



WATERMARK

MARKET NEUTRAL FUND

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

August 28, 2018

WMK DECLARES FULLY FRANKED DIVIDEND of 1.5 CENTS PER SHARE

- A strong start in FY19, with the Fund's portfolio increasing by 2.8% after fees
- Final dividend declared of 1.5 cents per share, fully franked
- Updated dividend policy, guiding to a yield commensurate with the All Ordinaries Accumulation Index
- WMK's international exposure reduced to better reflect focus on Australian shares
- Changes to Watermark's investment team, catalyst for improved performance

The Board of Watermark Market Neutral Fund Limited (WMK, the 'Company') today announced that it had declared a final dividend for the financial year ending June 20, 2018 of 1.5 cents per share, fully franked. The Company reported an after-tax loss of \$2 million and a net tangible asset backing (NTA) of \$0.95 per share. With the payment of the final dividend, Shareholders will have received fully franked dividends totalling 2.5 cents per share, in respect of FY18.

Commenting on the result, WMK Chairman, Matthew Kidman thanked Shareholders for their support during a difficult period for the Company. "Notwithstanding performance issues in the last 18 months, WMK's portfolio has delivered a commendable annualised return since inception of 7.8% p.a. before fees" Mr Kidman said. "With market valuations looking stretched on most metrics, WMK offers investors the prospect of returns that are uncorrelated with the share market and with substantially less volatility. This is a highly desirable risk/return proposition given where we are in this cycle".

The Board also provided an update to the Company's dividend policy, highlighting that while returns from WMK's market neutral investment strategy can be variable, the Company should be able to sustain a dividend that is commensurate with the yield on the All Ordinaries Accumulation Index. This would depend however, on the Manager's ability to generate taxed profits from its investment activities, in line with the return objectives that the Board have set.

As at market close on August 23, 2018, 3,562,141 WMK shares had been purchased through the on-market buy-back. Buying back shares at a discount to the Company's NTA is immediately accretive to shareholder value and the Board reaffirmed its intention to continue with the buy back, for so long as the Company's shares are trading at a material discount to NTA.

The Investment Manager, Watermark Funds Management, highlighted a number of important changes it has made to address recent underperformance. Firstly, it has reduced WMK's exposure to international shares, refocusing the portfolio on the Australian share market, while retaining some exposure to the best international ideas. Secondly, it has appointed a Head of International Equities to take over management of Watermark's international portfolio. This has allowed Justin Braitling to return to working exclusively on the Australian share market, a key reason for the improved results we are seeing.

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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 short 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