WCM Global Equity Fund

Q1 2025 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.

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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 18th January 2017 and had AUM of USD 2,545m as of 31st March 2025.

Performance review

For 2025's first quarter, the WCM Global Equity Fund returned −2.5% (net), underperforming the MSCI ACWI index by ~−120 basis points (bps). For the trailing twelve months, the fund is +600 bps (net) ahead of its benchmark.

Global equity markets delivered mixed results in the first quarter of 2025 amidst a flurry of exogenous events. China's DeepSeek rattled global AI CapEx expectations. European equities emerged as a bright spot, driven by fiscal stimulus measures, attractive valuations, and a rotation away from US growth stocks. Heightened policy unpredictability introduced by President Trump's administration fueled a dramatic outperformance of international equities over US stocks in the most recent three-month period.

The aforementioned dynamics contributed to disparate stock performance across industries, sectors, and countries. Many non-US defense stocks and European banks soared, while AI-related equities took a nosedive, for example. Style factors also came into focus, with "Value" dramatically outpacing "Growth" by nearly 1,200 bps. Given these headwinds, we believe the strategy demonstrated resilience in Q1, driven by strong fundamentals and portfolio construction that has yielded a healthy balance to varying themes, industries, and geographies. As always, we remain focused on investing in businesses that can grow their competitive advantages by innovating, adapting, and playing offense—especially during shaky times.

Past performance is no guide to future performance, and the value of investments and income from them can fall as well as rise

Attribution

Sector-based attribution showed a slight headwind from both allocation and selection. Regional attribution revealed a similar story with allocation about neutral, meaning the underperformance came from selection.

Contributors:
By sector, the only (barely) notable allocation contributor was our overweight to Health Care (5th best in benchmark). For sector selection, Industrials was the key contributor, followed by Communication Services. By geography, our allocation overweight to Europe (best) helped slightly.

Detractors:
For sector allocation, our underweights to Energy (best) and Staples (4th best), as well as our overweight to Tech (worst) all worked against us. For sector selection, Tech, Health Care, and Staples were the main detractors. By geography, selection in the Americas was the primary detractor, followed by Europe.

Other Factors:
In Q1, the simple market factors were headwinds for the strategy: Large Cap outdid Small Cap, but Low Quality considerably outperformed High Quality ("Quality" uses ROE as a proxy), and Value trounced Growth.

Comments

Markets unmoored? Uncertainty emerged as the dominant theme at the start of 2025. DeepSeek triggered an AI-beneficiary rout in late January, challenging tech incumbents' hegemony. Trump's geopolitics and looming tariffs prompted speculation (fear) of a Rubicon moment characterized by an enduring decoupling of trade relations that have shaped post-WW2 global economics. The start of EU fiscal stimulus and the return of the Chinese consumer changed the direction of capital flows, as European/international equities gained, and US equities slid.

So how are we feeling in spite of all this? Optimistic. Indiscriminate selling begets opportunity. Risks and opportunities are two sides of the same coin. And crucially, we believe current conditions disproportionately favor our investment philosophy and long-term view. If the start of Q2 has revealed anything, it's that trying to divine the immediate future and trade accordingly is hardly better than a trip to the casinos. At least they feed you in Vegas.

In this vein, we believe what we wrote in Q4 bears repeating: While the current and future state of the world warrants investor mindfulness, we believe trading on macro prognostications at the expense of temperament and balance rarely yields desired investment results. A better tack for us is to anchor on company fundamentals that enable businesses to forge their own success in the face of the aforementioned uncertainties. This is precisely why we place such great emphasis on owning companies that can adapt to the times and expand their moats, especially in an everchanging world.

Portfolio Activity

Buy: Tencent Holdings Ltd.
Tencent is essential to daily life in China, as evidenced by more than 1.3 billion users who rely on its WeChat daily to communicate with friends, hail a cab, pay bills, shop, etc. Tencent is poised to leverage this coveted position to integrate and distribute LLMs and other AI products, simultaneously expanding its moat and accelerating growth. We like that its TAM is the largest in the space (yielding a long runway for growth), it has multiple platforms to monetize, and its culture—which is totally focused on user experience—helps to ensure the sustained growth and stickiness of its dominant platforms.

