WATERMARK

FUNDS MANAGEMENT

Shareholder Briefing – November 2015

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Information is current as at November 2015.

Agenda

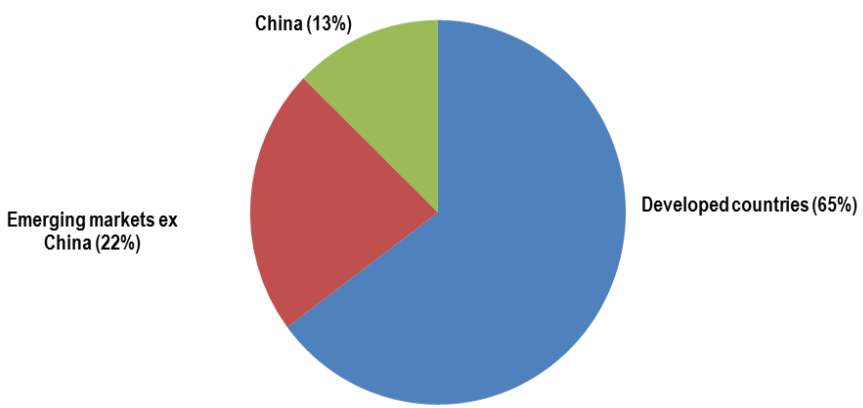
- Emerging Markets key to growth outlook
- Implications for the Australian Economy
- Challenges ahead for Australian industry
- Outlook for Australian Shares
- The value in hedging strategies
- Performance Update
- Questions

Emerging markets key to growth outlook

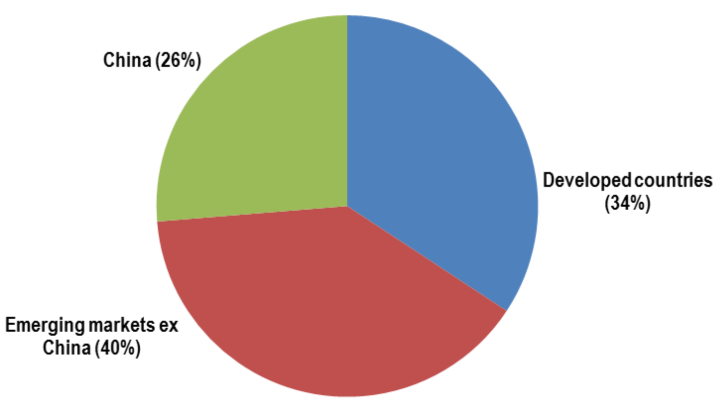
Cheap credit and Three iterations of the financial crisis

