



NTA and Monthly Update – August 2017

Company at a Glance

ASX Code	WGF
ASX Code Options	WGFO
Fund Size	AU\$89.4m
Fund Strategy	Global Market Neutral
Share Price	\$0.98
Shares on Issue	82.8m
Option Price	0.4 cents

Net Tangible Asset (NTA) Backing

	Jul 17	Aug 17
NTA Before Tax	\$1.09	\$1.09
NTA After Tax	\$1.08	\$1.08

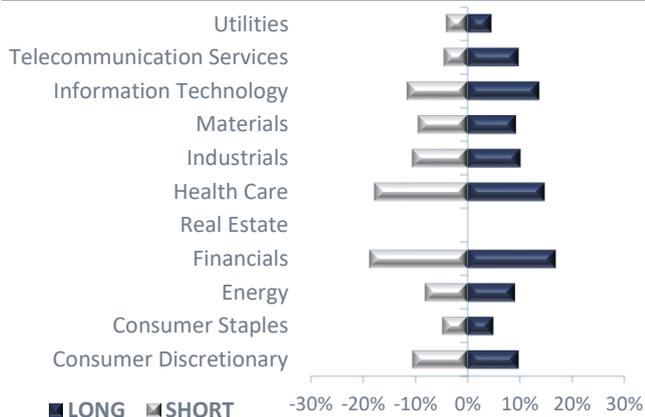
Gross Portfolio Structure

Long Exposure	96.1%	102.5%
Short Exposure	-94.0%	-101.1%
Gross Exposure	190.1%	203.6%
Cash	97.9%	98.6%

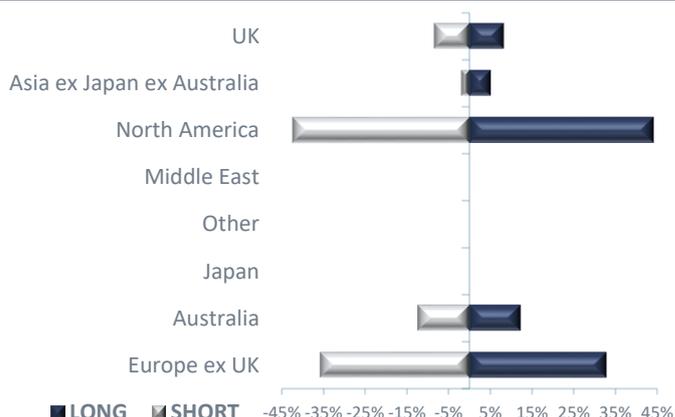
Performance

	1 Mth	3 Mths	6 Mths	Fin. YTD	1 Yr	2 Yrs (pa)	S.I.
Portfolio (net return)	-0.2%	-0.2%	0.7%	0.0%	-	-	1.1%
RBA Cash Rate	0.1%	0.4%	0.8%	0.3%	-	-	3.8%
Outperformance	-0.3%	-0.6%	-0.1%	-0.3%	-	-	-2.7%

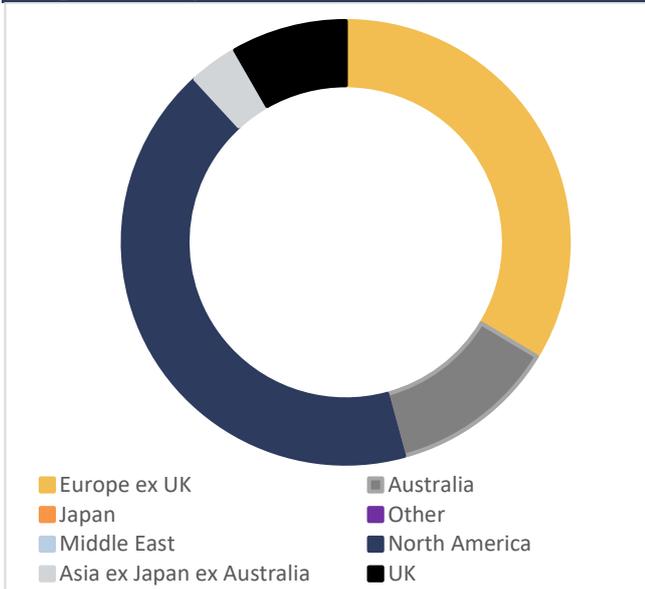
Sector Exposures



Regional Exposures (Net)



Regional Exposures (Gross)



Contributors/Detractors

Top 3 Contributors	
Galapagos NV	0.2%
BHP Billiton Limited	0.2%
China Telecom Corp.	0.2%
Top 3 Detractors	
ProSiebenSat.1 Media SE	-0.2%
Allergan plc	-0.2%
Anadarko Petroleum Corporation	-0.2%



Month in Review

Global shares posted modest gains in August, with optimism giving way to pessimism as geopolitical tensions in Korea intensified. Central banks seem to be at pains to avoid the market jitters that arose from previous comments as to the speed and trajectory of rate normalisation, with rhetoric during the month largely benign. Currency markets followed the trend of recent months, with the USD weakening against most major currencies. This is providing a tailwind for emerging markets, reflected in the continued strength of commodity prices.

