

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 39m as of December 31, 2017. During the fourth quarter of 2017 the Fund (C share class) returned 4.8% compared to 5.7% for its benchmark, the MSCI ACWI NR USD Index.

TOTAL RETURNS

As of December 31, 2017 gross of fees

		Annualised				
	Q417	YTD	1-Yr	3-Yrs	5-Yrs	7-Yrs
WCM Quality Global Growth Composite	5.2%	28.9%	28.9%	14.9%	15.0%	12.9%
MSCI ACWI GR USD Index	5.8%	24.6%	24.6%	9.9%	11.4%	9.3%

Source: Bloomberg, 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) is provided in the table above to show a longer track record for the underlying strategy.

WCM Investment Management – Sub advisor Q4 2017 Commentary

Compared to Q3, the Q4 market environment was somewhat more neutral with respect to the strategy. Emerging Markets outperformed Developing Markets, but Growth modestly bested Value. Otherwise, there was very little distinction between large and small, or between high “quality” and low “quality”, or even among the sectors (Tech and Materials were the top two) in Q4. That kind of backdrop often works in our favour, and though selection was a slight detractor in Q4, our stock picks were definitely the major source of the full year outperformance.

Keeping an eye on the longer term, the three-year excess return relative to the benchmark now stands at ~+500 bps (annualised), the five-year is ~+360 bps (annualised), and the excess since inception (9.75 years) is ~530 bps (annualised).

Attribution

For 2017 Q4, the strategy’s slight underperformance was mostly attributable to stock selection, whether analysed from the sector or regional perspective. Allocation was closer to neutral.

Contributors:

Sector attribution analysis shows small allocation contributions from our overweight to Tech (best in the benchmark), and from our underweight to Utilities (worst in benchmark). Selection was positive from Discretionary, and also from Real Estate.

Regionally, there was no contribution from allocation. Selection was a contributor in Europe, and also in Asia/Pacific.

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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Detractors:

Our overweight to Health Care (2nd worst in the benchmark) was the only material detractor for sector allocation. Regarding sector selection, there were no significant weak spots, but our picks in Health Care, Financials, and Tech all detracted slightly.

Regional allocation was a very small detractor. For selection, picks in the Americas was the only material detractor, though still pretty small.

Other Market Factors

Within the MSCI ACWI benchmark, Growth outperformed Value, but other than that there was very little distinction between large and small, or between high “quality” and low “quality”, or even among the sectors (Tech and Materials were the top two) in Q4.

Comments

Non-US equities continued to move higher in Q4, finishing a full year of widely outperforming US equities. That’s a big reversal from the prior four years when US equities dominated. Maybe more dramatically, Emerging Markets, which also lagged over 2013-2016, pulled off a “worst-to-first” in 2017, besting every major index around the world.

Looking back a year, the so called “reflationary trade”—and the expected resurgence of Value over Growth—did not actually materialise in 2017, despite the certainty of many pundits. Such an outcome only fortifies our conviction that our time is not well spent trying to predict macro or political events. Rather, we’ll continue preparing for various outcome scenarios and teeing up our watch list to capitalise on the opportunities that emerge. And that’s why turmoil in the world—perhaps the closest to a “new market” we know—is welcomed. It refocuses the market on structurally high quality businesses (i.e., growing moats and strong, long-term tailwinds) rather than mediocre businesses benefitting from temporary/cyclical phenomena. That plays to our strengths.

Portfolio Activity

Buy: There were no new purchases in Q4.

Sell: Ctrip.com International Ltd

We sold Ctrip as its moat trajectory had become less compelling. Specifically, we’ve seen Meituan make inroads into the high end market, where Ctrip has dominated. At the same time, Ctrip’s foray into the lower end has been sluggish.

Buy and Manage:

We added to our position in **First Republic Bank of CA**. Relative underperformance in the short term made for an attractive opportunity.

We trimmed **Amazon.com**, and **Tencent Holdings Ltd**. In both cases this was just position size management after a strong run YTD.

As always, we appreciate your patience and support.