2008 Global Financial Crisis
2011 European Sovereign Debt Crisis
2016 Emerging Market Crisis?

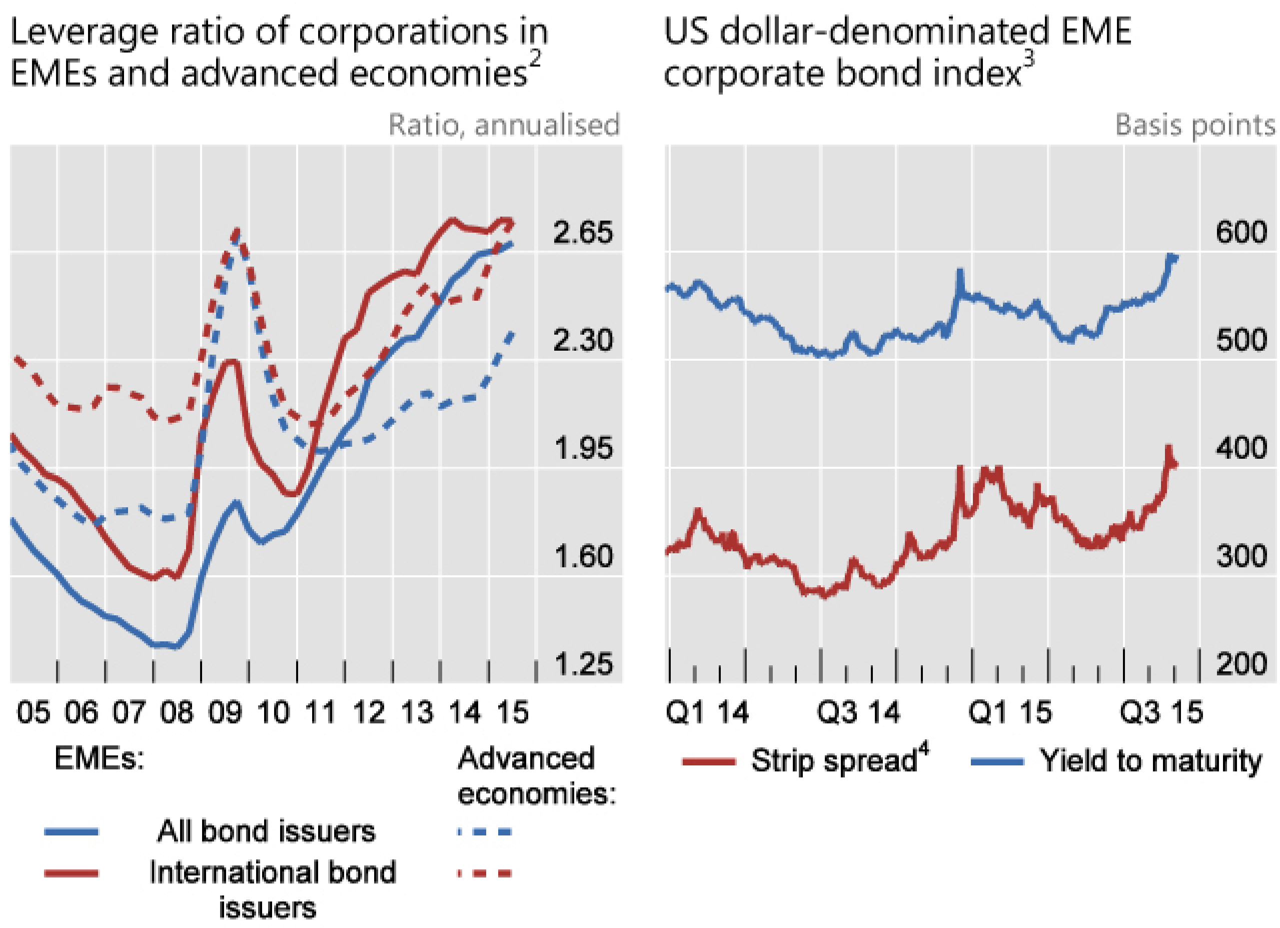
Share of global nominal GDP



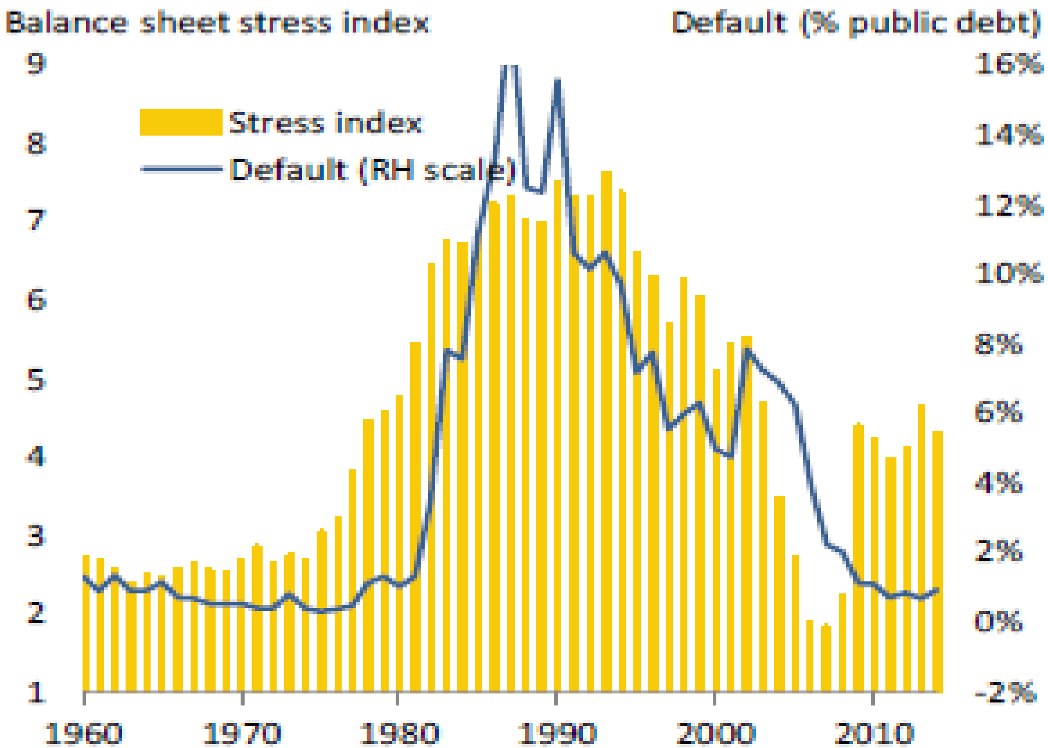
Contribution to global growth



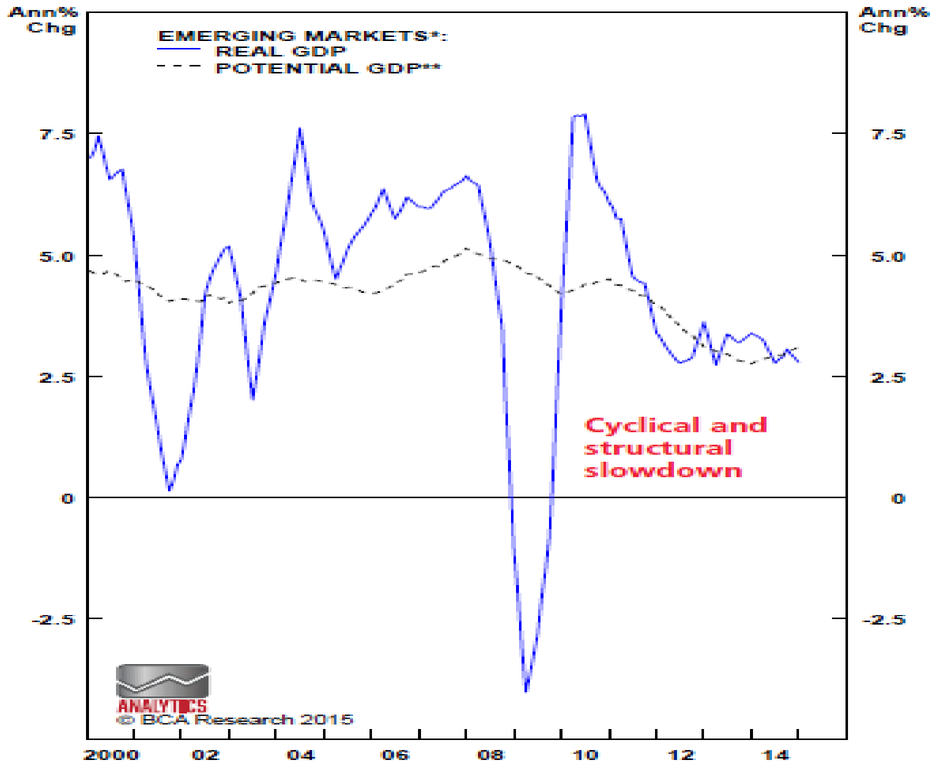
Leverage has increased across emerging markets



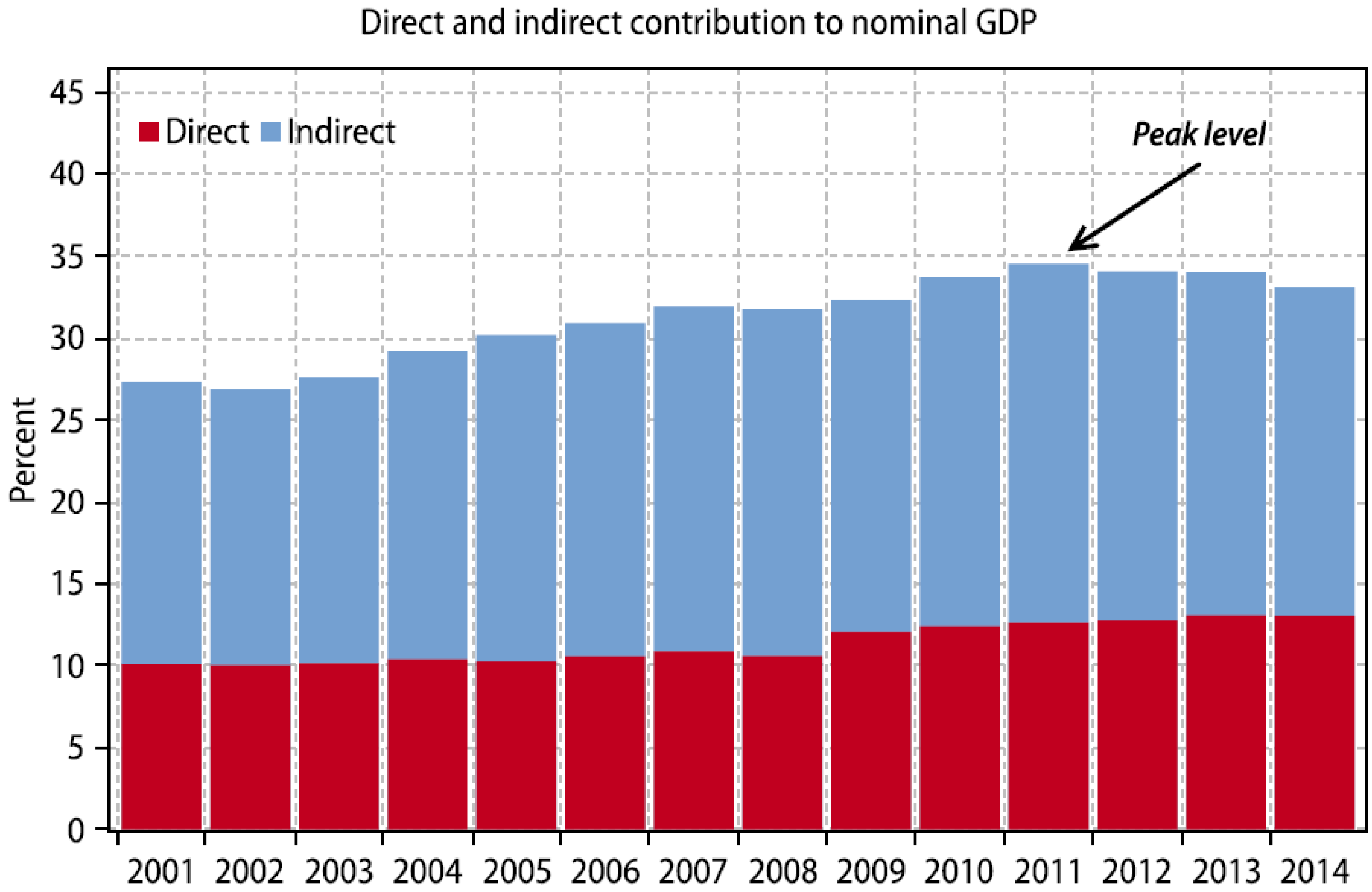
Emerging market stress vs. default incidence



