



NTA and Monthly Update – January 2019

Company at a Glance

ASX Code	WMK
Fund Size	AU\$70.5m
Fund Strategy	Equity Market Neutral
Share Price	\$0.85
Shares on Issue	81.4m

Net Tangible Asset (NTA) Backing

	Dec 18	Jan 19 Pre Tax Adj	Jan 19 Post Tax Adj
NTA Before Tax	\$0.91	\$0.91	\$0.87
NTA After Tax	\$0.92	\$0.92	\$0.87

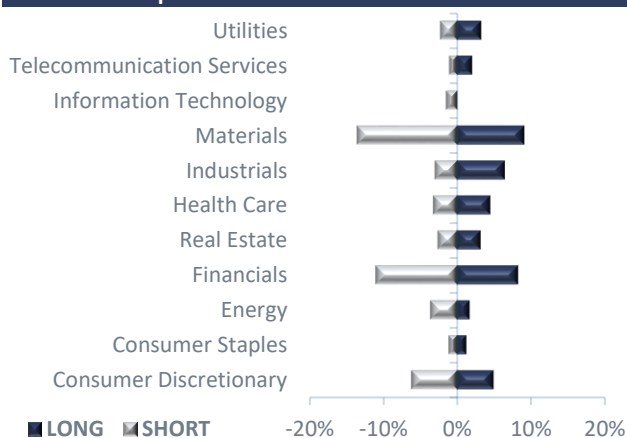
Gross Portfolio Structure

	Dec 18	Jan 19 Pre Tax Adj	Jan 19 Post Tax Adj
Long Exposure	58.7%	44.8%	44.8%
Short Exposure	-59.8%	-49.9%	-49.9%
Gross Exposure	118.5%	94.7%	94.7%
Cash	101.1%	105.1%	105.1%

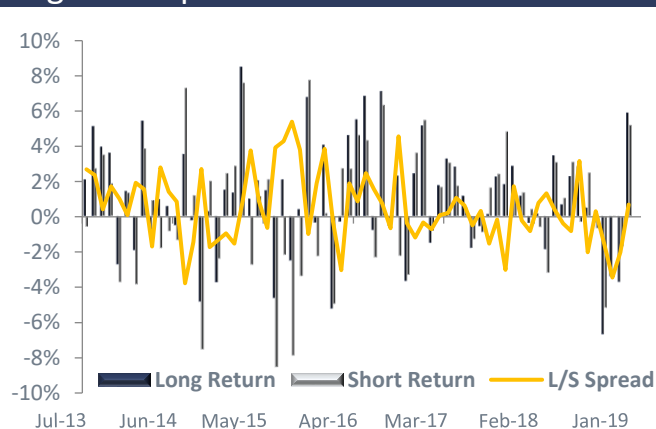
WMK Performance

	1 Mth	3 Mths	1 Yr	2 Yrs (pa)	3 Yrs (pa)	5 Yrs (pa)	S.I. (pa)
Portfolio Return (net)	0.1%	-4.1%	-4.3%	-3.9%	-1.8%	2.0%	3.1%
RBA Cash Rate	0.1%	0.4%	1.5%	1.5%	1.6%	1.9%	1.9%
Outperformance (net)	0.0%	-4.5%	-5.8%	-5.4%	-3.4%	0.1%	1.2%

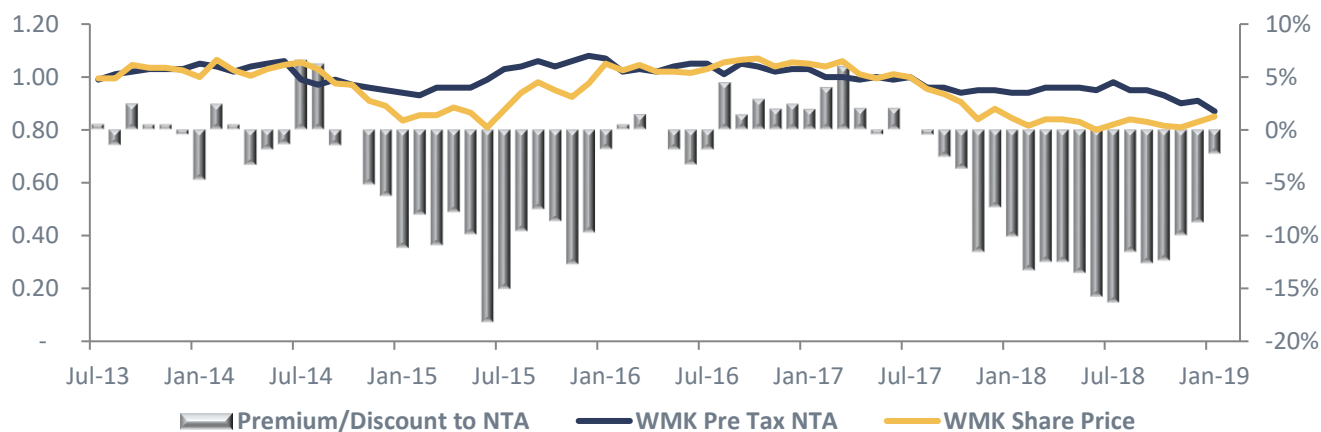
Sector Exposures



Long Short Spread



Premium/Discount to NTA History



NTA adjustment resulting from tax asset write-downs

On 12 February 2019, the Board announced that it had resolved to write down the value of certain Deferred Tax Assets (DTA). The relevant DTA's were comprised predominantly of tax losses carried forward from prior years, as well as tax assets arising from realised and unrealised losses from the current financial year. Some of the DTA related to withholding taxes receivable by the Company in respect of foreign investments that the Board considers unrecoverable.