August was a difficult month for the Fund, which saw the portfolio value fall by 0.2% after fees. Losses were concentrated primarily in the energy sector, while attribution across the broader portfolio was consistently positive.

The mining sector continued its rally in August as surprising economic data in China provided a further boost for commodity prices. This was a tailwind for our investment in BHP Billiton, which performed strongly following the company's announcement of its updated strategy, including plans to exit their US Shale business, and for continued focus on capital management.

Results in the utilities sector were in line, with companies continuing to benefit from low interest rates. In New Zealand, Contact Energy's announcement that it was successfully reducing debt, and plans for an increase in its dividend payout, was well-received by investors. We took profits on German electricity provider E.On, which bridged the valuation gap to its peer Innogy, after showing sustained profit growth and allaying concerns around liabilities in respect of its nuclear operations. We initiated a position in National Grid, which we believe has an undervalued US business. On the short side, we are bearish on PPL Corporation, which is facing negative underlying growth in Kentucky.

Oil again traded lower through the month as questions arose over compliance with OPEC's supply cut. Compounding this was a negative update from leading US Shale company Pioneer Resources on reservoir characteristics, which impacted our position in Anadarko Petroleum.

Financial shares underperformed as yield curves flattened further. While there were no major policy indications from central banks, further signs are evident that inflation is moderating, particularly in the US. Strong performance from short positions in European investment banks was offset by weakness in diversified financials leaving the financials portfolio flat for the month. We initiated a new long position in Commonwealth Bank of Australia soon after AUSTRAC initiated civil penalty proceedings against the bank for serious and systemic non-compliance with the Anti-Money Laundering and Counter-Terrorism Financing Act. We believe that in light of the known infractions, the likely fines will be small relative to the size of CBA's capital base and that significant relative value has emerged in one of the world's leading banks.

Global consumer staples shares were flat in August. The more economically sensitive consumer discretionary shares ended the month down across the board. A new investment in global brewer Anheuser-Busch Inbev was established on evidence of volume growth has returned, and that the integration of SAB Miller is progressing ahead of plan. Positions were re-established in gaming company Melco Entertainment, which had fallen below our valuation.

Global industrial shares were relatively unchanged in August. Given the market has already priced in buoyant data from leading economic indicators, several international names also suffered pull-backs, after failing to meet investors' elevated expectations. The Fund remains fully hedged in industrial shares. Themes in the portfolio include the rise of the industrial internet, where some companies are benefitting from better connected equipment (eg. in factory automation), and the impact of e-commerce on traditional industrial distribution models.



It was a month to forget for global media shares, with ad agencies continuing to trim market forecasts, and European broadcaster ProSieben downgraded for the third time this year. Telecom shares were also weak, back to being one of the poorest-performing global sectors so far, this year.

A core investment in China Telecom contributed strongly to performance. This was offset by losses following ProSieben's surprise earnings downgrade, which was primarily due to temporal audience share loss – albeit this does not change our view that Germany's TV market is the most structurally defensive against OTT threats, and ProSieben has done a better job than any of diversifying their business with half the business' value in content production and digital properties. Our European media shorts contributed as a hedge for this position.

Global healthcare shares underperformed for most of August before rallying sharply in the final days of the period. After a slow start, Biotechnology shares went on to materially outperform other subsectors, driven by further positive clinical trial data readouts and Gilead's takeover bid for Kite Pharma. M&A activity in the biotechnology sector has been virtually non-existent and the Gilead/Kite deal sparked some much-needed interest in the sector. Signs of ongoing drug pricing pressures in the US for 2018 are emerging, with some payors announcing early formulary changes with notable exclusions of key diabetes drugs. This space will be one to watch in October, as we anticipate further announcements from payors which could surprise pharmaceutical investors on the downside.

The Funds' Healthcare portfolio delivered mixed returns in August. Shorts in European shares detracted while long positions in Biotechnology outperformed. Given the significant dislocation between valuations for Australian healthcare shares relative to their international peers, we believe more compelling investment opportunities exist for the Fund in offshore markets.

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