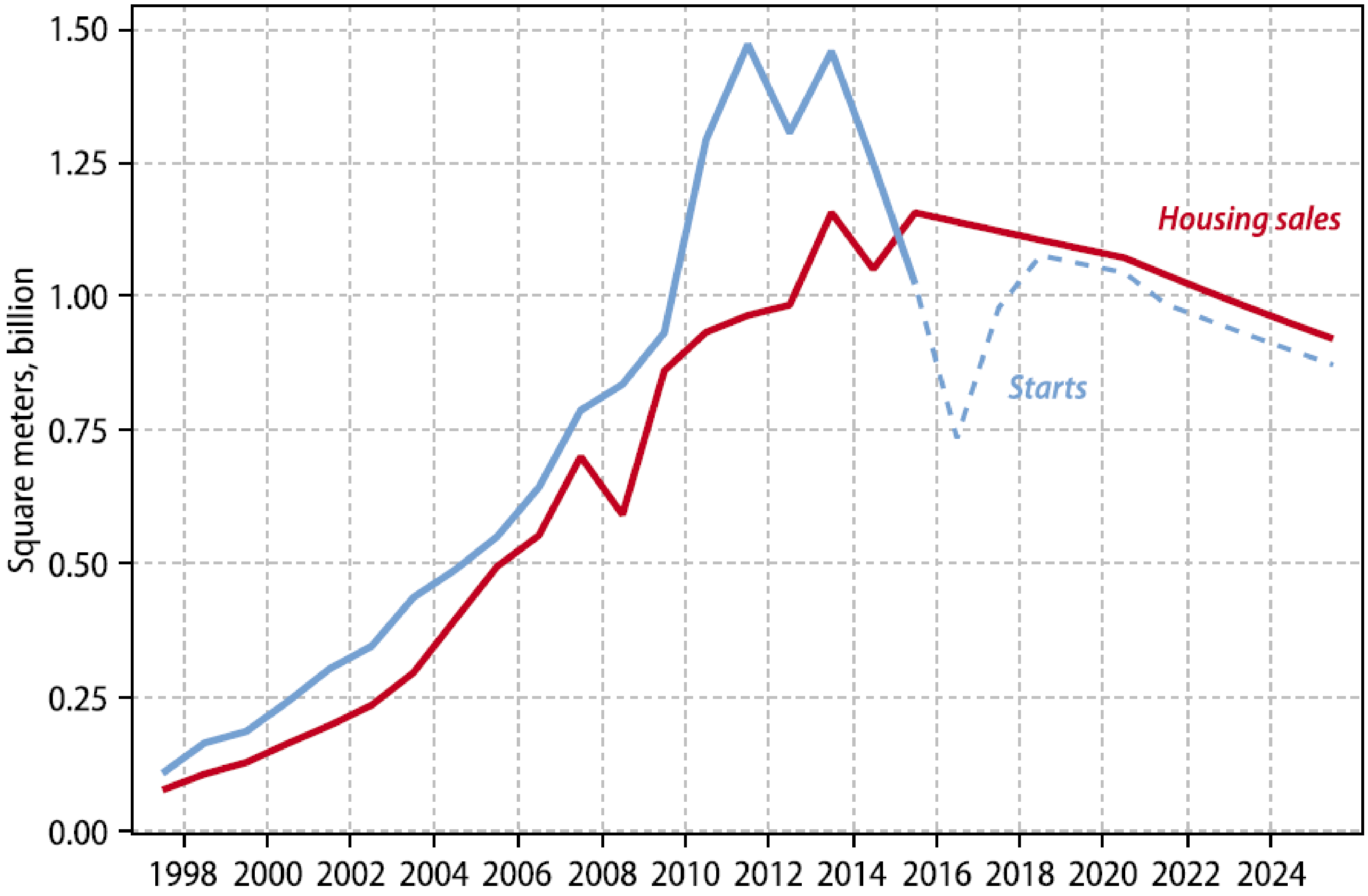
Potential GDP growth has declined across EM's