Buy: Rolls Royce
UK-based Rolls Royce is the world's second largest manufacturer of commercial aircraft engines. RR's moat is formidable, boasting more than 50% market share in widebody aircraft engines. We expect RR's moat trajectory to inflect higher, in large part, due to a cultural transformation led by CEO Tufan Erginbilgic. He has renewed RR's focus on engineering and operational excellence by focusing on improving performance standards, contract underwriting, and cost discipline. Moreover, we see accelerating growth underpinned by a durable aero recovery cycle, derisked product cycle, and culture-driven margin improvements.

Buy: Siemens Energy AG

Germany-based Siemens Energy manufactures a wide range of equipment used to generate and transmit energy. Tailwinds come from increasing natural gas demand, the energy transition, and electrification, not to mention the coming (and necessary) upgrades to Europe's power grid. Its moat comes from scale, generating nearly 20% of the world's electricity, as well as its IP and entrenched customer relationships. Culturally, we like that the company is reducing hierarchical layers and increasing accountability. The rational oligopoly in its industry (3 large players dominate globally) sets the stage for a growing moat as the energy transition moves forward and Siemens Energy leverages its advantages as the leading European player.

Buy: Heidelberg Materials AG

Germany-based Heidelberg Materials is one of the world's leading building materials companies, with a core focus on the production of cement and aggregates. Tailwinds are accelerating with the coming boost to global infrastructure spend. Heidelberg's moat comes from high barriers to entry given its scale, difficult-to-obtain regulatory permits, carbon cost advantage under the EU Emissions Trading System (ETS), and established quarry assets. It is poised to leverage those moat sources to capitalize on structural improvements in the cement industry (similar to U.S. aggregates inflecting several years ago), with growth and margins heading higher. Culturally, there is a focus on operational efficiency, accountability, and prudent capital allocation.

Buy: Nintendo Co. Ltd.

Japan-based Nintendo is a globally iconic brand with noticeable franchises/characters like Mario, Zelda, and Donkey Kong. Nintendo mainly monetizes this intellectual property through its vertically integrated hardware and software business model (think Apple with the iPhone and iOS). More recently, Nintendo has expanded its consumer touchpoints to theme parks, movies, and retail stores – further strengthening the brand. The upcoming launch of the Switch 2 will catalyze a favorable multi-year product cycle that we expect will drive earnings outperformance, while, under the hood, Nintendo's high-margin software revenue increases, further improving its moat trajectory. Culturally, Nintendo has increased collaboration and focus, evidenced by integrating the gaming development teams, which creates the necessary foundation for the continuous stream of first party (1P) game introductions.

Sell: Booz Allen Hamilton Holding Corporation

After reducing our position in Booz Allen Hamilton in October 2024, we completely exited the stock to make room for better ideas. Although Booz reported strong growth in revenue and earnings in the quarter, uncertainties surrounding government contracts under the DOGE regime introduce variables beyond the company's control.

Sell: Canadian Pacific Kansas City Limited

We sold Canadian Pacific to free up capital for other cyclical growth ideas.

Buy and Manage:

We added to Saab AB, Inc., rounding into a larger position size.

We trimmed Datadog, Inc., AppLovin Corp., GE Aerospace, Entegris, Inc. and GE Vernova Inc. as position-size management moves.

As always, we appreciate your patience and support.

Sincerely,
Heptagon Capital and WCM Investment Management

Annualized Total Returns as of 31st March 2025, net of fees

	1-Yr	3-Yrs	5-Yrs	10-Yrs
WCM Quality Global Growth Strategy	13.2%	10.5%	16.1%	12.6%
MSCI ACWI NR USD Index	7.2%	6.9%	15.2%	8.8%

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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Risk Warnings

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.

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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