



WATERMARK

MARKET NEUTRAL FUND

Watermark Market Neutral Fund Limited (WMK) ASX ANNOUNCEMENT/MEDIA RELEASE

31st August 2017

WMK DECLARES FULLY FRANKED DIVIDEND AT 2.5 CENTS PER SHARE

WMK ANNOUNCES A MODEST AFTER-TAX PROFIT OF \$1.3m AND A FULLY FRANKED FINAL DIVIDEND OF 2.5 CENTS PER SHARE

- Portfolio value increased by 3.4% before fees, for the 12 months to June 30, 2017
- Final dividend announced of 2.5 cents per share, fully franked, representing an annualised yield of 5.7% on the last traded price
- In a tough environment for market neutral investors, WMK performed well relative to its peers
- International investments continue to make a strong contribution to fund returns

The Watermark Market Neutral Fund (WMK) posted an after-tax profit of \$1.3 million for the 12 months to June 30, 2017. The Board have announced a final dividend in respect of FY17 of 2.5 cents per share, fully franked.

The Company's investment portfolio rose by 3.4% before fees, driven primarily by the strong performance of the long portfolio, which outperformed rising markets in Australia and offshore. As at June 30, 2017, WMK's pre-tax, net tangible asset backing (NTA) was 0.99c, a fall of 6c over the course of the year, fully accounted for by dividends paid.

The Company's exposure to international shares increased over the period, resulting in an average weighting of 41% of the gross balance sheet. This proved to be an effective strategy, with international investments contributing 85% of the total portfolio return. The Chairman of WMK, Matthew Kidman said that "the Board have been pleased to observe the Manager's success in increasing the size of its team in the first half of 2017, to address this broader investment universe. We expect the Manager's efforts offshore will continue to play an important role, complimenting the Australian portfolio and providing additional sources of returns."

The task for an active stock picker was not an enviable one in FY17. Fundamental investors, particularly those that employ long/short strategies, thrive in volatile markets with clear dispersions between the performances of companies. After 9 years of ultra-easy monetary policy aimed at stimulating lethargic growth across the global economy, a malaise has settled on equity markets, suppressing volatility while share indices grind higher. Any volatility that did emerge through the year was a result of geopolitical shocks and posturing by Central Banks, which cannot easily be factored into a fundamental assessment of a company's worth. The Manager navigated the Company through this difficult period with skill, protecting shareholders' capital while taking advantage of opportunities.

WMK's Investment Manager, Justin Braitting said that "while, conditions have been difficult in the past year we are optimistic of continuing to deliver positive absolute returns to our shareholders in the coming years, regardless of the prevailing environment. The neutral strategy of the fund is aimed at protecting shareholders capital and delivering an acceptable return through all market cycles."

“Your Company remains in a strong financial position and is well-equipped to weather any challenges that may lay ahead. The Board looks forward to meeting with shareholders at the AGM in Sydney on the 14th of November and remain committed to our task of delivering on the Company’s goals of consistent growth and an attractive income stream via dividends”, Mr Kidman added

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About Watermark Market Neutral Fund Limited

Watermark Market Neutral Fund Limited (ASX:WMK) is a Listed Investment Company, managed by Watermark Funds Management Pty Limited. WMK was launched in 2013 as Australia’s first listed market neutral strategy to provide investors with consistent, positive rates of return which are uncorrelated with shares and other asset classes. By constructing long and shot portfolios of roughly equal size and composition, the Manager can capture value created through stock selection while hedging market risks. WMK invests in a mix of Australian and international shares. For more information, visit www.wfunds.com.au