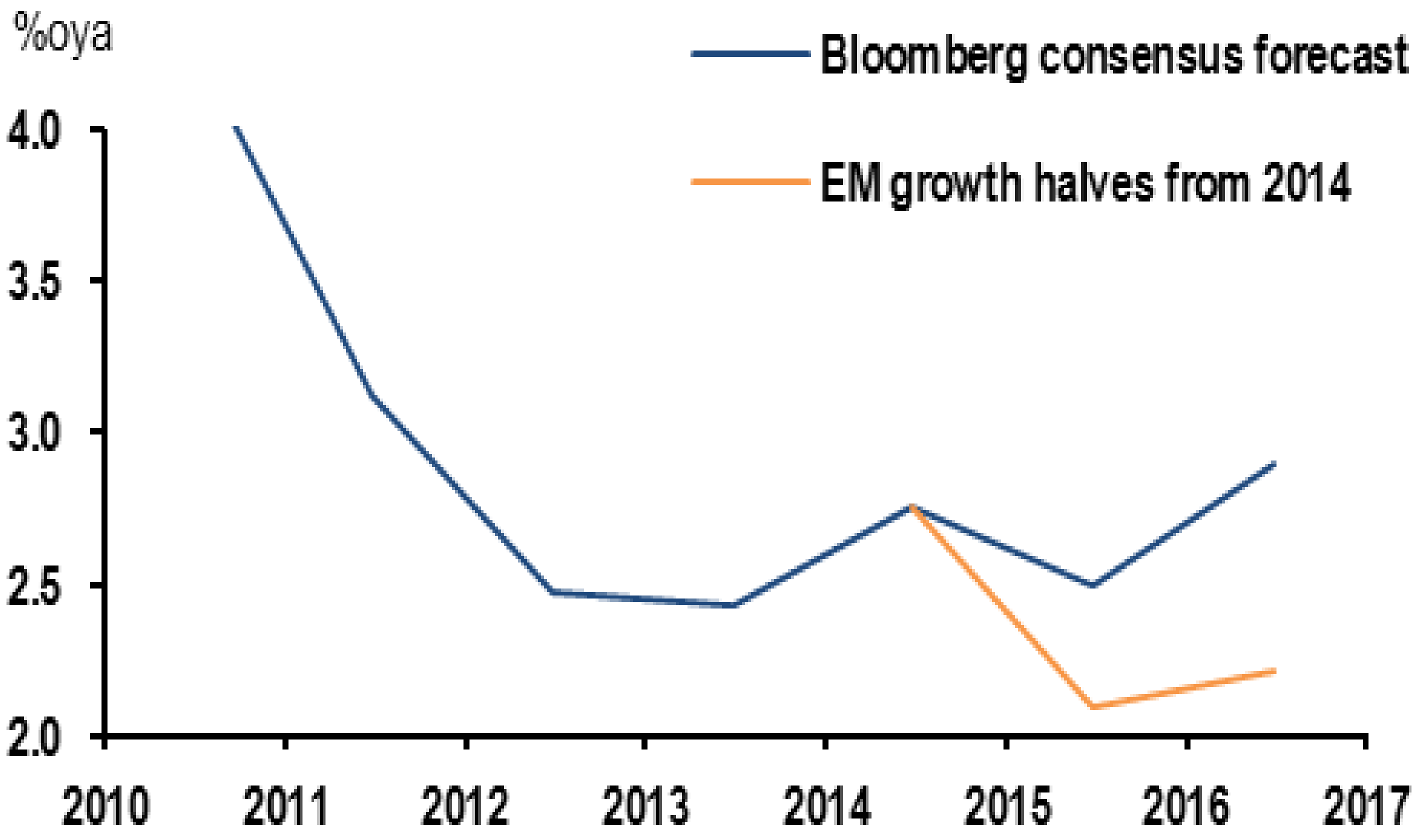
Property's contribution to Chinese growth



Further correction for construction starts



Global growth simulation weaker EM Growth

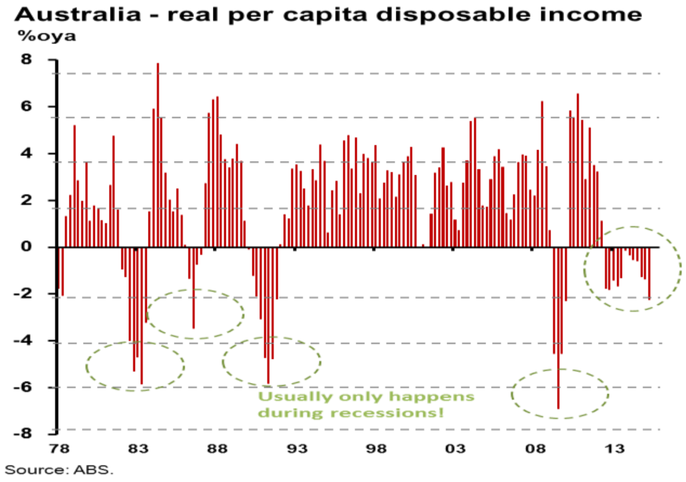


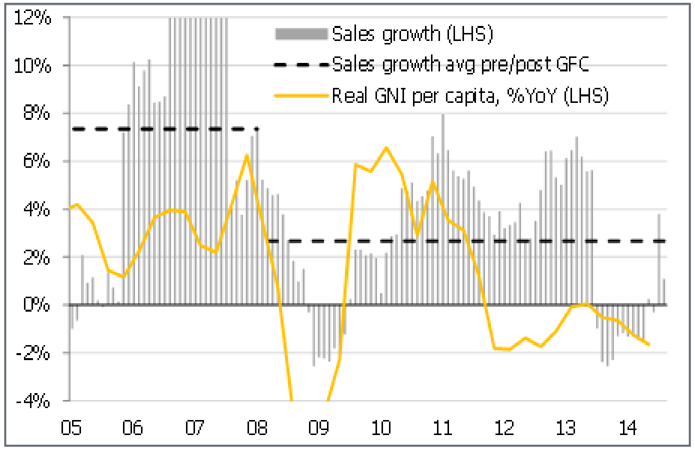
Domestic growth has been tepid in the aftermath of the boom

Softer income growth and persistent pressure on living expenses, coupled with fiscal consolidation and deleveraging is constraining spending in the economy.

Following 25 years of uninterrupted expansion and a mining boom, Australia has become an expensive place to live and conduct business.

With high prices by global standards and deflationary pressures persisting revenue growth is proving hard to come by.





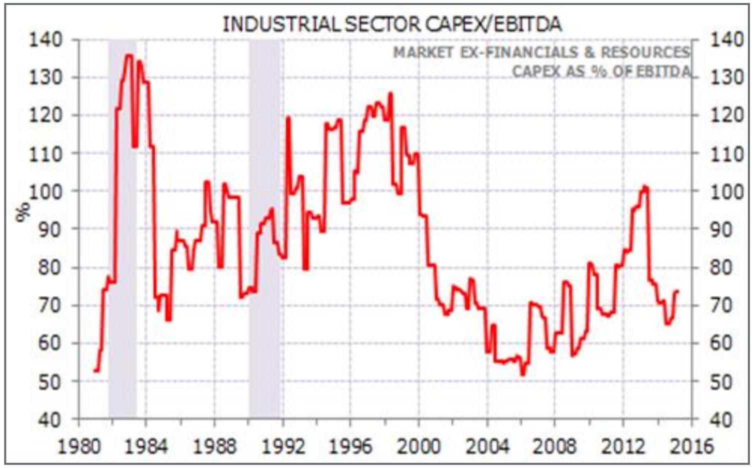
Highly profitable industries underinvesting

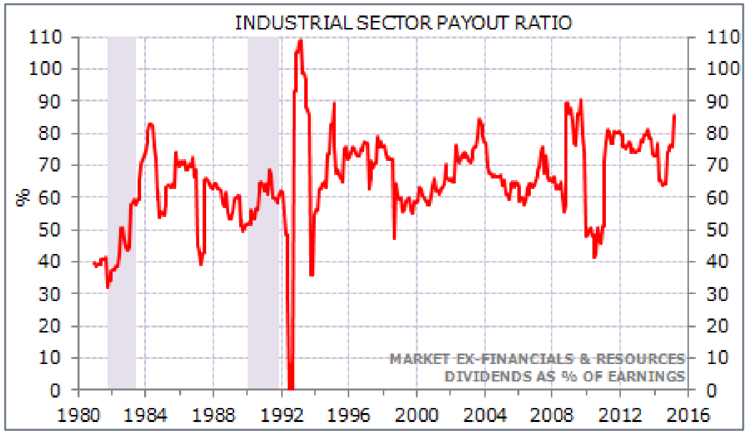
Industry concentration in important sectors of our economy such as banking, retail, telecom and utilities.

Many of these companies are extracting full economic rents.

Companies are not investing to sustain growth paying out more of their earnings to shareholders.

