



NTA and Monthly Update – August 2018

**Company at a Glance**

ASX Code	WGF
ASX Code Options	WGFO
Fund Size	AU\$78.3m
Fund Strategy	Global Market Neutral
Share Price	\$0.89
Shares on Issue	74.8m
Option Price	0.1 cents
Dividend (FY18 Final)	0.75 cents

**Net Tangible Asset (NTA) Backing**

	Jul 18	Aug 18
<b>NTA Before Tax</b>	<b>\$1.08</b>	<b>\$1.08</b>
NTA After Tax	\$1.07	\$1.07
Dividend Declared	-	(\$0.0075)
<b>NTA After Tax &amp; Dividend</b>	<b>\$1.07</b>	<b>\$1.06</b>

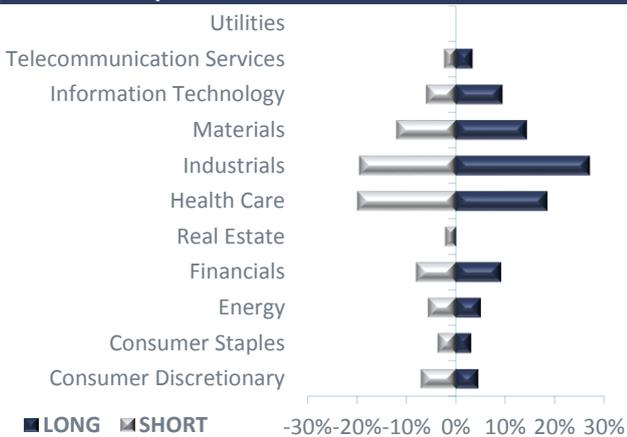
**Gross Portfolio Structure**

	Jul 18	Aug 18
Long Exposure	95.5%	102.7%
Short Exposure	-91.4%	-97.8%
Gross Exposure	186.9%	200.5%
Cash	95.9%	95.1%

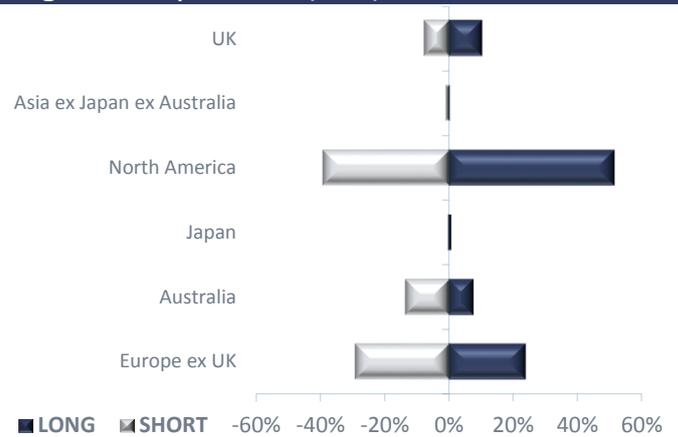
**Performance**

	1 Mth	3 Mths	6 Mths	Fin. YTD	1 Yr	2 Yrs (pa)	S.I.
Portfolio (net return)	-0.6%	-2.0%	0.5%	-0.8%	-4.3%	-	-2.1%
RBA Cash Rate	0.1%	0.4%	0.8%	0.3%	1.5%	-	1.6%
<b>Outperformance</b>	<b>-0.7%</b>	<b>-2.4%</b>	<b>-0.3%</b>	<b>-1.1%</b>	<b>-5.8%</b>	<b>-</b>	<b>-3.7%</b>

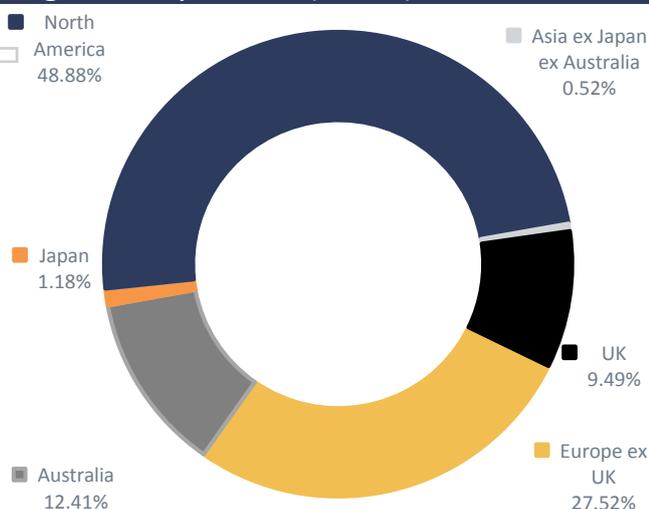
**Sector Exposures**



**Regional Exposures (Net)**



**Regional Exposures (Gross)**



**Contributors/Detractors**

Top 3 Contributors	
Zebra Technologies Corporation	0.4%
Microsoft Corporation	0.2%
Boston Scientific Corporation	0.2%
Top 3 Detractors	
Glaukos Corp	-0.4%
Fisher & Paykel Healthcare Corporation Limited	-0.2%
Australian Pharmaceutical Industries Ltd	-0.2%

