WCM Global Equity Fund

Q3 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.

Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this WCM Global Equity Fund presents disproportionate communication on the consideration of non-financial criteria in its management.

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 2,498m as of 30th September 2024.

Performance review

For 2024's 3rd Quarter, the WCM Global Equity Fund ("the Fund") returned +5.9% (C USD Acc Share class, net), underperforming the MSCI ACWI index by ~70 basis points (bps). For the trailing twelve months, the Fund is ~+840 bps ahead of that benchmark. Keeping an eye on the longer term (all net returns), the five-year excess is ~+120 bps (annualized), the ten-year excess is ~+350 bps (annualized), and the since-inception excess (more than 16 years) is ~+410 bps (annualized).

Global equities marched higher amidst a noisy third quarter, which included a flash crash in Japan, the Fed's first major rate cut since COVID, and the announcement of long-awaited China stimulus. Major central bank activity reverberated throughout global equity markets, impacting near-term sector, domicile, and style factor leadership. The Fund faced formidable headwinds and was underexposed to the market's strongest segments (e.g., Value and China shone). However, WCM is pleased with how the Fund behaved in these conditions; strong company operating results, portfolio construction, and the "buy and manage approach" kept WCM in the game during Q3.

Attribution

Sector-based attribution showed that *allocation* helped slightly, while *selection* was a headwind. Regional *attribution* revealed that both allocation and *selection* detracted modestly from relative performance.

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 largest *allocation* contributors were WCM's underweight to Energy (worst in benchmark) and the overweight to Industrials (4th best in benchmark). For sector *selection*, Tech was the dominant contributor, followed by Industrials. By geography, there were no material contributors vis-à-vis regional *allocation*. Regional *selection* was most additive in the Americas.

Detractors:
For sector *allocation*, the primary detractors were WCM's underweights to Real Estate and Utilities (best and 2nd best in benchmark, respectively). The primary detractors vis-à-vis sector *selection* were the team's picks in Health Care, followed by Staples and Financials. By geography, *allocation* underweight to Asia/Pacific (best in bench) was the lone material detractor. For regional *selection*, Europe was the primary detractor, followed by picks in Asia/Pacific.

Other Factors:
In Q3, the simple market factors were all headwinds for the Fund: Small Cap topped Large Cap, Low Quality outperformed High Quality ("Quality" uses ROE as a proxy), and Value largely outperformed Growth.

Comments

Stay focused, stay balanced. In WCM's previous Q2 commentary, the team discussed the persistent state of uncertainty and noisiness across global equity markets. What happened in Q3? More noise. For example, in early August, Japan's Nikkei flash crashed following the precipitous unwinding of the Yen carry trade. Japanese equities posted their worst day since 1987's Black Monday. The August selloff prompted fears of systemic contagion and pundits yelling, "Fire!". The Nikkei closed Q3 flat quarter-over-quarter. So much for that meltdown, huh? Nevertheless, episodes like these warrant careful attention. However, they also serve as a great reminder for why temperament and balance are so critical for long-term investment success. WCM believe by focusing on owning quality growth businesses with expanding competitive advantages and aligned corporate cultures, the macro haze dissipates as the holding periods lengthen and these companies have more time to shape their own fortunes. Moreover, by balancing the portfolio's exposure across growth buckets (Defensive, Secular, and Cyclical) and various tailwinds, industries (i.e., cycles), and geographies, the team believe the portfolio is well-positioned to stay in the game, even during the noisiest of periods.

Portfolio Activity

Buy: Reinsurance Group of America, Inc.
US-based Reinsurance Group of America [RGA] is a global life and health reinsurance company that offers risk management solutions to insurance companies. The life reinsurance market is concentrated, with the top 5 players accounting for about 65% of total premiums, and RGA is the largest standalone life reinsurance company. RGA's moat stems from its scale, balance sheet, and reputation—which allow it to take advantage of aging demographics, the growing middle class in Emerging Markets, and regulatory changes. The company is led by CEO Tony Cheng, who has played a crucial role in shaping the company's growing Asia business and strengthening its culture and execution over the last 15 years.

Buy: Freshpet Inc.
US-based Freshpet produces and distributes fresh, refrigerated cat and dog food and treats made with natural ingredients and no preservatives. Tailwinds are strong, as pets are increasingly seen as family members, driving increasing demand for premium pet food. Freshpet has built a formidable moat through its scale, vertical integration, and dominant share in US big box retailers (over 95% market share). As Freshpet expands its business, its value proposition improves for consumers (more products), suppliers (more volume), and retailers (more traffic)—pointing to a growing moat. Lastly, Freshpet's culture emphasizes ownership and transparency, reducing friction and increasing alignment within its value chain.

Buy: Sea Limited
Singapore-based Sea is a leading ecommerce player in Southeast Asia, which is one of the most promising regions globally for e-commerce and fintech given the long runway for growth. Sea is strengthening its position via significant investments in logistics and new areas such as live streaming. After the COVID-era e-comm boom/bust cycle, Sea has improved its capital allocation, increased focus on the key business drivers, and raised profitability levels. Culturally,

Sea's relentless focus of fostering the best value proposition for both consumers and sellers supports its strategy and moat expansion over time.

Sell: LVMH Moet Hennessy Louis Vuitton SE
LVMH has been a core position for years, but WCM are moving on due to waning conviction in its go-forward trajectory, as well as portfolio construction considerations.

Sell: Old Dominion Freight Lines
While WCM still like the business and have a favorable view of the culture, the team sold to free up capital for higher conviction ideas elsewhere.

Buy and Manage:
WCM added to **GE Vernova Inc., AppLovin Corp**, and **Taiwan Semiconductor Manufacturing Co., Ltd.**, rounding into fuller position sizes.

The team trimmed **Datadog Inc, Adyen NV, Arthur J Gallagher & Co., Canadian Pacific Kansas City Limited, Thermo Fisher Scientific Inc.**, and **Waste Connections, 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 30th September 2024, net of fees

	YTD	1-Yr	3-Yrs	5-Yrs	10-Yrs
WCM Quality Global Growth Strategy	23.1%	40.2%	4.5%	13.4%	12.9%
MSCI ACWI NR USD Index	18.7%	31.8%	8.1%	12.2%	9.4%

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.

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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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'). Please see Prospectus for further information.

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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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