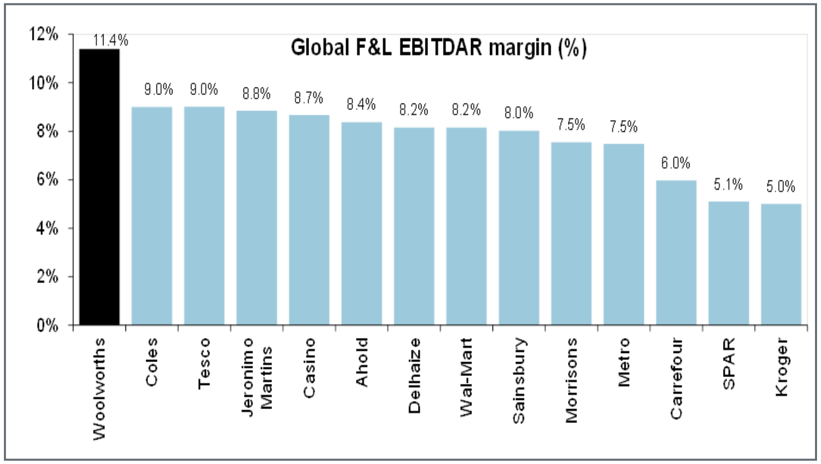
Industry leaders are generating usurious rents, a double edged sword in attracting competition.



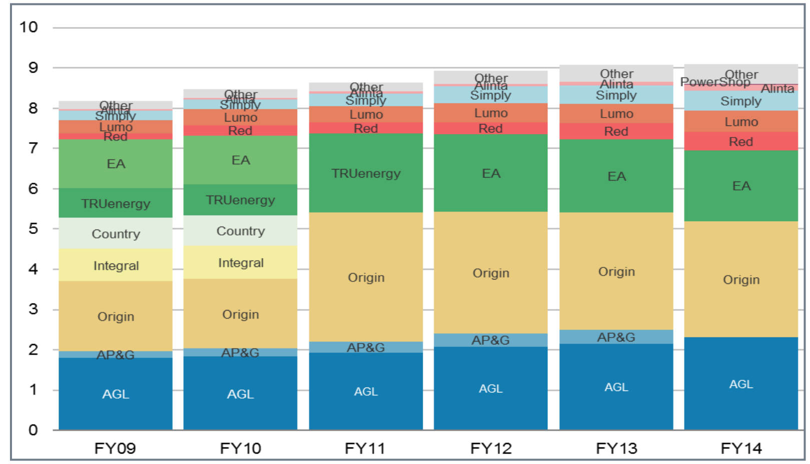


Industries becoming more competitive

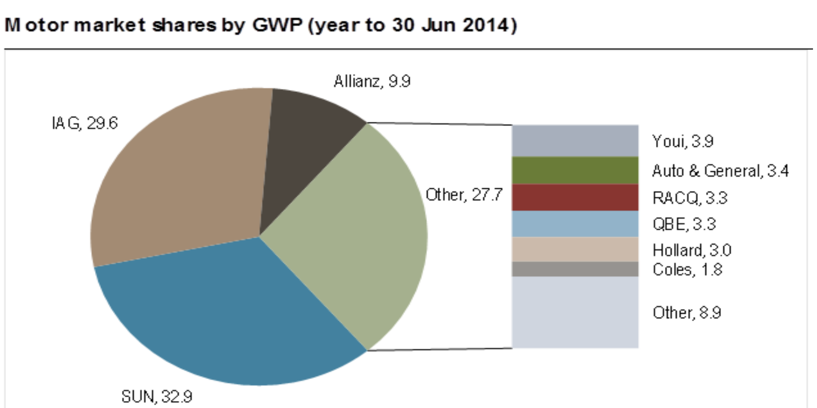
Australian Supermarkets



Electricity Retail

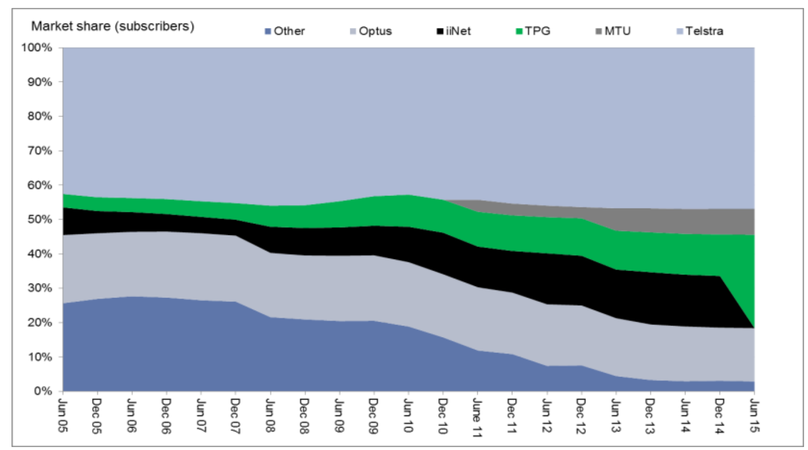


General Insurance



Source: UBS estimates, Company data, Company accounts

Telecom



Disruptive forces presenting further challenges

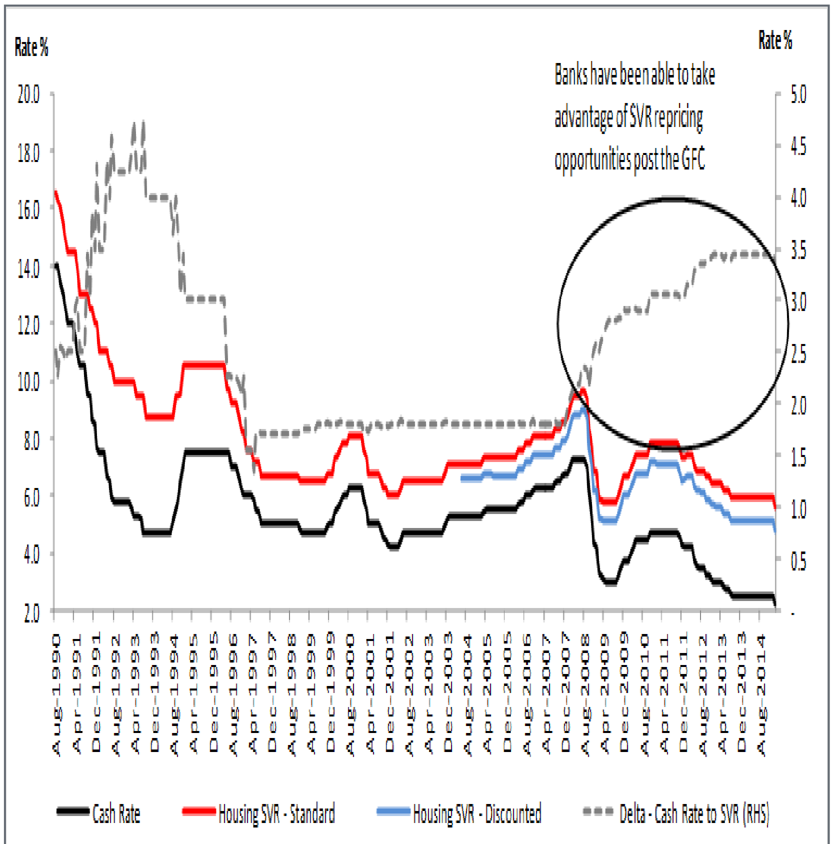
- Technology and innovation are also playing an important role in lowering costs and improving productivity in a low growth environment.

