WCM Global Equity Fund

Q3 2021 Commentary

Fund Manager

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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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The **WCM Global Equity Fund** (the "Fund"), 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 3,314m as of 30th September 2021. During the third quarter of 2021, the Fund (I share class) outperformed its benchmark, returning 0.4% compared to -1.1% for the MSCI ACWI NR USD Index.

For 2021's 3rd Quarter, the WCM Quality Global Growth composite (gross of fees) returned +0.7% outperforming the MSCI ACWI index by ~+170 basis points (bps) and notably delivering a positive return during a negative quarter for the benchmark. For the trailing twelve months, the strategy is roughly in line with ACWI.

Global equity markets dipped in Q3, ending the streak of positive returns at five quarters. Amidst that backdrop, the strategy gained ground on the benchmark for 2021 YTD.

Allocation was a headwind from the sector standpoint as Energy and Financials - both significant underweights for the strategy - were the top two performing sectors in ACWI. Stock selection, though, was strongly positive - whether viewed through the sector or the regional lens - and was wholly responsible for the strategy's outperformance. This quarter reminded us of the old adage, "It's not a stock market - it's a market of stocks." Our bottom-up approach has yielded a select list of businesses that we believe will outperform over the long run because they are growing their competitive advantages.

Keeping an eye on the longer term, the three-year excess (relative to benchmark) return now stands at ~+1,060 bps (annualized), the five-year is ~+690 bps (annualized), the ten-year excess is ~+570 bps (annualized), and the since-inception (over 13 years) is ~+670 bps (annualized).

Attribution

Sector-based attribution showed a modest detraction from *allocation,* but a significant contribution from *selection.* Regional attribution revealed a similar story; *allocation* was about neutral, meaning that *selection* was the primary source of outperformance.

Contributors:
Sector-wise, the only (barely) notable *allocation* contributors were our underweight to Communication Services (3rd worst in benchmark) and our overweight to Health Care (4th best in bench). For sector *selection,* the dominant contributors were Health Care and Discretionary. Regional *selection* was a strong contributor, led by picks in the Americas.

Detractors:
For sector *allocation,* the (modest) detractors were our overweight to Discretionary (worst in bench) and our underweights to Energy (best in bench) and Financials (2nd best). The most notable detractor from the sector *selection* angle was Communication Services. By geography, *selection* in Asia/ Pacific was a modest detractor.

Other Factors:
In Q3, the simple market factors were favourable for the strategy, but all just marginally so: Large Cap just outdid Small Cap, High Quality slightly beat Low Quality ("Quality" uses ROE as a proxy), and Growth nudged out Value.

Comments

Expiring knowledge. That's how we'd classify almost everything that happened in the short three months we call 2021 Q3 (or, for that matter, in any quarter). What that means is that five or ten years from now, as we look back, the "news" and "analysis" that fills our screens today will deservedly be in the "it-didn't-actually-mean-anything" rubbish bin.

With that as context, we'll tell you again that it was a volatile but negative quarter for the ACWI, and that the strategy produced a positive return (remember, we think our process generally leads to that kind of good downside protection result; string enough of those together and they *will* mean something five or ten years from now).

As for our outlook on the market, we'd be disingenuous if we said anything very specific - nobody really knows what's next, least of all us. That said, our best guess is more of the same, i.e., there are no specific trends that give us pause. As always, there's plenty of uncertainty, and most questions have unknowable answers, whether about markets, economies, central bank policies, international relations, etc. Little wonder we choose to keep our focus on businesses - businesses that are adapting and continuing to grow their competitive advantages. While we have no idea what they will do next quarter, we believe they will generate compelling returns in the long run.

Portfolio Activity

Buy: Lam Research Corporation
California-based Lam Research is a leading global supplier of wafer fab equipment (WFE) to the semi-conductor industry, with core competencies in etch and deposition. Lam's tailwind is the increased use of etch in advanced process technologies. Its moat derives from its superior technology/IP, customer stickiness, and a huge installed base. We expect Lam to leverage these advantages–and continue to invest in R&D–to expand that moat.

Buy: Floor & Décor Holdings
Georgia-based Floor & Decor is a retailer known as the 'category killer' in hard flooring. It operates well merchandised, warehouse-like showrooms with wide selections and consistent in-stock inventory. Floor & Decor's moat stems from its sourcing model which gives it an immense price and selection advantage. We expect the company to use that advantage to grow its business with professional contractors, to boost brand awareness, and to optimize its omni-channel strategy. That, along with its customer-centric culture, positions Floor & Decor for a long runway of store growth and market share gains.

Buy: Repligen Corporation
Massachusetts-based Repligen is a "picks and shovels" play on bioprocessing, meaning they make critical instruments and consumables that are used in key parts of drug manufacturing at pharma companies and CDMOs. Their tailwinds are growth in demand for biologics, and growth in biomanufacturing capacity. Their moat is twofold: high switching costs–many of the company's products are spec'd into drugs' commercial applications–and deep industry know-how. Using that strong position, Repligen is thoughtfully acquiring adjacent technologies to expand its moat.

Sell: Synopsys, Inc.
We sold our position in Synopsys to make room for other higher conviction ideas in the portfolio.

Sell: Tencent Holdings, Ltd.
The Chinese technology/internet regulatory overhang could get worse, thereby potentially limiting Tencent's ability to maximize its moat expansion. We sold in favour of more attractive opportunities elsewhere.

Buy and Manage:
We added to **ServiceNow, Inc.,** rounding into a fuller position size.

We trimmed **West Pharmaceutical Services, Inc., Mercadolibre, Inc.,** and **HDFC Bank** as position-size management.

As always, we appreciate your patience and support.

Sincerely,

Heptagon Capital & WCM Investment Management

Annualized Total Returns As of 30th September 2021, net of fees

	Q3 21	YTD	1-Yr	3-Yrs	5-Yrs	10-Yrs
WCM Quality Global Growth Composite	0.6%	8.4%	26.9%	22.9%	20.0%	17.5%
MSCI ACWI NR USD Index	-1.1%	11.1%	27.4%	12.6%	13.2%	11.9%

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

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

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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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

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.

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