Sincerely,

Heptagon Capital & WCM Investment Management

The views expressed represent the opinions of WCM Investment Management as of December 31, 2017, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

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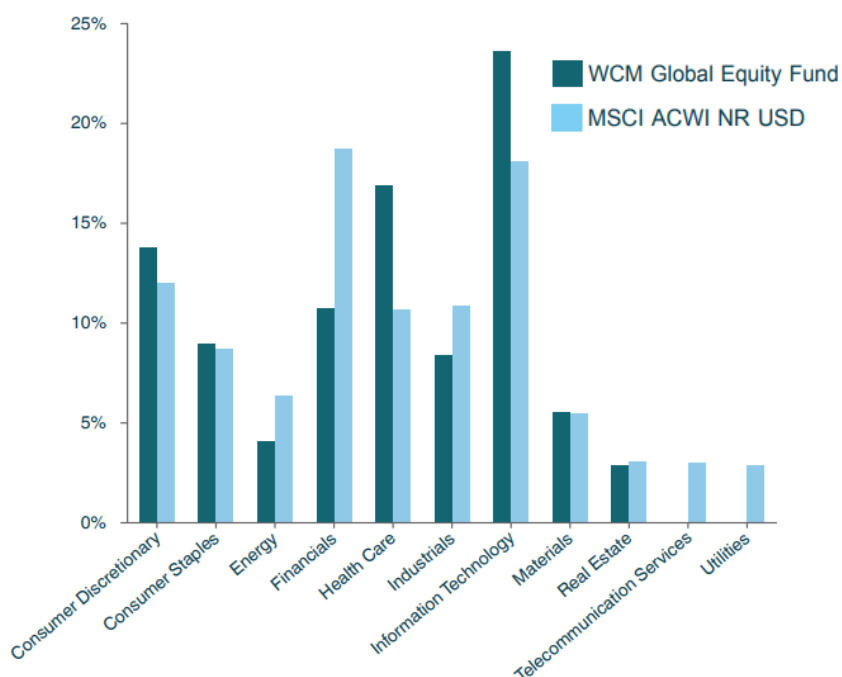
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WCM Global Equity UCITS Fund Positioning

Top Ten Holdings by Issuer as of 31st December 2017

Name	% of portfolio
Techtronic Industries Co	4.0%
HDFC Bank Ltd	3.6%
Costco Wholesale Corp	3.5%
Keyence Corp	3.5%
Amphenol Corp	3.4%
Visa Inc	3.4%
The Cooper Cos Inc	3.2%
Canadian National Railway Co	3.1%
IQVIA Holdings Inc	3.1%
Taiwan Semiconductor ADR	3.1%
Total of Top 10 Holdings	33.9%

Portfolio Sector Weights as of 31st December 2017



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Risk Warning

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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The information contained herein is provided for informational purposes only, is not complete, and does not contain certain material information about the funds, including important disclosures and risk factors associated with an investment in the funds. Before making an investment in any fund, prospective investors are advised to thoroughly and carefully review the fund's private placement memorandum with their financial, legal and tax advisors to determine whether an investment is suitable for them. An investment in these funds is not suitable for all investors.

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Glossary

Annualized	A rate or return that is recalculated to show it as an annual rate.
Assets under management (AUM)	The total market value of all assets a financial institution or fund manages on behalf of its clients.
Basis Point (bps)	A common unit of measure in finance. One basis point is equal to one hundredth of 1%, e.g. 0.01%.
Benchmark	A point of reference against which investment performances can be measured.
Equity Security	A security that represents ownership in an entity and that may pay income as dividends.
Growth Style	Investment strategy focusing on capital appreciation. Companies sought are those whose earnings are predicted to grow at an above-average rate.
Lagging Indicator	An indicator that happens after an event and/or follows trends.
Macro Analysis	The analysis of economy wide factors, such as employment, inflation or monetary and fiscal policies.
Moat	A business' ability to maintain competitive advantages over its competitors in order to protect its profits and market share.
MSCI All Country World Index	A market cap weighted benchmark index that captures large and mid caps across 23 Developed Markets and 24 Emerging Markets countries (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK, the US, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Russia, Qatar, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates)
Overweight	An excess amount of a certain stock/sector/country relative to the benchmark or market.
Reflationary Trade	Fiscal or monetary action taken by central governments to expand a country's output. These can include lowering interest rates and changing the money supply.
UCITS	Undertakings for Collective Investment in Transferable Securities. It is a regulatory framework in the European Union.
Underweight	A smaller amount of a certain stock/sector/country relative to the benchmark or market.
Value Investment Strategy	When the portfolio manager selects stocks that he/she believes are undervalued by the market and hence are trading for less than their intrinsic value.