WCM Global Equity Fund

Quarterly Commentary for the Strategy

The WCM Global Equity Fund (the "Fund"), a sub-fund of Heptagon Fund Plc which is an open-ended umbrella type investment company 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 January 18, 2017 and had AUM of USD 3,063m as of March 31, 2021. During the first quarter of 2021, the Fund (I share class) underperformed its benchmark, returning -1.7% compared to 4.6% for the MSCI ACWI NR USD Index.

TOTAL RETURNS

As of 31st March, 2021 gross of fees

				Annualised		
	Q1 21	**YTD**	**1-Yr**	**3-Yrs**	**5-Yrs**	**10-Yrs**
WCM Quality Global Growth Composite	-1.5%	-1.5%	63.0%	23.5%	20.4%	15.6%
MSCI ACWI GR USD Index	*4.7%*	*4.7%*	*55.3%*	*12.7%*	*13.8%*	*9.7%*

Source: Morningstar, WCM

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 (gross of fees) (the "strategy") is provided in the table above to show a longer track record for the underlying strategy.

WCM Investment Management – Sub advisor Q1 2021 Commentary

For 2021's 1st Quarter, the WCM Quality Global Growth composite returned -1.5%, underperforming the MSCI ACWI index by ~-620 basis points (bps). For the trailing twelve months, composite is ~+770 bps ahead of that benchmark.

Global equity markets moved higher again in Q1, extending the streak of positive returns to four quarters. From a style perspective, this most recent period witnessed a continuation of trends that started back in 2020 Q4 as factors like Value and Low Quality led the way. Amidst this challenging (relative) backdrop, the strategy lagged the benchmark for the first time since 2019's Q4.

As you might expect in such an environment, allocation was a headwind from the sector standpoint as Energy and Financials – both underweights for the strategy – were the two top performers in the ACWI. Attribution analysis also revealed that stock selection was a detractor – whether viewed through the sector or the regional lens – as the market favoured lower quality businesses even within the traditional growth sectors.

Keeping an eye on the longer term, the three-year excess (relative to benchmark) return now stands at ~+1,080 bps (annualized), the five-year is ~+660 bps (annualized), the ten-year excess is ~+590 bps (annualized), and the since-inception (now 13 years) is ~+660 bps (annualized).

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

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Attribution

Sector-based attribution showed a detraction from both *allocation* and *selection.* Regional attribution revealed a similar story: *allocation* was a more modest detractor, meaning stock *selection* was the primary drag on relative returns.

Contributors:

Sector-wise, the only two *allocation* contributors were our underweights to Utilities (3rd worst in benchmark) and Staples (worst in bench). There were no contributors vis-à-vis sector *selection*. By geography, there were no material contributors from regional *allocation* or *selection.*

Detractors:

The primary detractors vis-à-vis sector *allocation* were our underweight to Energy (best in the benchmark) and our overweight to Health Care (2nd worst in bench). For sector *selection,* the largest detractors were Discretionary and Tech, followed by Financials and Industrials. Regionally, our *allocation* underweight to Africa & Middle East (best in bench) detracted, but just slightly. For regional *selection*, the Americas was the dominant detractor.

Other Factors:

In Q1, the simple market factors were all headwinds for the strategy: Small Cap outdid Large Cap, Low Quality beat High Quality ("Quality" uses ROE as a proxy), and Value smashed Growth.

Comments

Every quarter is interesting, but 2021 Q1 saw some wild surf, especially mid-February's dramatically steepening yield curves around the globe. Another big wave was a powerful style rotation, with a clear riptide in favour of Value, which in turn generated some pretty stiff headwinds for the strategy.

As noted earlier, Energy and Financials led the benchmark, while Health Care – always an overweight for us – was a big benchmark laggard. You saw it in the style yardsticks, too: Growth indices were flat to negative, while Value indices pushed well into the positive double digits.

Is this the much-discussed secular turning point for Value, particularly since Value's green shoots of 2020 Q4 spilled over into 2021? We get the question often and the answer we have for everyone is, "It's unknowable". We believe the right way to think about it is that if you get the moat trajectory on a great company right, and you give it time, the Value / Growth thing really doesn't matter.

We can speak confidently here because this is hardly the first time we've navigated a value-driven market (think 2008, 2011, and even 2016, where the US election led to a dramatic but short-lived Value burst).

Whatever the outcome of this episode of the Value vs. Growth show, the bottom line is this: our approach doesn't change. Our emphasis on companies with positive moat trajectories, supported by strong, well-aligned corporate cultures, and benefiting from long-lasting tailwinds, should deliver compelling returns over the long run.

Portfolio Activity

Buy: Magazine Luiza S.A.

Magazine Luiza is Brazil's largest omni-channel retailer, and the second largest e-commerce platform in the country behind MercadoLibre. Tailwinds are strong as e-commerce adoption continues to rise in Brazil – and still has lots of runway.

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Portfolio Activity cont.

