



NTA and Monthly Update – September 2018

Company at a Glance

ASX Code	WGF
ASX Code Options	WGFO
Fund Size	AU\$78.1m
Fund Strategy	Global Market Neutral
Share Price	\$0.86
Shares on Issue	74.5m
Option Price	0.1 cents

Net Tangible Asset (NTA) Backing

	Aug 18	Sep 18
NTA Before Tax	\$1.08	\$1.08
NTA After Tax	\$1.07	\$1.07
Dividend Declared	(\$0.0075)	(\$0.00)
NTA After Tax & Dividend	\$1.06	\$1.07

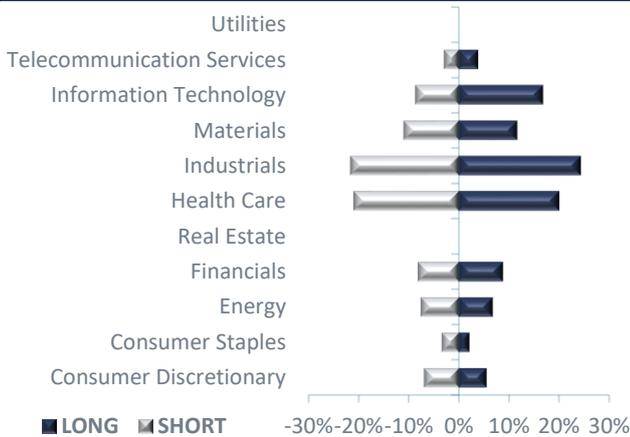
Gross Portfolio Structure

Long Exposure	102.7%	100.2%
Short Exposure	-97.8%	-95.5%
Gross Exposure	200.5%	195.7%
Cash	95.1%	95.3%

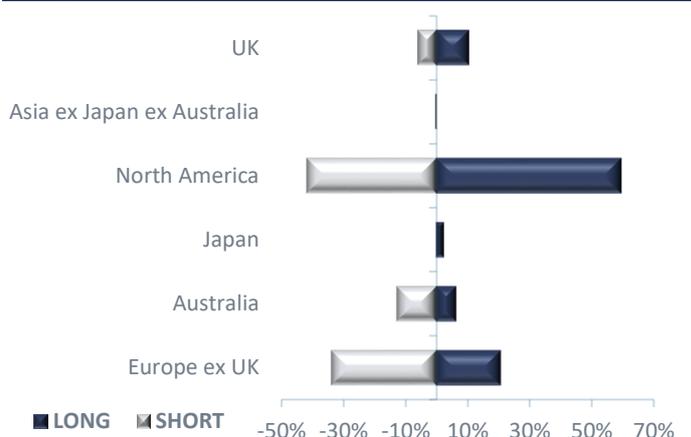
Performance

	1 Mth	3 Mths	6 Mths	Fin. YTD	1 Yr	2 Yrs (pa)	S.I.
Portfolio (net return)	0.8%	0.0%	0.5%	0.0%	-2.8%	-	-1.6%
RBA Cash Rate	0.1%	0.4%	0.8%	0.4%	1.5%	-	1.6%
Outperformance	0.7%	-0.4%	-0.3%	-0.4%	-4.3%	-	-3.2%

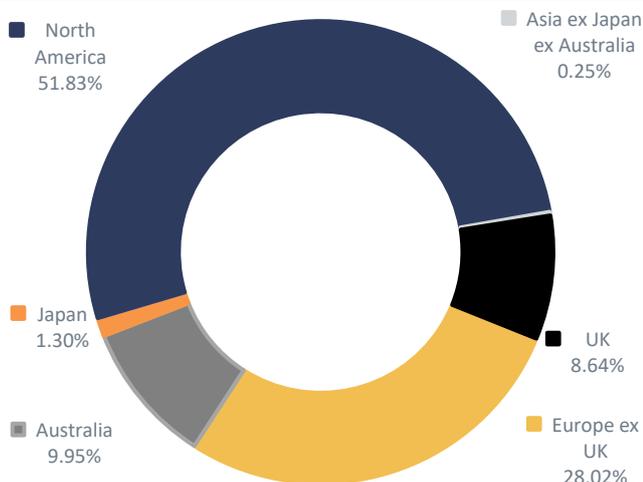
Sector Exposures



Regional Exposures (Net)



