

# **Watermark Market Neutral Fund Limited**

ABN 45 163 980 498

## **Appendix 4D**

### **Preliminary report for the half-year ended 31 December 2016**

## Half-year report

This half-year ended report is for the reporting half-year from 1 July 2016 to 31 December 2016. The previous corresponding half-year was 1 July 2015 to 31 December 2015.

### Results for announcement to the market

Revenue from ordinary activities	Down	68.3%	to	5,758,932
Profit before tax for the period	Down	93.1%	to	798,605
Profit from ordinary activities after tax attributable to members	Down	91.1%	to	800,110

### Dividends

	Dividend Rate	Total Amount \$	Record Date	Date of Payment	Percentage Franked
2016 Final (paid 20/10/2016)	\$0.030	\$2,613,601	05/10/2016	20/10/2016	75%
2017 Interim (payable 27/04/2017)	\$0.030	\$2,613,601	12/04/2017	27/04/2017	100%

### Net tangible assets

	31 December 2016	31 December 2015
Net tangible asset backing (per share) before tax	1.03	1.08
Net tangible asset backing (per share) after tax	1.03	1.07

### Distribution Reinvestment Plan (DRP)

The Dividend Reinvestment Plan is in operation and the recommended Interim dividend of 3 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be at 2% discount to the price (calculated at the volume weighted average market price of Shares sold on ASX (on an ex-dividend basis) five business days from the ex-dividend date inclusive of the ex-dividend date less the Discount (if any)). The final time for receipt of an election notice for participation in the Dividend Reinvestment Plan is 5pm, 13 April 2017. Shares issued under the DRP will rank equally with existing ordinary shares. The Company reserves the right to issue DRP shortfall at Directors' discretion.

### Further information

This report is based on the Half Year Financial Report which has been subject to independent review by the Auditors, Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2016 Annual Financial Report.

# **Watermark Market Neutral Fund Limited**

ABN 45 163 980 498

## **Interim Report for the half-year ended 31 December 2016**

# **Watermark Market Neutral Fund Limited** ABN 45 163 980 498

## **Interim Report - for the half-year ended 31 December 2016**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Watermark Market Neutral Fund Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## Corporate Directory

### Directors

Matthew Kidman (Chairman)  
Justin Braithling (Non-Independent Director)  
John Abernethy (Independent Director)  
Stephen Van Eyk (Independent Director)  
Robert Ferguson (Independent Director)

### Secretary

Sophia Gartzonis

### Registered office

Level 6  
139 Macquarie Street  
Sydney NSW 2000  
Telephone: (02) 9252 0225  
Facsimile: (02) 9252 1220  
Email: [info@wffunds.com.au](mailto:info@wffunds.com.au)

For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange) refer to [www.asx.com.au](http://www.asx.com.au) or call (02) 8262 2800.

### Share registrar

Boardroom Pty Limited  
Level 12  
225 George Street  
Sydney NSW 2000  
Telephone: (02) 9290 9600  
Facsimile: (02) 9279 0664

For enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan) and related matters, please contact the share registrar.

### Auditor

Pitcher Partners  
Level 22 MLC Centre  
19 Martin Place  
Sydney NSW 2000  
Telephone: (02) 9221 2099  
Facsimile: (02) 9223 1762

### Securities exchange

Australian Securities Exchange (ASX)  
The home exchange is Sydney  
ASX code: WMK Ordinary shares

## **Directors' Report**

The Directors present their report together with the condensed financial report of Watermark Market Neutral Fund Limited ("the Company") for the half-year ended 31 December 2016.

### **Directors**

The following persons held office as Directors during the half-year or since the end of the half-year and up to the date of this report:

Matthew Kidman (Chairman)  
Justin Braitling (Non-Independent Director)  
John Abernethy (Independent Director)  
Stephen Van Eyk (Independent Director)  
Robert Ferguson (Independent Director)

### **Principal activities**

The principal activity of the Company is making investments in listed companies. No change in this activity took place during the half-year period 31 December 2016 or is likely to take place in the future.