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## Month in Review

August was a relatively volatile month across global equity markets. The fund finished the month slightly down -0.6% on the back of a pullback in our Consumer and Basic Industries portfolios, the latter driven by adverse commodity price action due to the current trade war and EM concerns. Our TMT portfolio was a strong positive contributor during the month.

Trade tensions between China and the US continued to escalate with Trump suggesting that the 10% tariff imposed on \$200bn of Chinese imports could be increased further to 25%. The impact would not only be felt by China but also eventually the US consumer. In retaliation, China announced a 25% tariff on a further \$16bn of US imports including fuel and steel products.

The S&P and Nasdaq hit record highs during the month, appreciating 3% and 6% respectively. The US market was also helped by somewhat dovish comments from the US Federal chairman where he noted 'the Fed is not seeing a clear sign of inflation accelerating above 2%, and there does not seem to be an elevated risk of overheating'.

Looking towards EMEA, Donald Trump has re-established trading sanctions on Iran and has urged other US trading partners to follow suit. This saw various companies such as *Daimler* and *Siemens* suspending activities with the country. The Turkish lira declined by 25% against the US dollar due to Trump doubling the tariff imposed on steel and aluminium. The country also saw its debt ratings downgraded as a result and may be at risk of a recession. These concerns sparked contagion fears, particularly around European financials with exposure to Turkey, and sent European bank stocks lower as well as the Euro.

Perhaps not a surprise given the aforementioned trade concerns impacting sentiment, data from China shows industrial production growth hitting 6% YoY, below consensus expectations, and credit growth moderating slightly, signalling potential GDP growth in the third quarter. This resulted in the Hang Seng and Shanghai indexes falling during the month. In response to the weaker economic data, the Chinese government has refocused their investments towards supporting infrastructure fixed asset investments (FAI) and has seen a surge in approved projects over the last few months suggesting we could eventually see a stabilisation and perhaps even acceleration in future construction and IP growth.

Most major commodities were weaker again this month, attributed to the uncertainty around escalating trade tensions. Base metals such as Nickel, Zinc and Copper were some of the weakest commodities, down between 6% and 9%. As a result, we have maintained our neutral exposure to mining shares. While valuations are becoming attractive, softer Chinese demand in 2019 appears likely. The oil price rose despite the stronger US dollar, due to supply concerns and a fall in crude oil inventories. We initiated a position in *Inpex*, owner of the Ichthys LNG project. The shares fell in May after a medium-term business plan was announced and have subsequently lagged the rise in oil price. The project recently began gas production suggesting project delays behind us. Our long-term view is that there is an expansion potential for the asset as LNG markets tighten.

The Industrials portfolio was a positive contributor in August with gains from our commercial aerospace shares (*CSX*, *Zebra* and *Ashtead*). However, this was offset partially by a bounce in European industrial names and a pull-back in *Weir* on the back of a temporary Permian oilfield related bottlenecks. Our short in *Tesla* has started to pay off with the management buy-out now cancelled, an SEC investigation into market price manipulation tweets and numerous new EV model launches from large established automobile companies such as *Daimler* and *Jaguar*. We trimmed our position in *Ashtead* through the month and initiated new positions within IPG Photonics and Emerson.

TMT was a strong positive contributor to the Fund in August. We added to idiosyncratic short positions in *Snapchat* and *Dropbox* that generated positive returns, however, we are monitoring position/earnings momentum to watch for reversals. Towards the end of the month, the correction in gaming names (*Activision*, *Electronic Arts*) opened up some exciting value opportunities in a sector with compelling long-term economics.

Global Healthcare shares posted solid gains in August marked by robust performance in US biotechnology, device and services shares. Fund flows into healthcare were elevated as investors continued to flock to more 'value' and 'defensive' exposures. However, we are growing more cautious of the rally in pharmaceutical shares with US mid-term elections on the doorstep, and company CEOs are consistently highlighting structural changes in US drug pricing are now a question of when, not if. The Healthcare portfolio was flat in August but saw solid performances in *Boston Scientific*, *NovoCure* and *Vertex*. We exited our position in *Galapagos* after the shares hit our valuation target and established a new investment in *AbioMed* after the recent sell-off.

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