



## **WATERMARK MARKET NEUTRAL FUND LTD TO RESTRUCTURE AS AN UNLISTED TRUST**

**The proposed transaction is expected to:**

- **Address the NTA discount: WMK Shareholders will be issued units with a value that reflects the Company's NTA, after transaction costs**
- **provide shareholders exposure to an unlisted investment vehicle, with lower operating costs and liquidity at NTA**
- **offer Shareholders access to founder units in the New Trust, with wholesale pricing.**

19 December 2018: The Board of Watermark Market Neutral Fund Limited (ASX:WMK, the Company) is pleased to announce its intention to implement a scheme of arrangement (Proposed Scheme) in conjunction with Watermark Funds Management Pty Ltd (WFM, the Manager) and an Independent Responsible Entity (RE).

As a result of the Proposed Scheme, WMK will be restructured to become an unlisted registered unit trust (New Trust). This would result in WMK Shareholders being issued units in the New Trust with a value that reflects the Company's Net Tangible Asset Backing (NTA) after transaction costs. Subject to requisite approvals, the Proposed Scheme provides a solution to the three issues detailed in the 2018 Chairman's address, to the recent Annual General Meeting, these being the discount to NTA at which WMK shares are currently trading and their illiquidity, as well as the expense of operating a listed investment company of sub-optimal size.

WMK is currently finalising the terms of a scheme implementation agreement containing standard conditions, which will be disclosed on the Australian Securities Exchange (ASX) once executed. WMK has appointed an independent expert to opine on the Proposed Scheme and has appointed legal counsel to assist in preparing the Scheme Booklet that will be sent to shareholders in due course.

Completion of the scheme will be subject to finalisation of the agreement, and other conditions precedent consistent with a transaction of this nature, including approval from Shareholders and the Court. The total cost to implement the scheme is expected to represent approximately 0.4 cents per share of WMK's NTA.

The Manager has indicated to the Board that another of its listed funds is proposing to implement a similar scheme. Completion of this scheme will not be conditional upon the approval of any other scheme.

Following completion of the Proposed Scheme, WMK shareholders will hold units in the New Trust. The New Trust will be a Registered Managed Investment Scheme, with an independent RE responsible for representing members' interests. The RE will appoint WFM as Investment Manager, which will operate under an amended long/short investment mandate focusing on Australian shares. Until the scheme is approved, WFM will continue to manage the Company's portfolio in accordance with its existing investment mandate.

WMK Shareholders will be issued units in a 'founder class', attracting wholesale pricing on the same terms as currently applicable to WMK. Founder units will be issued with a 'fee cap' whereby operating expenses (excluding management and performance fees) will be capped at 30bps of the Net Asset Value (NAV). Any additional costs will be borne by the Manager.

Once Shareholders have been issued with their units, they may redeem all or part of their investment at NAV, pursuant to the terms of the New Trust. The RE of the New Trust intends to apply to the ASX to have founder units approved for inclusion in the mFund settlement service, enabling unitholders to buy and sell units in the New Trust via a stockbroker or other advisory service, used to transact shares. Admission to the mFund service will ultimately be at the discretion of the ASX.

In the New Year, Shareholders will receive a Scheme Booklet, which will set out the details of the proposed transaction, along with the benefits and risks that shareholders need to consider.

An indicative Scheme timetable is set out below.

Event	Indicative Date
Announcement of Proposed Scheme	19 December 2018
Scheme Implementation Agreement executed, and New Trust established	Early January 2019
Scheme Booklet lodged with ASIC	Late January 2018
First Court Date	18 February 2019
Despatch of Scheme Booklet to shareholders	22 February 2019
Scheme Meeting	25 March 2019
Second Court Date	27 March 2019
Effective Date – Lodge Court order approving Scheme with ASIC	28 March 2019
Record Date	2 April 2019
Implementation Date (units in the New Trust issued)	8 April 2019

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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](http://www.wfunds.com.au) or contact Tim Bolger on 02 9251 8227