### **Review of operations**

Investment operations over the half-year ended 31 December 2016 resulted in an operating profit before tax of \$798,605 (2015: profit \$11,513,890) and an operating profit after tax of \$800,110 (2015: profit \$8,994,678). Asset backing for each ordinary share at 31 December 2016 (calculated on market value after realisation costs and all applicable taxes and before provision for dividend) amounted to \$1.03 per share (2015: \$1.07). Asset backing after tax on realised gains but before tax on unrealised gains was \$1.03 per share (2015: \$1.08).

### **Significant changes in the state of affairs**

At the expiry of the prior year buyback, the Company had bought back a total of 10,000 shares at an average price of \$0.95.

The Company renewed the share buy-back program for 12 months effective 29 September 2016 which was subsequently cancelled on 28 November 2016 as no shares were bought back during this time.

An additional 12 month on-market share buy-back program was announced by the Company effective 14 December 2016. No shares have been bought back since its commencement.

Mr Matthew McShane resigned as Company Secretary for Watermark Market Neutral Fund Limited, effective 9 December 2016. Following the resignation, Ms Sophia Gartzonis was appointed as Company Secretary, effective 9 December 2016.

There were no other significant changes in the state of affairs of the Company during the half-year ended 31 December 2016.

### **Rounding of Amounts to nearest dollars**

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and in the Financial Report have been rounded to the nearest dollar.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year is set out on page 4.

This report is made in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to read 'MKidman', with a long horizontal flourish extending to the right.

Matthew Kidman  
Chairman

Sydney  
24 February 2017

**Auditor's Independence Declaration**  
**To the Directors of Watermark Market Neutral Fund Limited**  
**ABN 45 163 980 498**

In relation to the independent auditor's review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Watermark Market Neutral Fund Limited.



S M WHIDDETT  
Partner

PITCHER PARTNERS  
Sydney

24 February 2017



**Watermark Market Neutral Fund Limited**  
**Statement of Comprehensive Income**  
**For the half-year ended 31 December 2016**

	<b>Half-year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
Notes	\$	\$
<b>Investment income from ordinary activities</b>		
Net realised gains on investments	8,651,315	12,941,118
Net unrealised (losses)/gains on investments	(5,465,848)	2,387,966
Dividends	1,051,114	1,362,023
Interest	1,282,356	1,414,821
Trust distributions	132,768	145,676
Other income	-	82,129
Net foreign exchange gains	107,227	(165,563)
	<u>5,758,932</u>	<u>18,168,170</u>
<b>Expenses</b>		
Management fees	(469,599)	(457,192)
Performance fees	(244,680)	(2,249,905)
Brokerage expense	(681,911)	(807,060)
Short dividend expense	(1,855,661)	(1,816,804)
Accounting fees	(66,297)	(59,787)
Share registry fees	(56,926)	(31,729)
Stock loan fees	(402,738)	(329,206)
Interest expense	(934,607)	(696,505)
Directors' fees	(65,000)	(65,000)
Legal fees	(5,495)	(5,096)
ASX fees	(29,167)	(25,761)
Audit fees	(25,860)	(38,570)
Other expenses	(122,386)	(71,665)
	<u>(4,960,327)</u>	<u>(6,654,280)</u>
<b>Profit before income tax</b>	798,605	11,513,890
Income tax benefit/(expense)	1,505	(2,519,212)
<b>Profit for the period</b>	<u>800,110</u>	<u>8,994,678</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>	<u>800,110</u>	<u>8,994,678</u>
	<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>		
Basic earnings per share	0.92	10.69
Diluted earnings per share	0.92	10.69

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**Watermark Market Neutral Fund Limited**  
**Statement of Financial Position**  
**As at 31 December 2016**

