



## NTA and Monthly Update – January 2017

### Company at a Glance

ASX Code	WGF
ASX Code Options	WGFO
Fund Size	AU\$88.3m
Fund Strategy	Global Market Neutral
Share Price	\$1.04
Shares on Issue	82.8m
Option Price	2.8 cents

### Net Tangible Asset (NTA) Backing

	Dec 16	Jan 17
<b>NTA Before Tax</b>	<b>\$1.08</b>	<b>\$1.07</b>
NTA After Tax	\$1.08	\$1.07

### Gross Portfolio Structure

Long Exposure	62.7%
Short Exposure	-62.0%
Gross Exposure	124.7%
Cash	99.3%

## Month in Review

With bond markets largely benign in January, geopolitical events played the leading role driving global share markets. In the US, pre-Christmas gains were extended, led by cyclical industrials and financial shares. This momentum was tempered somewhat late in the month as investors struggled to interpret the implications of the increasingly erratic policy platform of the new Trump administration. European markets were weaker, with the prospect of further disruption to the fragile European Union looming large, as elections in France and the Netherlands draw near. Continued strength for commodity prices and a weakened US dollar also provided tailwinds for commodity producing economies.

As at 31 January, the Fund's gross exposure was 125%, well on the way toward our 200% target. Deployment of the Company's capital is progressing well and is expected to continue apace, as trading volumes across most major markets normalise after the quiet Christmas period. Most progress has been made in the defensive and cyclical parts of the portfolio, with a handful of positions initiated in resource and energy shares.

The portfolio rose marginally by 0.05% after all fees, with gains on the short book offset by losses on the longs. Given the areas in which current exposures are concentrated, attribution also came predominantly from within cyclical and defensive sectors. Healthcare and telecom positions were stand out performers, while modest losses across the Capital Goods sector detracted from the result.

The global healthcare sector is vastly bigger and more dynamic than our local market in Australia. As a result, our coverage of global pharmaceutical, biotechnology and medical device industries has been very active for some time and there are a broad range of investment ideas in play across Watermark portfolios. Highlights during the month were an investment in Nevro Corp, a US medical device company that specialising in chronic pain management along with Seattle Genetics Inc and Juno Therapeutics, two companies leading the way in the development of cancer treatments using innovative biomechanical technology and biopharmaceutical products.

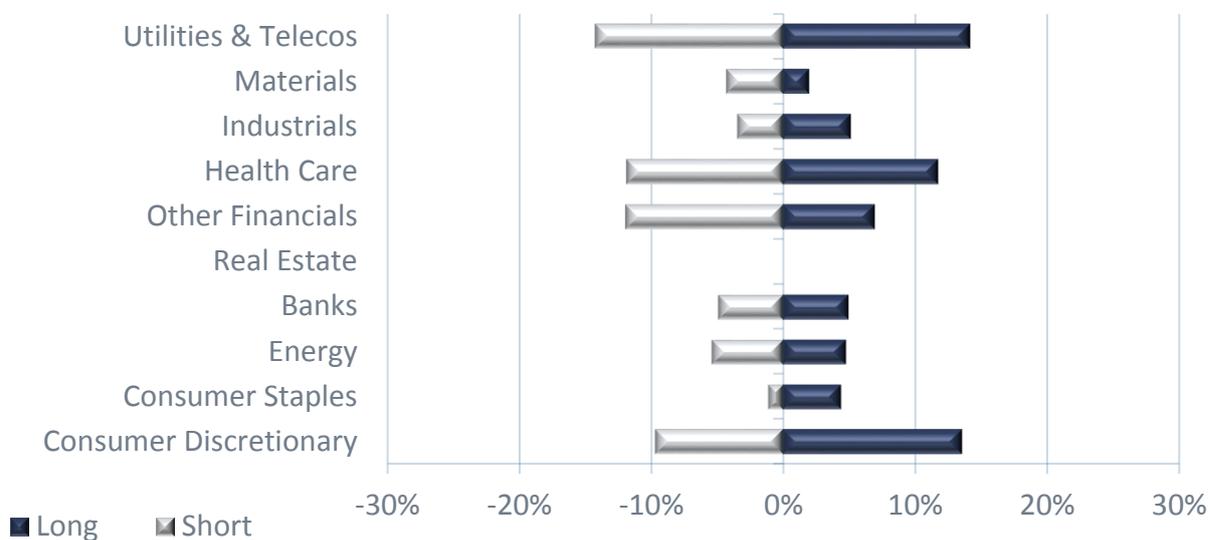
A short position in US telecom company Verizon Communications was another strong contributor in the month. The company's share price has suffered in recent weeks from a combination of factors; underperforming the market's expectations for Q4 earnings and posting weak growth in subscriber numbers due to increased competitive pressures. Uncertainty also remains as to whether Verizon's will proceed with the acquisition of Yahoo Inc's core assets, given recent data breaches at Yahoo.



Retail and Consumer are also very broad sectors in the global economy and represent an important focus for the Fund. With weak results reported by for the Christmas shopping period, retailers in many parts of the world are struggling. A short position in Target Corp worked well, with the company forced to downgrade earnings guidance for Q416.

We are pleased with the progress this far in establishing the Company's portfolio and have been encouraged with the breadth of new ideas that have emerged through our investigation of new industries and regions around the globe.

## Sector Exposures



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