



## NTA and Monthly Update – March 2018

### Company at a Glance

ASX Code	WMK
Fund Size	AU\$81.4m
Fund Strategy	Equity Market Neutral
Share Price	\$0.84
Shares on Issue	85.9m
Dividend (HY18 Interim)	1 cent

### Net Tangible Asset (NTA) Backing

	Feb 18	Mar 18
NTA Before Tax	\$0.95	\$0.97
NTA After Tax	\$0.96	\$0.97
Dividend Declared (1.0¢)	(\$0.01)	(\$0.01)
NTA After Tax \$ Dividend (1.0¢)	\$0.95	\$0.96

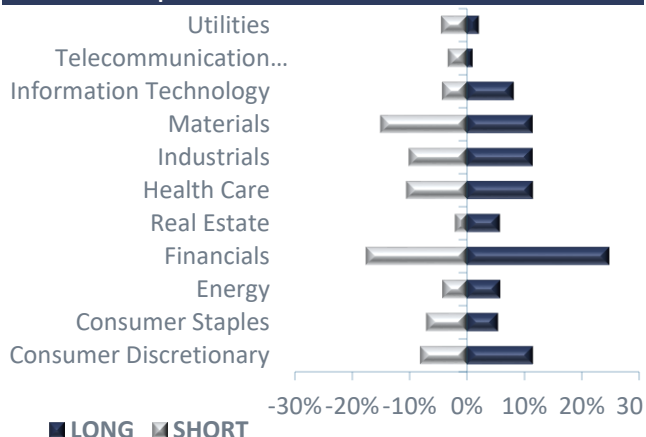
### Gross Portfolio Structure

Long Exposure	87.3%	99.2%
Short Exposure	-83.4%	-92.3%
Gross Exposure	170.7%	191.5%
Cash	96.1%	93.1%

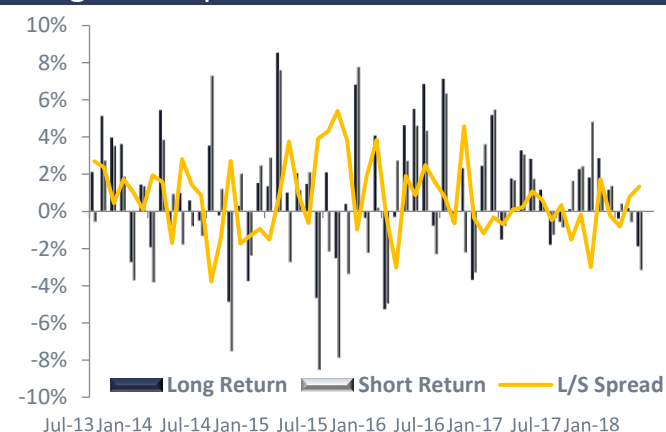
### WMK Performance

	1 Mth	3 Mths	1 Yr	2 Yrs (pa)	3 Yrs (pa)	S.I. (pa)
Portfolio Return (net)	1.0%	0.8%	-1.9%	0.8%	5.7%	4.9%
RBA Cash Rate	0.1%	0.4%	1.5%	1.6%	1.7%	2.0%
<b>Outperformance (net)</b>	<b>0.9%</b>	<b>0.4%</b>	<b>-3.4%</b>	<b>-0.8%</b>	<b>4.0%</b>	<b>2.9%</b>

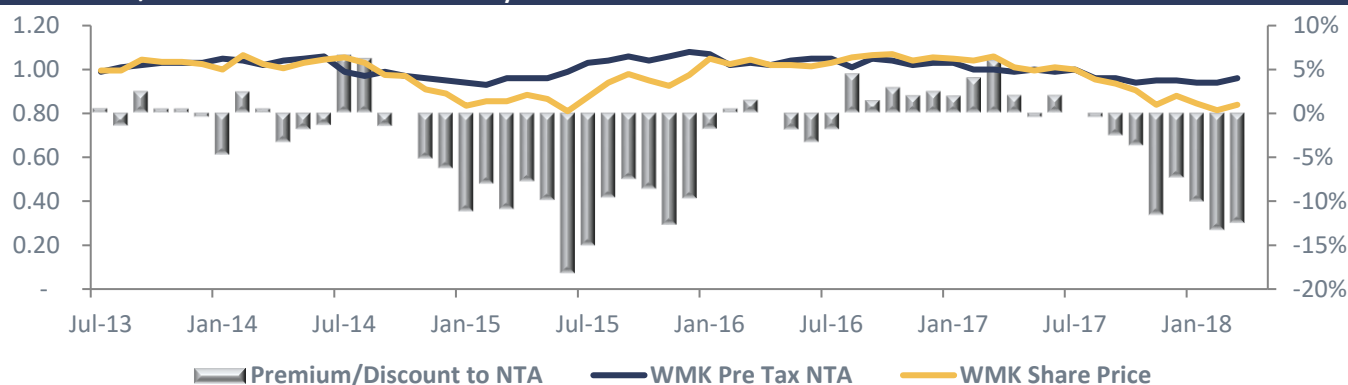
### Sector Exposures



### Long Short Spread



### Premium/Discount to NTA History



## Month in Review

Nervous investors in shares were provided with yet another reason to fret in March, with increasingly aggressive rhetoric between the US and China raising the prospect of a trade war between two economic superpowers. On top of continuing concerns about the impact of rising interest rates, building inflationary pressures across the global economy and fallout for the local banking system from the Royal Commission, investor sentiment was understandably pessimistic. Most major markets posted falls in the month, led by the Australian share market which fell 3.5%.