	At	
	31 December	30 June
	2016	2016
Notes	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	87,956,401	93,247,732
Trade and other receivables	1,406,082	4,179,652
Financial assets at fair value through profit or loss	2(a) 101,864,546	104,512,860
Current tax assets	-	1,534,384
Other current assets	30,945	-
<b>Total current assets</b>	<b>191,257,974</b>	<b>203,474,628</b>
<b>Non-current assets</b>		
Deferred tax assets	1,858,378	253,992
<b>Total non-current assets</b>	<b>1,858,378</b>	<b>253,992</b>
<b>Total assets</b>	<b>193,116,352</b>	<b>203,728,620</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	1,123,603	4,869,408
Financial liabilities at fair value through profit or loss	2(a) 101,430,718	106,552,187
Current tax liabilities	224,310	-
<b>Total current liabilities</b>	<b>102,778,631</b>	<b>111,421,595</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	-	155,813
<b>Total non-current liabilities</b>	<b>-</b>	<b>155,813</b>
<b>Total liabilities</b>	<b>102,778,631</b>	<b>111,577,408</b>
<b>Net assets</b>	<b>90,337,721</b>	<b>92,151,212</b>
<b>EQUITY</b>		
Issued capital	6 86,552,644	86,552,644
Profits reserve	5,567,637	6,364,468
Accumulated losses	(1,782,560)	(765,900)
<b>Total equity</b>	<b>90,337,721</b>	<b>92,151,212</b>

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

**Watermark Market Neutral Fund Limited**  
**Statement of Changes in Equity**  
**For the half-year ended 31 December 2016**

	Notes	Issued capital \$	Profits reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2015</b>		83,474,683	888,365	(753,232)	83,609,816
Profit for the period		-	-	8,994,678	8,994,678
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	7	-	(2,102,619)	-	(2,102,619)
Costs of issued capital		(3,021)	-	-	(3,021)
On market buy back		(9,500)	-	-	(9,500)
Transfer to profits reserve		-	9,009,216	(9,009,216)	-
		(12,521)	6,906,597	(9,009,216)	(2,115,140)
<b>Balance at 31 December 2015</b>		<b>83,462,162</b>	<b>7,794,962</b>	<b>(767,770)</b>	<b>90,489,354</b>
<b>Balance at 1 July 2016</b>		86,552,644	6,364,468	(765,900)	92,151,212
Profit for the period		-	-	800,110	800,110
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	7	-	(2,613,601)	-	(2,613,601)
Transfer to profits reserve		-	1,816,770	(1,816,770)	-
		-	(796,831)	(1,816,770)	(2,613,601)
<b>Balance at 31 December 2016</b>		<b>86,552,644</b>	<b>5,567,637</b>	<b>(1,782,560)</b>	<b>90,337,721</b>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Watermark Market Neutral Fund Limited**  
**Statement of Cash Flows**  
**For the half-year ended 31 December 2016**

	<b>Half-year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial assets	206,279,481	133,405,705
Purchase of financial assets	(192,034,729)	(136,371,257)
Proceeds from short sale of financial liabilities	170,157,729	164,020,126
Re-purchase of financial liabilities	(182,524,923)	(137,304,027)
Dividends and trust distributions received	1,715,351	1,486,194
Interest received	1,333,021	1,391,754
Interest paid	(903,070)	(700,157)
Underwriting income	-	73,433
Income taxes paid	-	(781,422)
Other income received	-	8,696
Investment management fees paid	(470,432)	(441,121)
Performance fees paid	(2,750,119)	-
Dividends paid on short stocks	(2,076,058)	(2,137,650)
Brokerage expense	(672,119)	(800,578)
Stock loan fees	(428,350)	(342,178)
Payments for other expenses	(410,739)	(316,324)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(2,784,957)</b>	<b>21,191,194</b>
<b>Net cash inflow from investing activities</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Payments for shares bought back	6 -	(233,015)
Share issue transaction costs	6 -	(4,316)
Dividends paid to company's shareholders	(2,613,601)	(2,109,428)
<b>Net cash (outflow) from financing activities</b>	<b>(2,613,601)</b>	<b>(2,346,759)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,398,558)</b>	<b>18,844,435</b>
Cash and cash equivalents at the beginning of the year	93,247,732	77,318,497
Effects of exchange rate changes on cash and cash equivalents	107,227	(165,563)
<b>Cash and cash equivalents at end of half-year</b>	<b>87,956,401</b>	<b>95,997,369</b>