The company's moat stems from its brand, its seamless omni-channel integration, and its superior logistics. That moat is growing as it leverages these advantages to continue gaining share in e-commerce, as well as flexing its tech/innovation muscle to build more services around its e-commerce offering – specifically in fintech and advertising.

Buy: Old Dominion Freight Line, Inc.

Based in North Carolina, ODFL is the 5th largest less-than-truckload (LTL) carrier in North America and is well-known for its industry-leading profitability metrics and high-touch customer service. The company is well positioned to benefit from North American industrial production growth, share gains, pricing power, and the longer-term shift to domestic onshoring. We expect ODFL to expand its moat by leveraging its scale and reputation, consolidating sub-scale mom & pop competitors, and maintaining its lead as the most customer-obsessed LTL carrier in the space.

Sell: Verisk Analytics Inc.

We sold our shares in VRSK to make room for other higher conviction ideas in the portfolio.

Sell: ANSYS, Inc.

We sold ANSYS to make room for other higher conviction ideas in the portfolio.

Sell: Intercontinental Exchange, Inc.

We exited our position in ICE to make room for other higher conviction ideas.

Sell: IDEXX Laboratories, Inc.

Valuation reached a level that is no longer compelling to us relative to its growth outlook.

Buy and Manage:

We added to NIKE, Inc., rounding into a fuller position size.

We trimmed MercadoLibre, Inc. as position-size management.

As always, we appreciate your patience and support.

Sincerely,

Heptagon Capital & WCM Investment Management

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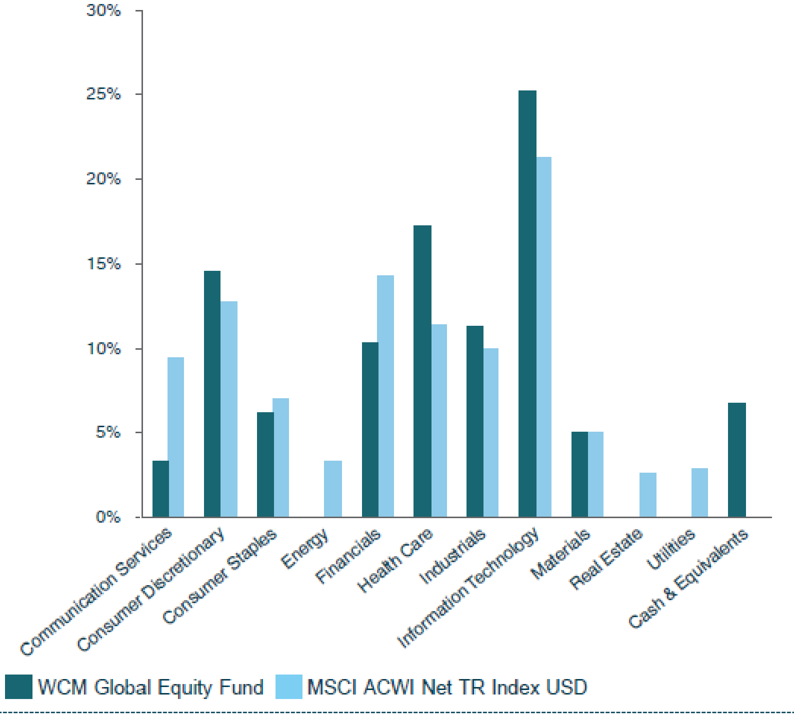
WCM Global Equity UCITS Fund Positioning

Top Ten Holdings by Issuer as of 31st March 2021

Name	% of portfolio
Taiwan Semiconductor Mfg., Ltd.	4.7%
Shopify, Inc.	4.0%
Stryker Corporation	4.0%
MercadoLibre Inc.	3.7%
West Pharmaceutical Services, Inc.	3.6%
LVMH Moët Hennessy Louis Vuitton	3.6%
Tencent Holdings Ltd.	3.3%
First Republic Bank	3.3%
Visa, Inc.	3.2%
Amphenol Corp.	3.2%
Total of Top 10 Holdings	**36.6%**

Portfolio Sector Weights as of 31st March 2021



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Important Information

Past performance is not an indication or guarantee of future performance and no representation or warranty is made regarding future performance. This communication is for information purposes only. It is not an invitation or inducement to engage in investment activity.

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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.

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.

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SFDR

The Fund takes sustainability risks into account within the investment process, and this is disclosed in accordance with Article 6 requirements of the Sustainable Finance Disclosure Regulation ('SFDR') in the Fund's prospectus. However, the Fund does not have as its objective sustainable investment and does not promote environmental or social characteristics for the purposes of the SFDR. Sustainability risks may occur in a manner that is not anticipated by the Sub-Investment Manager, there may be a sudden, material negative impact on the value of an investment and hence the returns of the Fund. As a result of the assessment of the impact of sustainability risks on the returns of the Fund, the Sub-Investment Manager aims to identified that the Fund may be exposed to sustainability risks and will aim to mitigate those risks.

Heptagon Capital LLP, 63 Brook Street, Mayfair, London W1K 4HS
tel +44 20 7070 1800
fax +44 20 7070 1881
email london@heptagon-capital.com

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