



Monthly Update – June 2018

Fund at a Glance

Fund Size	AU\$253m
Strategy FUM	AU\$322m
Fund Inception Date	August 2012
Fund Strategy	Equity Market Neutral
Application/Redemption	Daily
Management Fee	1.5%
Performance Fee	20%
Benchmark	RBA Cash Rate

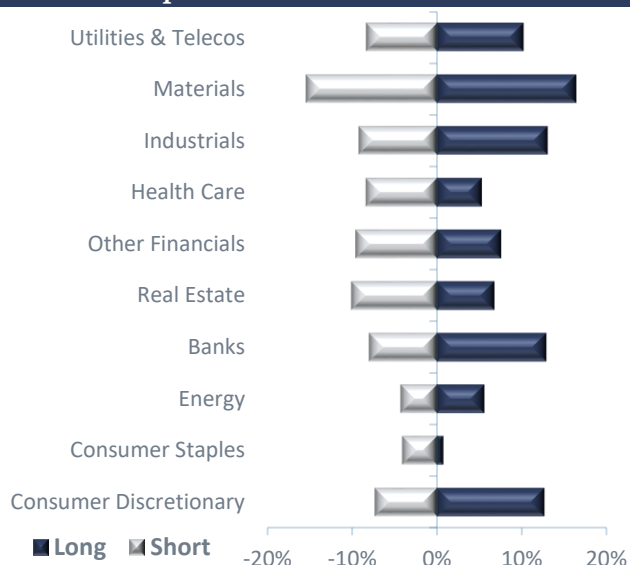
Return Characteristics¹

Positive Months	68%
Beta	-0.2%
Sharpe Ratio	1.2
Sortino Ratio	3.8
Standard Deviation (annualized)	6.6%
No. Long Positions	79
No. Short Positions	76
Gross Exposure	177%
International Exposure (% of Gross)	19.5%

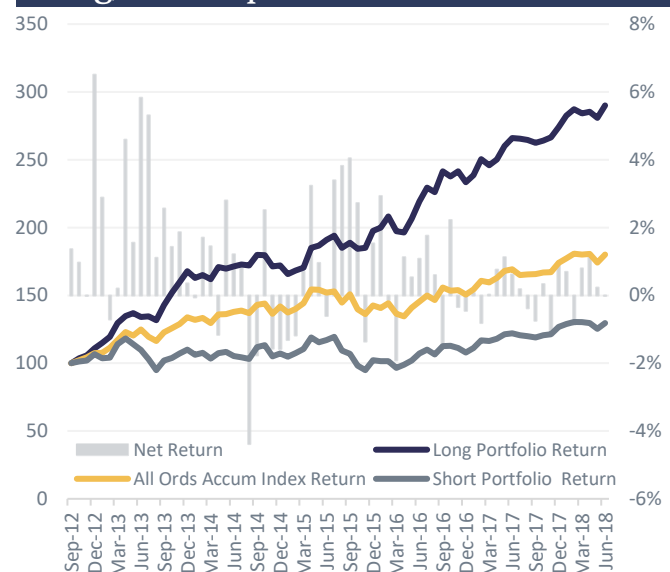
Performance

	1 Mth	1 Yr	2 Yrs (pa)	3 Yrs (pa)	4 Yrs (pa)	5 Yrs (pa)	SI (pa)
WMNT (net return)	-0.6%	0.5%	1.5%	6.5%	4.3%	6.4%	10.3%
RBA Cash Rate	0.1%	1.5%	1.5%	1.7%	1.9%	2.0%	2.2%
Outperformance	-0.7%	-1.0%	0.0%	4.8%	2.4%	4.4%	8.1%

Sector Exposures



Long/Short Spread²



Gross Portfolio Structure

Investment Type	May 2018		June 2018	
	\$m	%	\$m	%
Listed Securities - Long	245.4	93.3	231.5	91.5
Listed Securities - Short	-229.6	-87.3	-215.6	-85.2
Net Exposure	16.0	6.1	15.9	6.3
Cash	247	93.9	237.1	93.7
Capital	263	100	253	100

Month in Review

The Australian share market outperformed its global peers in June, buoyed by a weaker local currency and inbound capital flows, as investors rotated out of emerging markets. The outlook for growth in the domestic economy remains uncertain, with falling property prices and tighter availability of credit likely to weigh on household consumption. Geopolitical tensions continue to weigh on the minds of investors in global shares, however neither the looming global trade war nor the prospect of denuclearisation of the Korean Peninsula was sufficient to move markets significantly in either direction.

