

19 December 2014

Dear Option Holder,

NOTICE TO WMK OPTIONHOLDERS: EXPIRY OF OPTIONS

The purpose of this letter is to advise you that the Options you hold are due to expire on the 31st of December 2014 (Expiry Date).

This notice sets out the actions you may take prior to the Expiry Date.

Watermark Market Neutral Fund Ltd share price performance

WMK Options are listed on ASX under the stock code WMKO and are trading at the date of this notice at \$0.001 per option.

Options have an exercise price of \$1.00. You should note that, the closing share price for WMK on 17th December 2014 was \$0.90. During the last 3 months the share price has ranged between \$1.01 and \$0.875 and has not traded above the exercise price since the 17th of September 2014.

The performance of the WMK share price is impacted by movements in the Company's Net Tangible Assets per Share (NTA) which in turn is a reflection in part, of the performance of the Company's investment portfolio. The Company's portfolio has underperformed its benchmark in recent months. The Company's NTA per share after tax on 30 November 2014 was \$0.97.

Given that WMK's shares have traded in recent months at a discount to the Company's NTA and that the NTA is currently lower than the exercise price of WMK Options, we do not believe there is any economic incentive for option holders to exercise their options by the deadline.

What you can do

You may:

1. Exercise your Options (see below);
2. Sell your Options on market as they are currently listed on ASX; or
3. Do nothing, in which case your options and rights attaching to them will lapse, meaning no shares will be issued to you and you will not be able to participate in the benefits of holding shares, such as voting or dividend rights.

How to exercise your Options

Your Options will expire on 31st of December 2014. Each option entitles you to acquire one ordinary fully paid share in WMK, with the exercise price of \$1.00 per option. You may exercise all or part of your options by completing the enclosed "Notice of Exercise and Application for Shares" form and making the payment of \$1.00 for each option exercised by no later than 5.00pm (EST) on the 31st of December 2014. If you do not advise us of your intention to exercise your options by completing the form and remitting the payment by that time the unexercised options and rights pertaining to them will expire. **Please note that if the WMK share price is less than the exercise price of your options, there is no economic benefit in exercising your options**

Payments must be in Australian dollars only, and cheques should be made payable to Watermark Market Neutral Fund Limited and crossed "Not Negotiable" and drawn on an Australian Bank. If you choose to use the BPay payment option set out in the form, please also forward the "Notice of Exercise and Application for Shares".

Last date of Quotation on ASX

The last date of quotation of these Options on the ASX will be 22 December 2014.

Should you have any queries relating to exercising your options, please do not hesitate to contact the share registry on (within Australia) 1300 737 760 or (outside Australia) +61 2 9290 9600.

Yours sincerely



Matthew Kidman
Chairman