

## Monthly Update – November 2017

### Fund at a Glance

Fund Size	AU\$240m
Strategy FUM	AU\$285m
Fund Inception Date	August 2012
Fund Strategy	Equity Market Neutral
Application/Redemption	Daily
Management Fee	1.5%
Performance Fee	20%
Benchmark	RBA Cash Rate

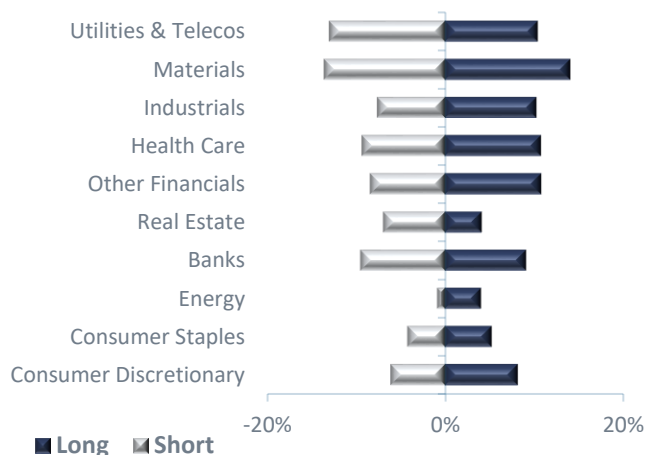
### Return Characteristics<sup>1</sup>

Positive Months	69%
Beta	-0.2%
Sharpe Ratio	1.3
Sortino Ratio	4.0
Standard Deviation (annualized)	6.9%
No. Long Positions	74
No. Short Positions	61
Gross Exposure	167%
International Exposure (% of Gross)	19%

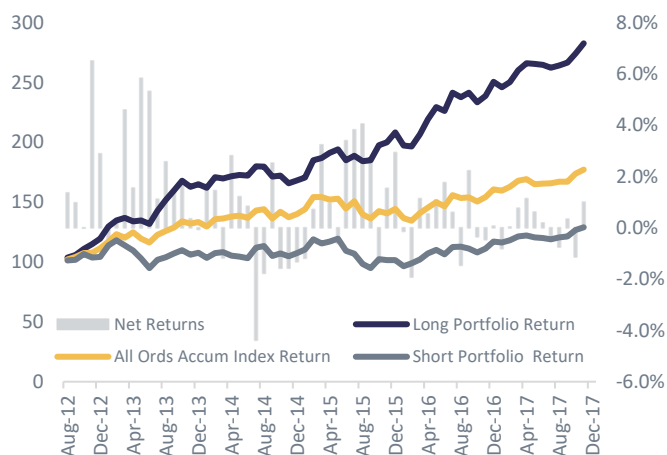
### Performance

	1 Mth	1 Yr	2 Yrs (pa)	3 Yrs (pa)	4 Yrs (pa)	SI (pa)
WMNT (net return)	1.0%	1.0%	3.5%	7.7%	5.7%	11.2%
RBA Cash Rate	0.1%	1.5%	1.7%	1.8%	2.0%	2.2%
<b>Outperformance</b>	<b>0.9%</b>	<b>-0.5%</b>	<b>1.8%</b>	<b>5.9%</b>	<b>3.7%</b>	<b>9.0%</b>

### Sector Exposures



### Long/Short Spread<sup>2</sup>



### Gross Portfolio Structure

	October 2017		November 2017	
Investment Type	\$m	%	\$m	%
Listed Securities - Long	192.5	81.9	209.0	87.1
Listed Securities - Short	170.0	-72.3	192.5	-80.2
<b>Net Exposure</b>	<b>22.6</b>	<b>9.6</b>	<b>16.6</b>	<b>6.9</b>
Cash	212.4	90.4	223.4	93.1
<b>Capital</b>	<b>235</b>	<b>100</b>	<b>240</b>	<b>100</b>

<sup>1</sup> Return Characteristics are for the period since inception. The Fund's inception date is August 2012.

<sup>2</sup> The Fund makes a profit where the long portfolio outperforms the short portfolio, after the payment of fees. Portfolio returns are before fees and costs.

## Month in Review

Global equity markets continued their stellar run in to the end of 2017, with the US again the stand out performer. Economic data from the Eurozone was also strong, although this strength was not reflected in the performance of share markets in the region. This presents an interesting opportunity to gain exposure to a surging industrial sector in Europe at levels that reflect good value. The Australian share market posted a modest gain for the month, belying strength early in the period which saw the ASX reach its highest level since January 2008. However, the announcement of a Royal Commission into Banking and Financial Services saw the market cool somewhat by month-end. Confidence amongst Australian businesses remains high, while consumers are less so, an issue being reflected in weak retail sales which are at 30-year lows.

November was a solid month for the Fund, which rose by 1.0% after all fees. Positive contributions were made by both the domestic and international portfolios, while attribution at a sector level was also broad-based. Financials and industrials were the strongest performers, where the Fund benefitted from being correctly positioned around the announcement of earnings results for several companies.

