

## Monthly Update – November 2019

### Fund at a Glance

Fund Size	AU\$36m
Strategy FUM	AU\$296m
Fund Inception Date	May 2019
Fund Strategy	Variable Beta
Application/Redemption	Monthly
Benchmark	RBA Cash Rate

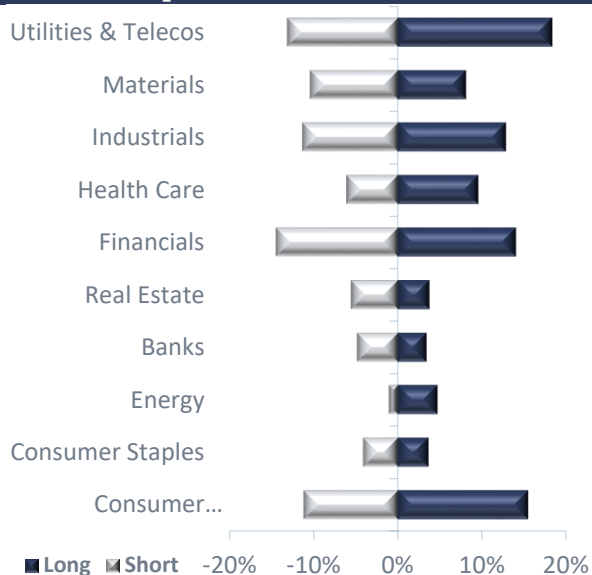
### Return Characteristics

No. Long Positions	67
No. Short Positions	65
Gross Exposure	194.3%
Net Exposure	-1.03%
<b>Unit Price</b>	<b>\$ 1.0459</b>

### Performance

	1 Mth	3 Mths	FYTD	SI
WARF (net return)	-0.4%	0.7%	4.3%	4.6%
RBA Cash Rate	0.1%	0.2%	0.4%	0.5%
<b>Outperformance</b>	<b>-0.5%</b>	<b>0.5%</b>	<b>3.9%</b>	<b>4.1%</b>

### Sector Exposures



### Gross Portfolio Structure

Investment Type	\$m	%
Listed Securities - Long	34.8	96.6
Listed Securities - Short	35.1	-97.6
<b>Net Exposure</b>	<b>-0.4</b>	<b>-1.0</b>
Cash	36.4	101.0
<b>Capital</b>	<b>36</b>	<b>100</b>

### Managing your Investment

The Fund is priced monthly, on or around the 6th business day of each month. Boardroom Limited, who manage the unit registry for the Fund, will accept applications and redemption requests up until 2pm on the 10th business day of each month, giving investors the opportunity to review the latest unit price before deciding to apply for, or redeem units.

Redemption proceeds will ordinarily be paid within 5 days of the cut off. Investors should refer to the Product Disclosure Statement for the Watermark Absolute Return Fund for details on applying for and redeeming units in the Fund.

For any queries regarding your unit holding, please contact the unit registry managed by Boardroom Limited at [watermark@boardroomlited.com.au](mailto:watermark@boardroomlited.com.au); or 1300 737 760.

## Month in Review

November was a strong month for the Australian share market, which has risen by 24% so far in 2019. Improved prospects of a trade deal provided a boost for mining shares, while the banking sector continues to struggle through a weak operating environment, concerns over capital adequacy and the ongoing fallout from regulatory breaches such as Westpac's AUSTRAC fiasco. Notwithstanding the strong performance of share markets across the developed world, earnings trends are weak and valuations are stretched, placing ever-greater importance on the role of governments and central banks in navigating the global economy through this challenging period.

The Fund returned -0.4% in the month, with fully hedged portfolio settings weighing on performance in a buoyant month for share market. There was broad divergence in the performance of various sectors of the market, with IT, Healthcare and Resources all posting strong gains, while Financials and Utilities posted losses.

TMT & Healthcare were strong contributors to performance in the month. An investment in CSL continued to re-rate higher, with tighter IG markets globally enabling the company to put up pricing and support margins. Our investment in Paradigm Biopharmaceuticals benefited from continued progress towards commercialisation of its injectable Pentosan treatment for osteoarthritis of the knee. Positive Special Access data in Australia has left us constructive on the likelihood of approvals in Australia and abroad during 2020. Our position in Bravura, which had been held back by Brexit-related fears given its heavy UK exposure, was a significant contributor after management upgraded its FY20 targets on occasion of its AGM. An investment in Appen also benefited from an earnings upgrade ahead of the conclusion of its financial year in December.

In Financials, our investment in EML Payments continued to rise, following its acquisitions of Prepaid Financial Services Ireland Limited (PFS), a UK prepaid card company. We consider this to be a transformational acquisition given PFS' substantial footprint in payment services for European neo-banks. Another key contributor was an investment in Janus Henderson. Janus is a global fund manager that has experienced a period of outflows over several years. These trends appear to be abating with key funds returning to inflows and performance stabilising. The valuation remains undemanding with the stock trading on a 10x price-to-earnings multiple, a 55% discount to the broader Australian industrials which are on 22x.

While the Energy and Resource sectors delivered solid returns in November, it was not all smooth sailing. Prices of base metals and gold were soft while iron ore rallied. Mining services companies also did well, although this was not reflected in the performance of Australian miners, which failed to lift convincingly. Performance in the sector was dominated again by short positions. Investments in NRW Holdings, Saracen (lower gold prices), Karoon Gas (strong performance following capital raise) and Western areas (lower nickel price) were all key contributors. We retain a net long exposure in this part of the portfolio in expectation of a partial trade deal and support for commodities from China. We initiated positions in Rio Tinto and Origin during the month.

The Consumer sector contributed strongly to portfolio returns in November, with performance driven by positions in Gaming and Leisure. In particular, the Fund benefited from investments in Aristocrat Leisure, Pointsbet, Corporate Travel and Webjet. The leisure/travel sector is offering good value currently, as shares have been indiscriminately sold-off on the back of a series of travel disruptions including Brexit, the Hong Kong riots and the collapse of two European travel companies. Importantly for the sector, these disruptions are likely to be temporary, in some cases deferring spend to future periods. History has shown that a snap-back of deferred corporate travel often drives stronger than average trading performance post disruption.

## Monthly Net Performance (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019					-0.70	0.94	2.09	1.54	-0.49	1.59	-0.42		4.59

## More Information

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**Boardroom Limited – Unit Registry**

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<https://www.boardroomlimited.com.au/>

**Available on the following platforms:**

Macquarie Wrap

BT Wrap

Netwealth

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