Regional Exposures (Gross)



Contributors/Detractors

Top 3 Contributors	
Aurelia Metals Limited	0.4%
Snap Inc	0.2%
Fisher & Paykel Healthcare	0.2%
Top 3 Detractors	
Lynas Corporation	-0.4%
BHP Billiton Limited	-0.4%
IPG Photonics Corporation	-0.2%

Month in Review

Global markets proved resilient in September, posting gains despite escalating trade tensions. The US has now applied a 10% tariff on \$200b of Chinese imports, with this rate is set to increase to 25% by the end of the year. The Chinese government has retaliated with measures of its own, leading President Trump to threaten further tariffs should China continue to target US farmers and industries.

Notwithstanding this continued threat to global trade, the US share market posted strong gains in September, with the S&P 500 finding a new high. US economic data remains generally positive, although labour shortages and rising transportation costs are dampening sentiment at the margin. Telecom, Healthcare and Energy were the best performing sectors, while rising bond yields resulting from further rate-hikes from the US Federal Reserve proved a headwind for defensive sectors such as real estate.

European politics are an ongoing concern for investors, with Theresa May's Brexit plan being rejected again by the EU. The Italian political situation continued to cause friction with the union due to the new government's intention to increase budget deficit targets. Despite of all this, European markets were largely flat through the month. The European Central Bank will halve the pace of its monthly asset purchases in October and end them completely in December 2018. This could put some pressure on European markets as we move into 2019.

There are further signs that the Chinese economy is slowing, with the housing market continuing to cool through the month – August new home sales were down 4% sequentially while land sales have also gotten weaker as developers turn more cautious and face increasingly tight liquidity. However, the government has signalled it will once again emphasise investment in infrastructure, including areas such as agriculture and transportation, which could turn infrastructure spending positive for the first time in 2 years and provide some support for exposed companies and various commodities.

The Fund delivered a net return of 0.8% in September, with strong contributions coming from the Industrials, TMT and Basic Industries sectors. Financials were the primary detractor from returns in the month.

Industrials were a solid contributor in September, most notably through our short in Tesla - which benefitted from the SEC lawsuit against Elon Musk - and a strong bounce for investments in US machinery names such as Caterpillar, Deere and United Rentals. Investments in commercial aerospace companies such as Safran also continued to make new highs, while short exposures in companies exposed to the automotive sector performed well on the back of softer demand in China, margin compression resulting from increased emissions standards and peaking end markets. We initiated several new positions through the month, including shorts in Johnson Controls, Terex and Metso, which are facing significant headwinds as their respective industrial cycles stall, while trading at very high valuations relative to their peers.

TMT was a positive contributor to the Fund. Among the winners, our position in CBS was up 10% after news broke out of the settlement between CBS and the Redstone family, effectively pushing back the threat of a forced merger with Viacom and opening the door to other potentially more accretive M&A opportunities. Activision performed positively in the lead up to the key game release window in October. Our short position in Snap added to performance, with the stock down over 23% during the month due to lower user growth and continued revenue deceleration against expectations.

The Consumer portfolio was flat for the month. Our short in Burberry was a key contributor with the stock down 12%, as investors have realised that the new collection will not be in stores until Feb 2019.

Global healthcare shares posted solid gains, marked by ongoing support for leadership groups (MedTech/LifeScience Tools) and investors rotating into more 'defensive' and 'value' healthcare segments (mature pharmaceuticals/biotechnology companies). European peers staged a late rally to finish flat with performance reflecting Euro currency moves as opposed to any change in fundamentals. While fund flows continue to support mature US pharmaceutical/biotechnology companies, we remain cautious as structural changes to drug pricing edge closer to reality, and the impact from drug company decisions to limit price increases in 2018 weigh on future growth. The Healthcare portfolio posted positive gains in Boston Scientific, NovoCure and Vertex Pharmaceuticals.

The Financials portfolio was a detractor over the month. Our position in Danske Bank weighed on performance as its Estonian money laundering problem continues and the company is expected to face fines from several regulators. However, valuation support remains, and the current share price seems to reflect the potential impact of fines.

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