HEPTAGON Capital

WCM Global Equity Fund

Q1 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.

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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 2,263m as of 31st March 2024.

Performance review

During the first quarter of 2024, the Fund (C share class) outperformed its benchmark, returning 14.0% compared to 8.2% for the MSCI ACWI NR USD index. For the trailing twelve months, the Fund is ~+820 bps (net of fees) ahead of that benchmark. Over a longer time period, the five-year excess (relative to the benchmark) return stands at ~+220 bps (annualised).

Global equities continued to rise in Q1 despite the hawkish repricing of the US Fed's pivot expectations. Healthy economic indicators and a stable labour market helped maintain the narrative of a soft or no landing market. The strategy shined through the macro haze in Q1, as strong company earnings and guidance helped fuel performance in the quarter with the vast majority of holdings meeting or exceeding Wall Street's expectations. That was reflected in attribution analysis - whether viewed from the sector or regional lens - as stock selection drove just about all of the excess return. Going forward, we remain focused on owning business that will expand their competitive advantages in this world of uncertainty.

Attribution

Sector-based attribution showed that allocation was about neutral overall, with selection contributing the excess return. Regional attribution revealed a similar story with an ever-so-slight allocation contribution, meaning that virtually all of the outperformance came from selection.

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

Contributors:
By sector, the only (barely) material allocation contributors were our underweights to Consumer Staples (4th worst in benchmark), Real Estate (worst), and Utilities (2nd worst). For sector selection, our picks beat the benchmark in every sector we're invested. Consumer Discretionary and Industrials were the top contributors, but not too far behind were Financials, Health Care, Technology, and Materials. By geography, our allocation underweight to Asia/Pacific (2nd worst) was the only material contributor. Regional selection was particularly strong picks in the Americas and Europe.

Detractors:
For sector allocation, the only notable detractors were our underweight to Communication Services (2nd best in benchmark) and our overweight to Health Care (6th worst). There were no detractors vis-a-vis sector selection. By geography, our allocation overweight to Europe detracted slightly. For regional selection, Asia/Pacific w as the lone detractor.

Other Factors:
In Q1, the simple market factors were tailwinds for the Strategy: Large Cap outperformed Small Cap, High Quality beat Low Quality ("Quality" uses ROE as a proxy), and Growth topped Value.

Comments

It doesn't feel like long ago when virtually all the macro strategists and US financial news media were fanning the flames of fear, predicting an almost certain recession to have happened by now. Despite those claims, global equities have continued their ascent. Today, many of those same pundits have pivoted (without any remorse or humility about how wrong they've been in the last 18 months) to make predictions on what happens with interest rates for the rest of 2024 and beyond. If history is any guide, can we count on the media or prognosticators getting it right this time?

To be clear, we're not discounting the idea that rates matter or that the economy will slow at some stage. Our view is that basing investing decisions on predictions of that nature is a dangerous endeavour. Hopefully the above examples elucidate one of the key reasons for our constant refrain, "Macro analysis is mostly a low value, low return-on time exercise." And it's also why an uncertain macro outlook tends to be favourable for our kinds of companies: Businesses with good growth and expanding moats usually stand out, over time, among their peers, and that's a great thing for patient, long-term investors.

Portfolio Activity

Buy: Illumina, Inc
San Diego-based Illumina is a rare breed healthcare/technology crossover company that dominates the next-generation sequencing space. Their instruments are used to decipher the genomic codes of living creatures enabling scientists to better understand how nature predisposes characteristics that dictate how one interacts with its environment. Illumina's moat comes from its unmatched scale, huge installed base, strategic partnerships, and industry-leading R&D, which allow for efficient, cost-effective, and accurate genetic analysis. That moat is poised to expand along with the growing use cases for genetic sequencing, including diagnostics. The company is in the early stages of a cultural turnaround. Under its new leadership, Illumina has gained strategic clarity and operational focus, which we believe will reaccelerate its moat trajectory.

Buy: AppLovin Corp.
Silicon Valley-based AppLovin is a leading ad network and mediation platform operating within the rapidly growing mobile app industry, benefitting from increasing digital ad spend. AppLovin's software is designed to help game developers monetize players' experience through in-app purchases (i.e., mediation), and collect and use data analytics to improve content. Concurrently, AppLovin runs a real-time bidding platform (i.e., the ad network), where advertisers compete to display their ads within apps in real-time, allowing AppLovin to earn money based on the ads' performance. In essence, by operating both the ad network and mediation platform, AppLovin enjoys unparalleled data-powered synergies leading to superior economics and an expanding moat. Underpinning that moat growth is a strong, agile, and adaptable culture led by Co-founder and CEO Adam Foroughi.

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Sell: Evolution AB
We exited Evolution to free up capital for higher conviction ideas elsewhere.

Sell: Atlas Copco AB
We sold Atlas Copco due to valuation concerns.

Buy and Manage:
We added to **General Electric Company**, rounding into a fuller position size. We trimmed **Datadog Inc**, **Visa Inc**., **Lam Research Corporation**, and **Adyen NV**. 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 2024, net of fees

	Q1 24	YTD	1-Yr	3-Yrs	5-Yrs	10-Yrs
WCM Quality Global Growth Strategy	14.0%	14.0%	31.4%	5.2%	13.1%	12.0%
MSCI ACWI NR USD Index	8.2%	8.2%	23.2%	7.0%	10.9%	8.7%

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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