- Many established companies are vulnerable to new competitors employing disruptive technologies.

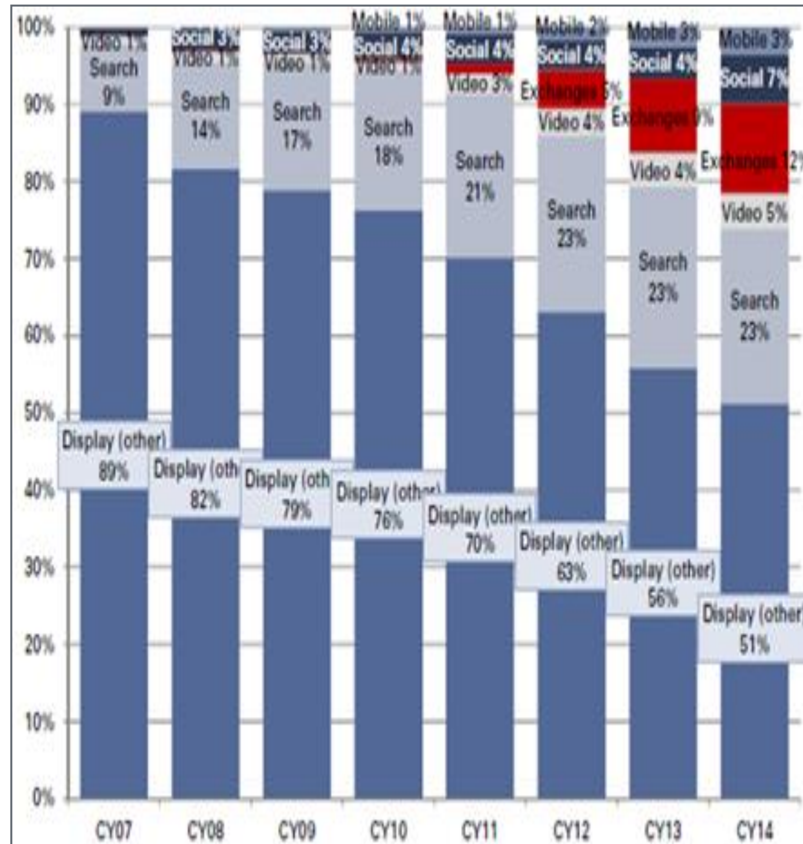
  - In respect of these themes, we examine:
    - Banking
    - Insurance
    - Utilities
    - Media

Industries affected by disruptive technology

Banks have been gouging



Australian Media losing eyeballs



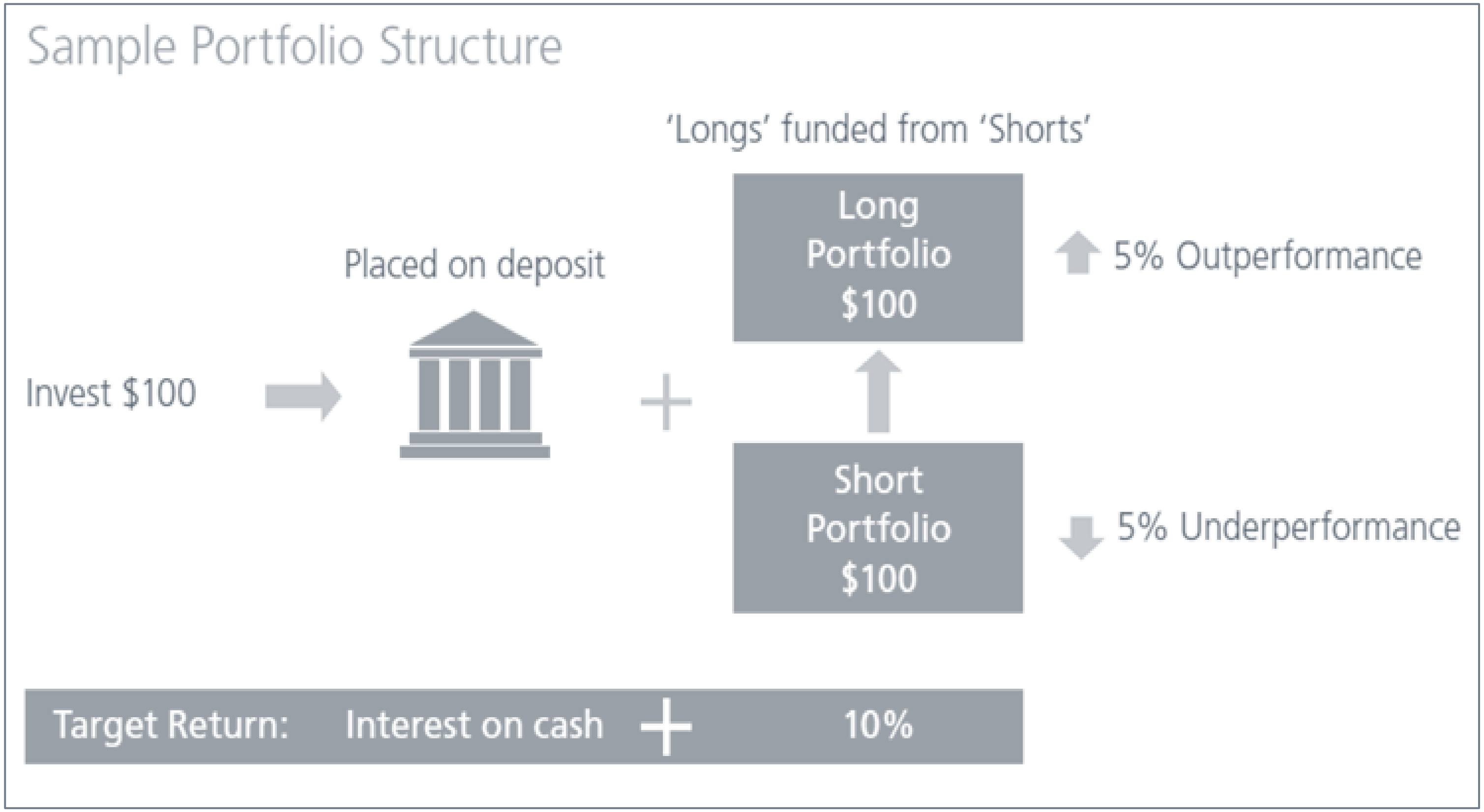
'Top 10' are all challenged (45% of market capitalisation)

#	Weight	Company	Issues
1	8.8%	Commonwealth Bank of Australia	• Regulatory headwinds • Past sweet spot in the credit cycle
2	6.8%	Westpac	
3	5.1%	ANZ Banking Group	
4	5.0%	National Australia Bank	
5	4.3%	Telstra Corporation	• Renewed competition
6	4.2%	BHP Billiton	• Mining cycle won't turn up for many years to come
7	3.0%	CSL Ltd	• IG slowing, other segments more competitive
8	2.8%	Wesfarmers	• Grocery sector becoming more competitive • Australia is an expensive place to shop
9	1.9%	Woolworths	
10	1.8%	Macquarie Group	• Leverage in a peaking asset cycle

Market Outlook

- Against this backdrop of weaker growth, elevated risks and full valuations, we retain our short net exposure to the Australian share market in our directional fund.
- Time will tell whether the recent sell-off marked the start of a new down cycle or merely a setback amidst an ongoing expansion.
- Either way, offshore markets are not far off their highs of this cycle, so the risks to us appear to be on the downside.

