



NTA and Monthly Update – December 2017

Company at a Glance

ASX Code	WGF
ASX Code Options	WGFO
Fund Size	AU\$85.0m
Fund Strategy	Global Market Neutral
Share Price	\$0.93
Shares on Issue	81.5m
Option Price	0.3 cents

Net Tangible Asset (NTA) Backing

	Nov 17	Dec 17
NTA Before Tax	\$1.06	\$1.06
NTA After Tax	\$1.06	\$1.06

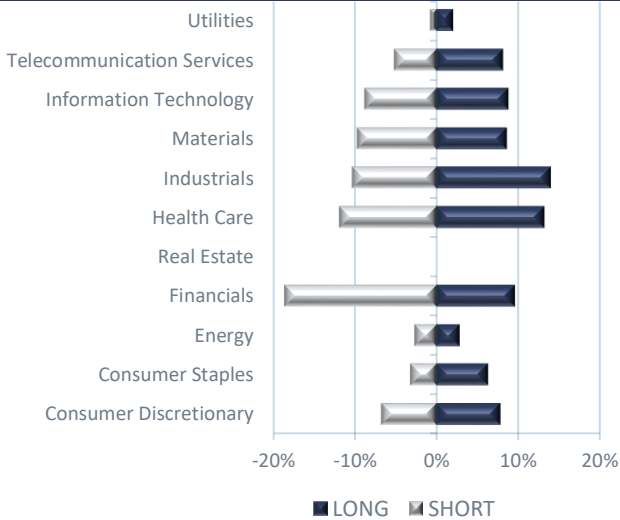
Gross Portfolio Structure

Long Exposure	88.4%	81.5%
Short Exposure	-73.4%	-78.5%
Gross Exposure	161.8%	160.0%
Cash	85.0%	96.9%

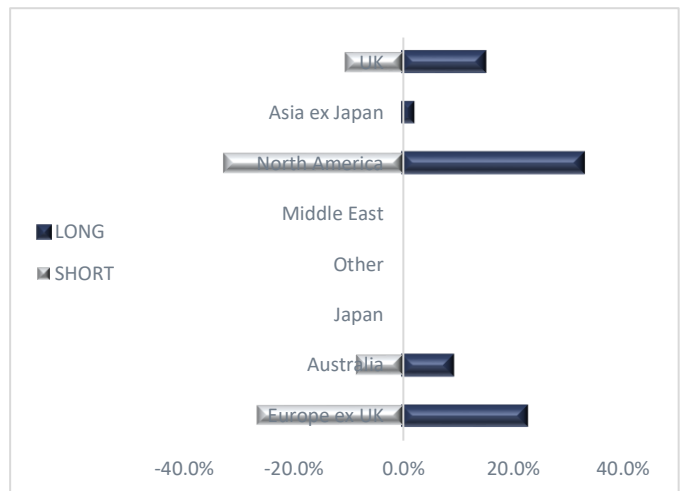
Performance

	1 Mth	3 Mths	6 Mths	Fin. YTD	1 Yr	2 Yrs (pa)	S.I.
Portfolio (net return)	0.0%	-2.7%	-3.5%	-3.5%	-2.7%	-	-2.7%
RBA Cash Rate	0.1%	0.4%	0.8%	0.8%	1.5%	-	1.5%
Outperformance	-0.1%	-3.1%	-4.3%	-4.3%	-4.2%	-	-4.2%

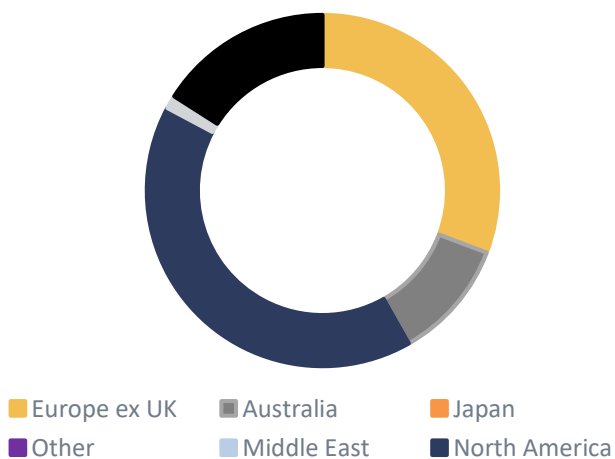
Sector Exposures



Regional Exposures (Net)



Regional Exposures (Gross)



Contributors/Detractors

Top 3 Contributors	
BHP Billiton Limited	0.3%
PPL Corporation	0.3%
Innogy SE	0.2%
Top 3 Detractors	
Allergan plc	-0.2%
Glencore plc	-0.2%
South32 Ltd.	-0.1%

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Month in Review

Equity markets around the world finished the year as they began, rallying on the promise of lower taxes for US corporates and strong economic data across developed and emerging markets. This synchronised growth around the world has been an especially powerful tailwind for the commodities sector, leading to strong demand for bulk commodities and base metals.

After a strong start in December, the short book detracted from returns late in the month to leave the Fund flat in the period. Solid performance in the Utilities and Telecommunications sectors was offset by weaker results in the Healthcare portfolio.

Mining was the best performing sector globally, as positive economic data lifted the prices of all commodities. Nickel rose 15% and Coal 30%, supporting a key position Teck Resources. We have neutralised the Fund's modest net long exposure in this part of the portfolio as the sector looks overbought in the short term. The oil price continues to benefit from large draws in crude inventory, signalling ongoing demand strength. The Fund is balanced in the energy sector given the strong rally in recent months and with full valuations creating vulnerability to any bad news.

A key short position in Innogy was amongst the best performers after the company released a profit warning, pre-empting weaker UK retail profits and a higher than expected spend on technology. Another core short in PPL Corporation continued to pay off, with investors seemingly spooked by this US company's exposure to the UK transmission and distribution markets.

Having underperformed for much of 2017, the media and telecom sectors rallied strongly in December. Companies in these industries tend to derive a large share of their earnings in the US and will be major beneficiaries of tax reform. Key contributors in this part of the portfolio included a short position in Finnish telco Elisa – which is struggling against increased competition in the mobile market, and an investment in Chinese video game publisher NetEase, which is benefitting from excitement around the popularity of some new titles. We initiated a new position in BitAuto, the number two auto classified website in China, which is trading on a P/E multiple of 7 despite double digit earnings growth for the foreseeable future.

Short exposures in the domestic healthcare sector detracted from returns in the month, with continued strength in this part of the market defying already stretched valuations for key local names. A further downgrade to forecast earnings for Allergan saw shares in that company fall again in December. We retain our conviction that management of this high-quality pharma company can execute successfully on their strategy, leaving the company attractively valued at current levels.

Results were mixed in the financials portfolio, where solid contributions from positions in diversified financials were offset by weaker performance in the insurance sector. An investment in consumer finance business Synchrony continues to perform well, with the company enjoying a privileged position supplying store credit cards to major global retailers such as Amazon and Wal-Mart.

In the consumer sector, an investment in gaming company Melco Resorts was a key contributor. We expect to see continued growth in earnings from its Macau properties in 2018. A short position in Hennes & Mauritz also performed well, with competition from online retailers posing ongoing challenges for this bricks and mortar retail business.

We have initiated a number of new positions in the industrials sector, where our strategy is to take advantage of the strong momentum across the industrial economy while selectively shorting companies that face structural challenges. The Fund holds two core investments in the aerospace sector: French company Safran S.A – which manufactures aircraft and rocket engines; and the US based Hexcel Corporation which is a leading producer of carbon fibre and resin systems. Core shorts include Rolls-Royce, and elevator manufacturer Kone.

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