WMK's portfolio increased in value by 1.0% in March, outperforming the benchmark which rose by 0.1%. Short positions were the major contributor to fund performance, while at a sector level, TMT and Basic Industries delivered the strongest returns. The domestic portfolio continues to perform well and now represents 75% of the Fund's gross exposure, leaving the remaining 25% accounted for by our highest conviction ideas from the international portfolio.

Commodity prices moved lower in the month, with the price of iron ore down 20% on slow Chinese demand following its winter shutdown. With no net exposure in the metals and mining sector, the Fund benefitted from gains on investments in Lynas and Iluka, while shorts fell in line with the market, also adding to returns. The price of oil advanced in the month buoyed by geopolitical concerns and OPEC posturing. Energy shares however were sold-off, creating an interesting divergence between the price of oil and companies that produce it. As such, we have been adding exposure to oil companies such as Woodside Petroleum. Woodside shares have fallen following the company's acquisition of a 50% share in the Scarborough gas field. LNG markets continue to evolve and tighten. In our view Woodside's counter-cyclical play here will ultimately be rewarded.

Shorts in discretionary retailers were also notable contributors. Promotional activity remains high in Australia, in response to tepid consumer demand and online competition. This is putting pressure on margins for retailers. An investment in Tabcorp was a drag on performance, as rumours suggest tough conditions in the wagering market for the first two months of the year. We underestimated the level of shareholder frustration with the recent result and arguably re-established this position too soon, however we see the potential for attractive returns in the medium term.

Technology was another volatile sector in March, with several of the leading names coming under pressure. Domestically, contributions to performance were widespread, including shorts in the telecom sector and an investment in APN Outdoor which is enjoying a turnaround in operating performance. Internationally, we benefitted from core shorts in European broadcasters and advertising agencies, particularly WPP which reported disappointing results and guidance during the month. A short in Swisscom performed well with the aggressive entry of Salt as a new competitor in the Swiss broadband market.

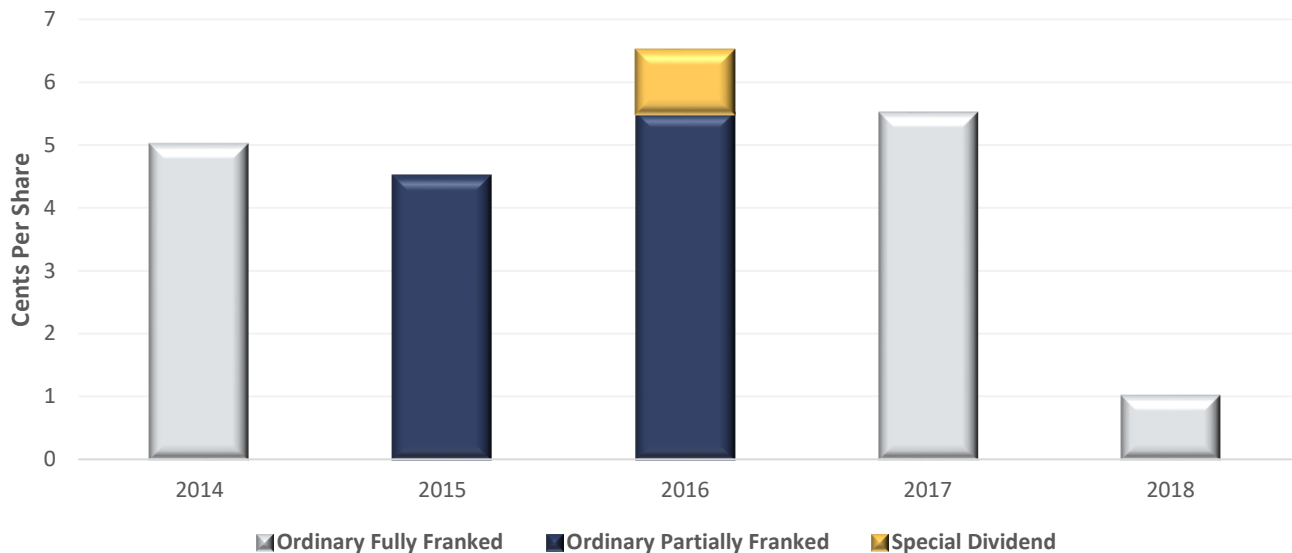
Financial shares underperformed broad stock market indices in March on concerns over rising costs of bank funding, priced in US dollars. There are a variety of explanations for this, from increased issuance of US Government bonds to hoarding of offshore USD liquidity by US corporates. With a heavy reliance on wholesale funding markets offshore, Australian banks are particularly exposed to this thematic. Nevertheless, these risk indicators for the banking sector have stabilised and we gradually increased the Fund's net exposure to local banks through the month, seeing very little downside risk to valuations from here. Shorts in the local insurance sector were also strong performers in the month.

We continue to add to an investment in Ramsay Healthcare, where we expect an uplift in the company's spending on brownfields hospital developments will drive stronger results in the second half of FY18 and into the future. We also take comfort in management's decision to conduct an extra round of due diligence across all pipeline business cases, which supports the decision to lift expansionary spending. A new investment in GSK was initiated in March. GSK shares have underperformed for some time now; however, we expect the company's renewed focus on reinvigorating the pharmaceutical pipeline will improve returns moving forward.



## Dividend History

The Board is committed to paying a consistent stream of franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and that it is within prudent business practices. Dividends are paid on a six-monthly basis. A Dividend Reinvestment Plan is available to shareholders. Please contact Boardroom Limited for details on how to participate – 02 9290 9600; [callcentre@boardroomlimited.com.au](mailto:callcentre@boardroomlimited.com.au)



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