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## **1 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these condensed interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The interim financial statements are for the entity Watermark Market Neutral Fund Limited.

### **(a) Basis of preparation of half-year report**

These interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standard.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Watermark Market Neutral Fund Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial statements have been prepared on an accrual basis, and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The interim financial statements were authorised for issue by the Board of Directors on 17 February 2017.

#### *(i) New and amended standards adopted by the Company*

Except as described below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

In accordance with ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016-191, the amounts in the Directors' Report and in the Financial Report have been rounded to the nearest dollar.

## **2 Fair value measurements**

This note provides an update on the judgements and estimates made by the Company in determining the fair values of the financial instruments since the last annual financial report.

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets and financial liabilities at fair value through profit or loss (FVTPL)

### **(a) Fair value hierarchy**

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2) and;
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

#### *(i) Recognised fair value measurements*

The following table presents the Company's financial assets and liabilities measured and recognised at fair value at 31 December 2016 and 30 June 2016 on a recurring basis.

## 2 Fair value measurements (continued)

### (a) Fair value hierarchy (continued)

At 31 December 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets at FVTPL				
Equity securities	56,513,011	-	-	56,513,011
Listed trusts	4,805,865	-	-	4,805,865
Equity securities international	40,545,670	-	-	40,545,670
<b>Total financial assets</b>	<b>101,864,546</b>	<b>-</b>	<b>-</b>	<b>101,864,546</b>

### Financial liabilities

Financial liabilities at FVTPL				
Equity securities sold short	59,179,844	-	-	59,179,844
Listed trusts	2,568,551	-	-	2,568,551
Equity securities international	39,641,172	-	-	39,641,172
Unlisted equity securities	-	41,151	-	41,151
<b>Total financial liabilities</b>	<b>101,389,567</b>	<b>41,151</b>	<b>-</b>	<b>101,430,718</b>

At 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets at FVTPL				
Equity securities	72,539,547	-	-	72,539,547
Equity securities international	31,593,711	-	-	31,593,711
Unlisted equity securities	-	379,602	-	379,602
<b>Total financial assets</b>	<b>104,133,258</b>	<b>379,602</b>	<b>-</b>	<b>104,512,860</b>

### Financial liabilities

Financial liabilities at FVTPL				
Equity securities sold short	75,056,531	-	-	75,056,531
Equity securities international	31,454,505	-	-	31,454,505
Unlisted equity securities	-	41,151	-	41,151
<b>Total financial liabilities</b>	<b>106,511,036</b>	<b>41,151</b>	<b>-</b>	<b>106,552,187</b>

There were no transfers between levels for recurring fair value measurements during the half-year.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

### (ii) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables approximate their fair values due to their short-term nature.

## 3 Segment information

The Company has only one reportable segment. The Company is engaged primarily in investment activities conducted in Australia, deriving revenue from dividend income, interest income and from the sale of its investments. The Company invests in both Australian and International equities.

#### 4 Income tax expense

Income tax expense is recognised based on management's estimate of the effective income tax rate expected for the financial period. The effective tax rate used for the period to 31 December 2016 is 0% (2015: 22%). The movement in the effective tax rate is due to the reduction in fully franked dividends received.

#### 5 Contingencies

The Company had no contingent liabilities at 31 December 2016 (June 2016: nil) .