Oil prices rallied as OPEC extended production cuts until the end of 2018. Energy companies continue to benefit from this tailwind, as well as focussed capital management. Origin Energy performed well this month following a successful investor briefing, with positive news coming out of APLNG. Facing potential headwinds for its Energy Markets business that would result from a change of Government, and an acceleration of renewables targets, Origin appeased investors by announcing large cost reductions, with lower breakeven prices for oil within APLNG. Coupled with the recent increase in oil prices, the outlook for Origin, and particularly APLNG is looking positive.

Movements in the prices of mining shares were benign, as investors continue to digest mixed economic signals in China. Our mining exposures performed well, led by investments in BHP and Teck Resources which benefitted from rising prices of oil and coking coal.

Locally, Incitec Pivot and Orica both announced financial results. While Incitec shares rose on increased profits and a share buy-back, Orica guided for further headwinds in the year ahead which impacted its share price. The fund benefitted from these results.

Australian TMT shares rose with the broader market in November. Domain Holdings demerged from Fairfax Media with a strong debut upon listing, albeit the shares have faded since. Telecom shares (in particular TPG Telecom) rallied around hopes of an NBN restructure that may alleviate pressure on broadband margins. We are less optimistic given savings are likely to be directed towards consumers. Many domestic TMT companies provided updates at their AGMs during the month, with most reiterating guidance. Key contributors to performance included investments in TradeMe, which had been oversold due to premature concerns around Amazon's entry into the region, and the outdoor billboard companies. Our core investment in MYOB was the primary detractor, with investors taking profits following a strong run in the shares.

The Fund is net long overseas banks, given we expect the inflationary and growth impulse generated by the proposed US tax reforms will drive the price of banks in developed markets higher. In Australia, the announcement of a parliamentary royal commission into the banking sector saw bank shares sell off. We believe the terms of reference disclosed are reasonably benign and took the opportunity presented by recent underperformance of the large domestic banks to increase our exposure.

An investment in Allied Irish Bank performed well as the company reported a strong 3Q17 trading update and we were pleased with the success of the Netwealth IPO, which rallied 44% from its listing price.

Amongst consumer shares, defensive companies outperformed the more discretionary names. Holdings in Tabcorp, Woolworths and Bapcor all benefitted from positive trading updates delivered during the AGM season. A major milestone was passed when Tabcorp's proposed acquisition of Tatts Group received final approval from the Australian Competition Tribunal, with the deal now expected to close before year end.

Despite a volatile month for global healthcare shares, the Fund delivered modest positive returns in this part of the portfolio. Australian healthcare shares outperformed global peers on limited news flow, largely due to a softer A\$. Valuations hit extreme levels in October and extended well beyond historic averages. Accordingly, we have modestly increased our net short exposure in the domestic sector. A core investment in Ramsay Healthcare was a key contributor to returns.

International exposures also fared better, with investments in Merck & Co and Celgene recovering some of the prior month's losses. A new position was established in Nevro Corp, a medical device company leading the market in pain management (spinal cord neurostimulation). The shares suffered a setback following softer outlook commentary from management at the 3Q result, however we believe this will be a short-term setback and that dual tailwinds from new indications and the US opioid epidemic crisis are not being priced into the long-term value of the company.

The current reflation cycle continues to provide impetus for shares in the industrial sector. Orders and activity levels in this cyclical part of the global economy strengthened further as synchronised growth across major economies gathered momentum. The Fund's investment in Volkswagen rallied as investors returned to the name following the settlement of diesel emissions charges. We expect this performance to continue, led by strong results from key brands - Porsche, Audi and VW. Honeywell also made a solid contribution in the month following the announcement of the spin out of their building products group. On the short side of the ledger the fund's position in Rolls Royce made an important contribution when the company walked away from long term cash flow targets.

### Monthly Net Performance (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2012</b>	-	-	-	-	-	-	-	1.36	0.97	0.00	6.51	2.88	<b>11.72</b>
<b>2013</b>	-0.71	0.21	4.60	1.55	5.83	5.31	1.11	2.57	1.43	1.86	0.35	-0.06	<b>24.05</b>
<b>2014</b>	1.71	1.45	-1.17	2.80	1.21	0.84	-4.38	-1.77	2.52	-1.57	-1.58	-1.32	<b>-1.26</b>
<b>2015</b>	-1.18	0.70	3.23	0.96	-0.61	3.39	3.82	4.04	2.73	-1.36	1.53	2.93	<b>20.19</b>
<b>2016</b>	-0.14	-1.93	1.13	0.53	1.08	1.76	0.60	-1.46	2.23	-0.34	-0.46	0.07	<b>3.03</b>
<b>2017</b>	-0.81	0.02	0.76	1.13	0.61	0.19	-0.39	-0.75	0.34	-1.14	1.00		<b>0.95</b>


**Zenith**  
Investment Partners


Macquarie Wrap

BT Wrap

BT Panorama

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## More Information

Rani Singh – Business Development Manager

02 8047 7744

0422 745 731

[singh@wfunds.com.au](mailto:singh@wfunds.com.au)

[www.wfunds.com.au](http://www.wfunds.com.au)

Link Fund Solutions – Unit Registry

[LFS\\_contact@linkgroup.com](mailto:LFS_contact@linkgroup.com)

<http://www.linkfundsolutions.com/>

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