Historically WMK has included various tax losses on its balance sheet as assets, on the basis that the value of these assets would be more likely than not be utilised by WMK making future taxable gains. In light of recent ASX announcements in respect of the planned restructure of WMK, the Board felt it prudent to write down the value of DTA's in the Company's half-year accounts for the period ending 31 December 2018.

DTA's are included in the normal calculation of the Company's monthly pre- & post tax NTA. Having resolved to write down the value of the DTA after executing the Scheme Implementation Deed on 5 February 2019, the change is disclosed for the first time in the January 2019 NTA Update.

Portfolio Update

Share markets recovered strongly in January, regaining most of the ground lost in December. The United States was the best of the developed markets in the month, buoyed by a dovish US Federal Reserve which looks like it will leave rates on hold for the first half of 2019. The Australian share market also posted solid gains, with only the Financials sector weighing on market returns as investors pre-empted the fallout from the Hayne Royal Commission.

The Fund posted a modest gain of 0.1% net of all fees. With no net exposure to the rising market, Fund returns were derived from modest sector tilts and some stock-specific wins in the month. Specifically, net short exposures in the Financials and Consumer Discretionary sectors worked well, while investments in Aurelia Metals, Tabcorp Holdings and Oil Search made solid contributions.

In Financials we retain a core investment in Macquarie Group, balanced by short exposures in asset managers with earnings that are more sensitive to share market volatility. We adjusted our positioning in the Australian banks through the month, establishing short positions in banks with the greatest exposure to deteriorating trends in the residential housing market, and initiating an investment in NAB, which has the strongest business banking franchise for small and medium-sized businesses. This change detracted from returns in the month as NAB bore the brunt of criticism from Commissioner Hayne. We will monitor developments at NAB as the bank looks to replace its CEO and Chairman, however we remain confident in the outlook for the company's earnings in the near-term.

The sharp rally in offshore markets pushed the price of local technology shares higher, reversing some of the gains on short positions that were generated in December. We believe the onset of cyclical concerns in the Australian economy has created opportunities in the TMT sector. Consequently, our investment in oOh!media is likely to benefit from incremental revenue from digital investments, structural audience growth and improved market structure post the recent consolidation of Adshel (oOh!media) and APN Outdoor (JCDecaux).

The Healthcare portfolio was a positive contributor for the month. Our position in Healius (former Primary Healthcare) benefited from a takeover offer by its controlling shareholder Jangho Healthcare Group. Even though the company was quick to reject the offer as "opportunistic and highly conditional" the share price continues to hold on expectations of either a higher offer or another suitor to emerge.

The oil price rallied as OPEC announced production cuts, and US sanctions on Venezuela reduced supply. This helped our core holding in Oil Search which continues to advance its recent Alaskan acquisition. We took advantage of the stronger oil price and reduced our exposure in the energy sector, moving to a balanced position. Volatility is likely to continue which could present trading opportunities.

A hiatus from the US Federal Reserve on planned rate rises provided a boost for emerging markets and resource companies. We remain balanced across the sector, expecting softer Chinese demand in 2019. Gold in particular benefitted from the dovish Fed commentary and our key holding in Aurelia Metals performed well.

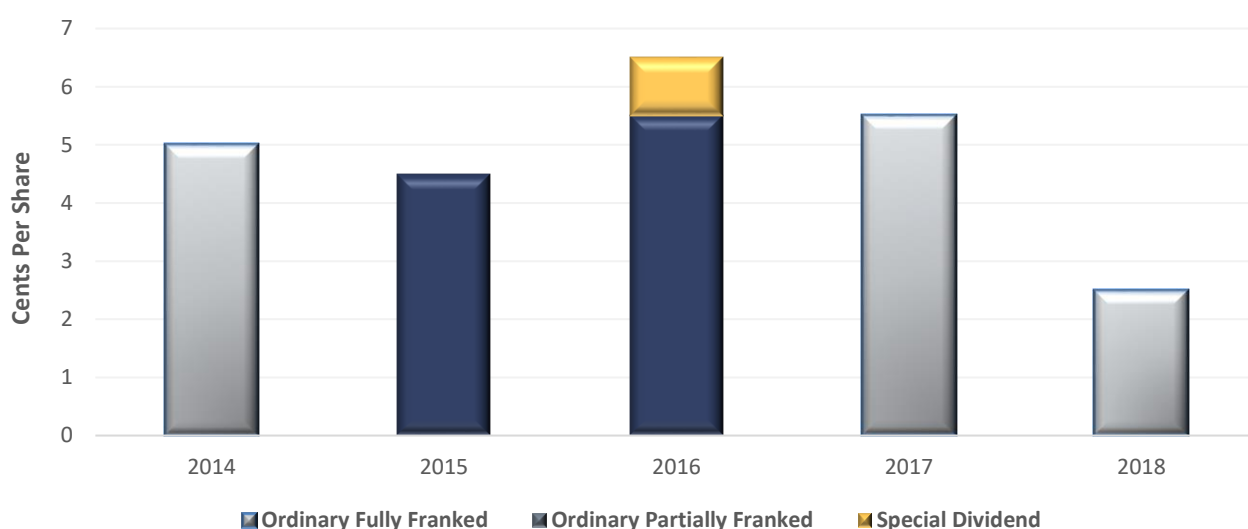


The company has transitioned the Peak mine to a contractor and expects significant cost reductions and increased production.

Gaming was the most notable sector in the consumer portfolio during January. In particular, an investment in Tabcorp. The business has been exposed to defensive spending patterns and is now entering a period of 'positive change'. The lotteries business is in the early stages of a switch to digital, while a structural change in the once-troubled wagering business should see it start to compete on a level playing field.

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



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