#### 6 Issued capital

##### (a) Share capital

	<b>31 December 2016 Shares</b>	30 June 2016 Shares	<b>31 December 2016 \$</b>	30 June 2016 \$
Ordinary shares	<b>87,120,041</b>	87,120,041	<b>86,552,644</b>	86,552,644

##### (b) Movements in ordinary share capital

Details	Notes	Number of shares	\$
Opening balance 1 July 2015		84,104,755	83,474,683
Share placement shares issued	6(d)	3,025,286	3,116,045
On-market buyback	6(e)	(10,000)	(9,500)
Cost of issued capital		-	(28,584)
Closing balance 30 June 2016		<u>87,120,041</u>	<u>86,552,644</u>

Details	Number of shares	\$
Opening balance 1 July 2016	87,120,041	86,552,644
Closing balance 31 December 2016	<u>87,120,041</u>	<u>86,552,644</u>

##### (c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

##### (d) Share placement

A share purchase plan was announced to the market on 13 February 2016, the offer period from 15 February 2016 to 1 April 2016. This offer to eligible shareholders was to apply for up to \$15,000 worth of ordinary shares. A total of 3,025,286 shares were issued, at the issue price of \$1.03.

## 6 Issued capital (continued)

### (e) Share buy-back

At the expiry of the prior year buyback, the Company had bought back a total of 10,000 shares at an average price of \$0.95.

The Company renewed the share buy-back program for 12 months effective 29 September 2016 which was subsequently cancelled on 28 November 2016 as no shares were bought back during this time.

An additional 12 month on-market share buy-back program was announced by the Company effective 14 December 2016. No shares have been bought back since its commencement.

## 7 Dividends

### (a) Ordinary shares

	Half-year ended 31 December 2016 \$	31 December 2015 \$
Final dividend franked based on tax paid @ 30.0%	<u>2,613,601</u>	<u>2,102,619</u>

### (b) Dividend rate

Dividends paid franked based on tax paid at 30% tax rate

	Dividend Rate	Total Amount	Date of Payment	% Franked
Ordinary shares - final 2016	\$0.030	\$2,613,601	20/10/2016	75
Ordinary shares - final 2015	\$0.025	\$2,102,619	20/10/2015	50

### (c) Dividends not recognised at the end of the reporting period

	Half-year ended 31 December 2016 \$	31 December 2015 \$
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Since half-year end the Directors have recommended the payment of:  
- an interim dividend of 3 cents per fully paid ordinary share (2015 - 2.5 cents),  
100% franked (2015: 50% franked) based on tax paid at 30%.

The aggregate amount of the proposed dividend expected to be paid on 27 April 2017 out of the profits reserve at 31 December 2016, but not recognised as a liability at half-year end, is

	<u>2,613,601</u>	<u>2,943,317</u>
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## 8 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.



**Watermark Market Neutral Fund Limited**  
**Directors' Declaration**  
**For the half-year ended 31 December 2016**

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.



Matthew Kidman  
Chairman

Sydney  
24 February 2017

**Independent Auditor's Review Report  
to the Members of Watermark Market Neutral Fund Limited  
ABN: 45 163 980 498**

**Report on the Half-year Financial Report**

We have reviewed the accompanying half-year financial report of Watermark Market Neutral Fund Limited ("the company"), which comprises the statement of financial position as at 31 December 2016, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the company.

**Directors' Responsibility for the Half-year Financial Report**

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *"Review of a Financial Report Performed by the Independent Auditor of the Entity"*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *"Interim Financial Reporting"* and the *Corporations Regulations 2001*. As the auditor of Watermark Market Neutral Fund Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independent Auditor's Review Report  
to the Members of Watermark Market Neutral Fund Limited  
ABN 45 163 980 498**

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Watermark Market Neutral Fund Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



S M WHIDDETT  
Partner

24 February 2017



PITCHER PARTNERS  
Sydney