The Fund fell by 0.6% in June after all fees, with losses concentrated on the short side given the rising local market. The Financials portfolio was the strongest performer in the month, followed by Basic Industries and Telecommunications. Healthcare, Real Estate and Information Technology were detractors from returns.

In the Consumer portfolio, the most notable performers were investments in global snacking company *Mondelez* and local gaming companies *Tabcorp* and *Aristocrat*. *Mondelez* recovered from its sell-off in the previous month which had been fuelled by concerns about the outlook for emerging market economies. *Mondelez* remains a compelling opportunity, with international growth opportunities but a valuation more in keeping with challenged North America-centric peers.

A new position was established in *Premier Investments*, owner of the fast growing and high return Smuggle business. Our analysis indicates that *Premier Investments* is trading at a substantial discount to the sum of the value of each of its individual retail concepts. The Fund's long standing European pair, which reflected our preference for *Heineken* over *Carlsberg*, was closed during the month as it became clear that the difference in organic growth profiles for the two brewers will converge over the remainder of the year.

Across the global Healthcare sector, share prices were volatile as investors took profits on investments in the leaders (medical devices and life sciences), while US pharmaceutical distributors were sold aggressively after *Amazon* acquired *PillPack*, providing it with a nationwide footprint in pharmaceuticals distribution in the US. Domestic healthcare shares continue to materially outperform international peers, although shares of *Ramsay Healthcare* declined further after the company unexpectedly announced it would miss its full year targets by a modest margin. It is clear the company is not immune to the domestic slowdown in procedure volumes despite management's previous commentary to the contrary. In light of these developments, we cut our investment in *Ramsay Healthcare* and await a better entry point.

The Financials portfolio contributed positively to returns during the period, benefitting from an investment in UK-based *Clydesdale Bank (CYBG)*. Investors reacted positively to the June 18 announcement from the Boards of *CYBG* and *Virgin Money* that they had agreed on terms for an all-share offer to be made by *CYBG* for *Virgin Money*. In our view, the deal is strategically sensible and will materially increase the earnings power of the combined entity, representing 40% upside from current levels on our analysis. Strength across the domestic banking sector was also beneficial for the Fund, however we took the opportunity to reduce our net long exposure to the banks and increase short exposures in the real estate sector.

Mining shares were weaker in June, with soft economic data from China pushing the price of copper down by 10%. The price of Oil rallied on threats of disruptions to supply, resulting from tougher sanctions on Iran. We exited our position in *BHP Billiton* as the shares had considerably outperformed their global peers and fully reflect the future value that could be created from the sale of its US shale business. We added *South32* to the portfolio following their acquisition of *Arizona Mining*. This recently discovered asset offers exploration potential that could deliver a long life mine. Despite the acquisition cost, we expect the company can continue returning capital to shareholders. We initiated an investment in *Santos* after the company rejected Harbour Energy's takeover bid. With tightening global LNG markets, buoyant oil prices and high domestic gas prices, the company is well placed to add value through their undeveloped portfolio.

The outdoor advertising sector witnessed a deal frenzy in June, with *JC Decaux* making an offer for *APN Outdoor* and *Ooh Media* purchasing *Adshel*. While both deals require ACCC approval, we participated in the equity raising for *Ooh Media*, believing that this will create an enviable position in the structurally growing outdoor market. Telstra announced plans to cut 8,000 staff and rebased earnings expectations. This sent the telco sector lower, benefitting the Fund.

Monthly Net Performance (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	-	-	-	-	-	-	-	1.36	0.97	0.00	6.51	2.88	12.14
2013	-0.71	0.21	4.60	1.55	5.83	5.31	1.11	2.57	1.43	1.86	0.35	-0.06	26.57
2014	1.71	1.45	-1.17	2.80	1.21	0.84	-4.38	-1.77	2.52	-1.57	-1.58	-1.32	-1.51
2015	-1.18	0.70	3.23	0.96	-0.61	3.39	3.82	4.04	2.73	-1.36	1.53	2.93	21.92
2016	-0.14	-1.93	1.13	0.53	1.08	1.76	0.60	-1.46	2.23	-0.34	-0.46	0.07	3.03
2017	-0.81	0.02	0.76	1.13	0.61	0.19	-0.39	-0.75	0.34	-1.14	1.00	0.69	1.62
2018	-0.86	0.80	1.23	0.23	-0.01	-0.61							0.77



Macquarie Wrap

BT Wrap

BT Panorama

Asgard

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IOOF Pursuit

Mason Stevens

Powerwrap

Hub24

AMP North

KeyInvest Life Events Bond

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

² 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.

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