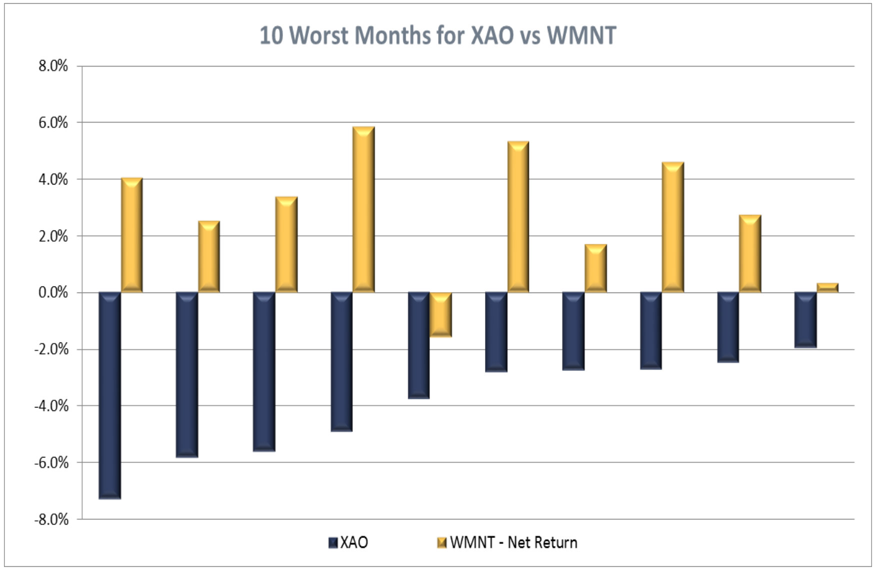
Long/Short Investing

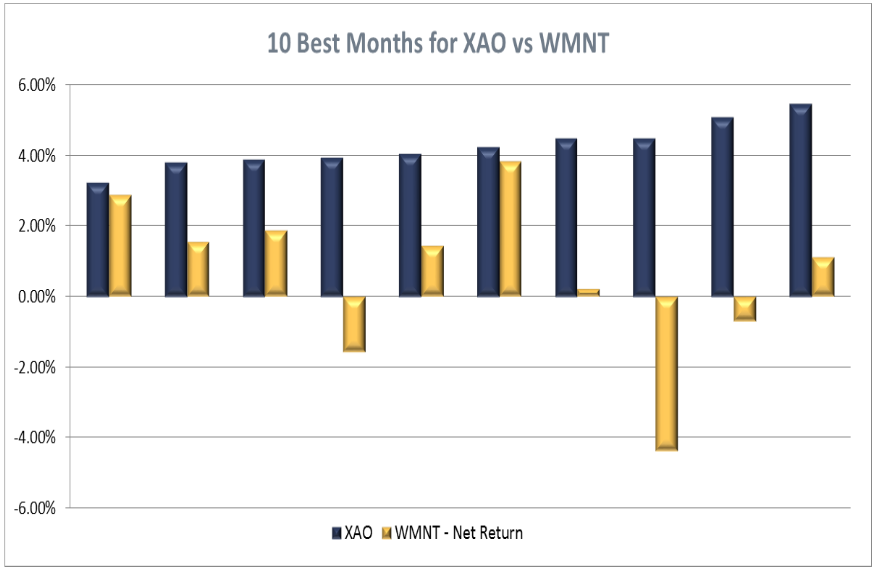


Long/Short Strategies

Strategy	Equity Extension	Directional	Market Neutral	Short
Market Risk	High	Moderate	None	Inverse
Return Objective	Share Market ++	‘Equity Like’	Cash +	Arbitrary
Correlation with share market	≈ 1	0.4 to 0.6	< 0	≈ -1
Volatility	High	Moderate	Low	High

Genuine diversification and downside protection





Since inception of Market Neutral Strategy – Aug 2012

Australian Leaders Fund

Performance to 31 October 2015

	1 Month	6 Months	1 YEAR	3 YEARS (P.A.)	5 YEARS (P.A.)	7 YEARS (P.A)	SI (P.A.)*
Portfolio Return (Net)	-1.6%	9.5%	9.4%	16.4%	14.8%	19.6%	14.3%
All Ords. Accum. Index	4.6%	-6.2%	0.4%	9.9%	6.8%	8.8%	8.6%
Outperformance	**-6.2%**	**8.3%**	**9.0%**	**6.5%**	**8.0%**	**10.8%**	**5.7%**

