in general, is to anchor on company fundamentals that enable businesses to forge their own success despite the aforementioned uncertainties. This is precisely why WCM place such great emphasis on owning companies that can adapt to the times and expand their moats, especially in an everchanging world.

## I Portfolio Activity

### Buy: Meituan

Meituan operates the dominant food delivery service in China, boasting more than 70% market share and an attractive profitability profile. Its moat comes from scale, density, and network effects. These advantages are being leveraged to grow its other promising businesses – instashopping and couponing – and point to a positive moat trajectory.

### Buy: GoDaddy, Inc

GoDaddy provides cloud-based services to establish an online presence for over 21 million entrepreneurs worldwide. The company is transitioning from a pure domains business into a multi-product platform, cross selling multiple website-building products into its SMB customer base to improve both ARPU (average revenue per user) and retention. Importantly, GoDaddy's new products have higher margins than the core, resulting in a positive mix shift. A stellar management team and culture, led by CEO Aman Bhutani, add to WCM's conviction.

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**Buy: Vertax Pharmaceuticals Incorporated**

Boston-based Vertex is a large scale, global biotech company best known for its cystic fibrosis (CF) franchise, which is the standard of care and has market share north of 90%. Its dominance in the CF business creates a formidable moat, which WCM see improving over time as they leverage their innovative culture to expand into additional large market opportunities, pain management being chief among them.

**Sell: Thermo Fisher Scientific Inc.**

WCM sold to free up capital for higher conviction ideas elsewhere.

**Sell: Floor & Décor Holdings, Inc.**

WCM still consider Floor & Décor to be one of the best business models in retail/housing, but the current risk-reward isn't particularly inspiring given the valuation coupled with the possibility of an underwhelming recovery in home remodeling activity.

**Buy and Manage:**

WCM added to **Illumina, Inc.**, rounding into a larger position size.

WCM trimmed **GE Vernova Inc.**, **Booz Allen Hamilton Holding Corporation**, and **AppLovin Corp.** as position-size management moves.

As always, we appreciate your patience and support.

Sincerely,

**Heptagon Capital and WCM Investment Management**

The views expressed represent the opinions of WCM Investment Management as of 31<sup>st</sup> December 2024, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

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**Annualized Total Returns** as of 31<sup>st</sup> December 2024, net of fees

|   | 1-Yr  | 3-Yrs | 5-Yrs | 10-Yrs |
|---|-------|-------|-------|--------|
| <b>WCM Quality Global Growth Strategy</b> | 32.4% | 5.1%  | 13.8% | 13.5%  |
| <b>MSCI ACWI NR USD Index</b>             | 18.0% | 5.9%  | 10.6% | 9.8%   |

Source: Morningstar, WCM

Fund performance prior to 31.03.2017 relates to the WCM Quality Global Growth Composite ("Composite"), thereafter, it relates to the UCITS Fund (IE00BYZ09Q19). MSCI represents the MSCI AC World Index (net).

WCM manages the Irish regulated WCM Global Equity UCITS Fund according to the same investment principals, philosophy and execution of approach as it manages the WCM Quality Global Growth Composite, however it should be noted that due to different regulation, fees, taxes, charges and other expenses there can be variances between the investment returns demonstrated by each fund. The WCM Quality Global Growth Composite (net of fees) (the "strategy") is provided in the table above to show a longer track record for the underlying strategy.

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The Fund is subject to special risk considerations including geographic concentration risk, portfolio concentration risk and operational risk. The investment return and principal value of an investment will fluctuate so that the investor's shares, when redeemed, may be worth more or less than their original cost. Any investor should consider the investment objectives, risks and charges and expenses of the fund carefully before investing. Where an investment is denominated in a currency other than the investor's currency, changes in rates of exchange may have an adverse effect on the value, price of, or income derived from the investment.

## I SFDR

This Fund has been classified as an Article 8 for the purposes of the EU's Sustainable Finance Disclosure Regulation ('SFDR'). The Fund promotes environmental and/or social characteristics but does not have sustainable investment as its primary objective. It might invest partially in assets that have a sustainable objective, for instance assets that are qualified as sustainable according to EU classifications but does not place significantly higher importance on the environmental objective of each underlying investment. Please see [Prospectus](#) for further information on the Funds environmental and/or social characteristics and relevant sustainability risks and principal adverse impacts which may impact the Fund's performance.

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For all definitions of the financial terms used within this document, please refer to the glossary on our website: <https://www.heptagon-capital.com/glossary>

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