Fund inception date is January 2004

Watermark Market Neutral Fund

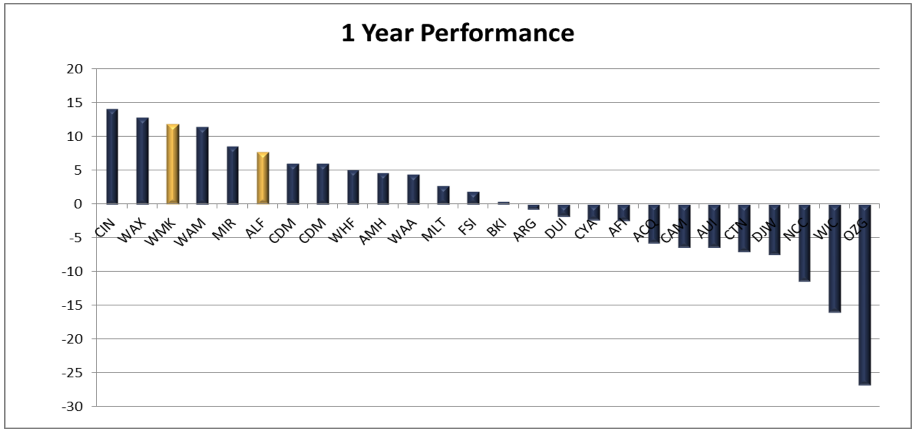
Performance to 31 October 2015

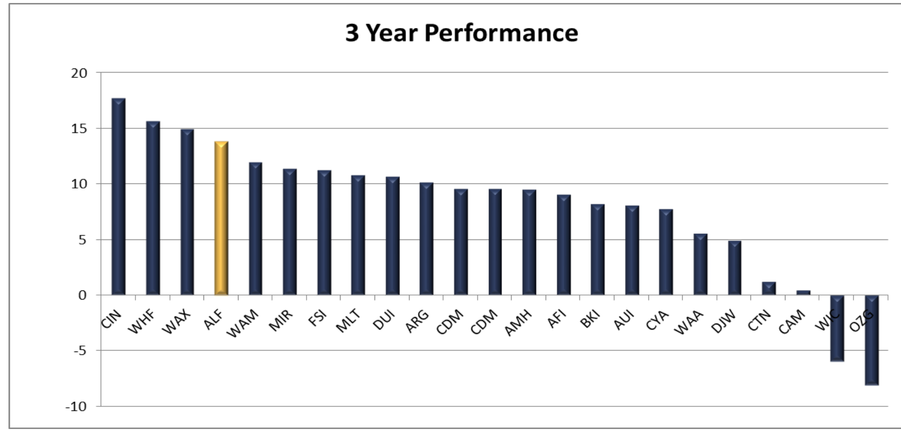
	1 Month	6 Month	1 YEAR	SI (P.A.)
Portfolio Return (net)	-1.9%	11.7%	12.6%	8.0%
RBA Cash Rate	0.2%	1.0%	2.2%	2.4%
Outperformance	**-2.1%**	**10.7%**	**10.4%**	**5.6%**

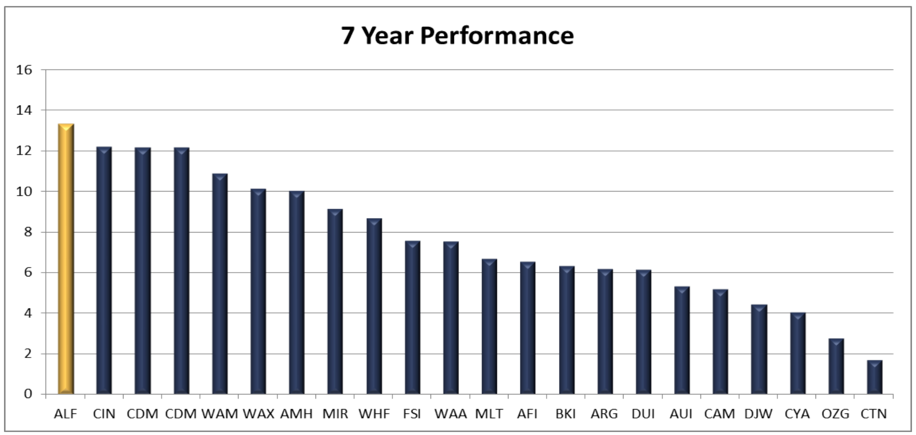
Fund inception date is July 2013.

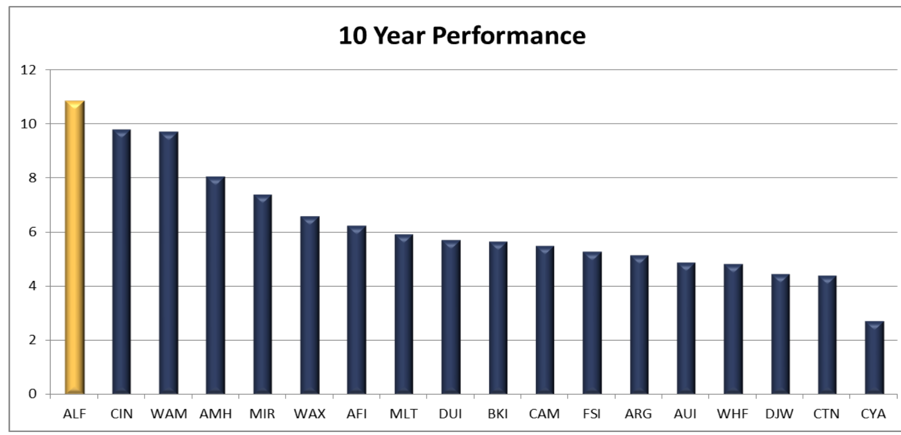
Strong performance relative to LIC peers

Pre tax NTA performance to September 2015









Data: Bell Potter Securities

Security Selection – International Investments

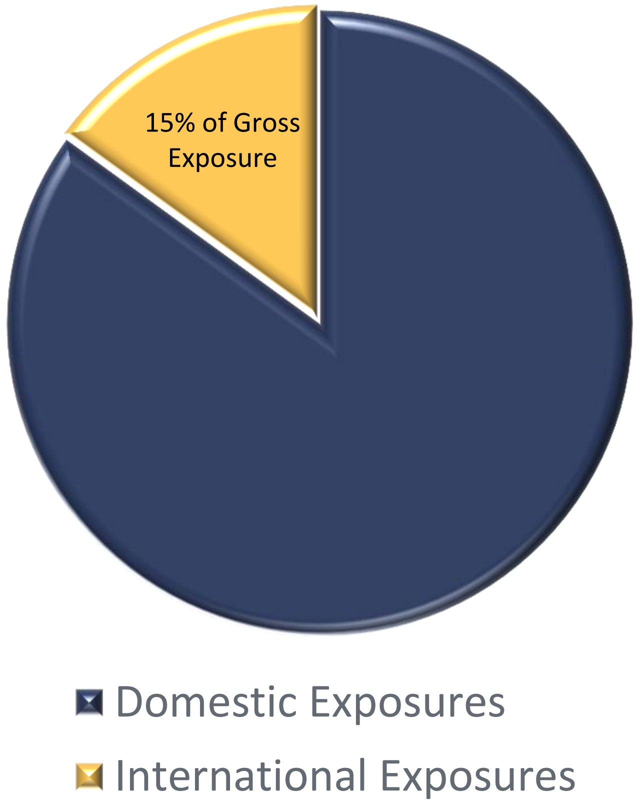
International Universe (MSCI World Index – 1600 securities)

Target Opportunities:

1. Peers of Australian Companies that compete globally

2. Long/Short pairs with Australian companies

3. Access to sectors and industries not well represented in the domestic share market

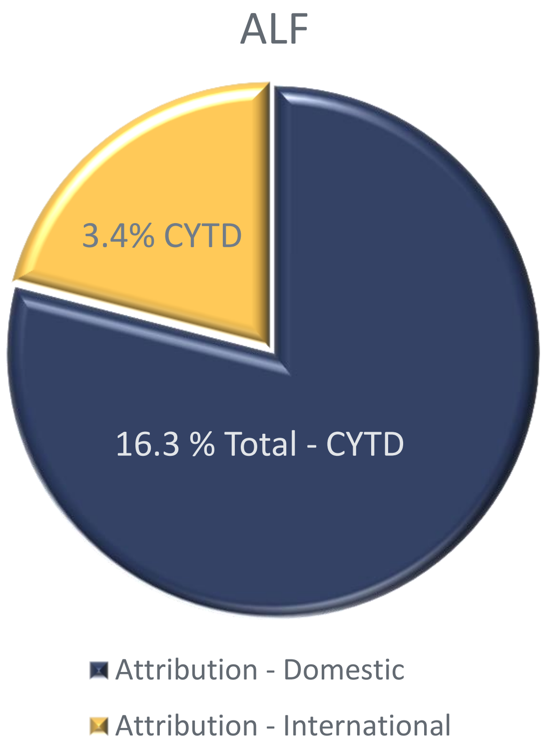


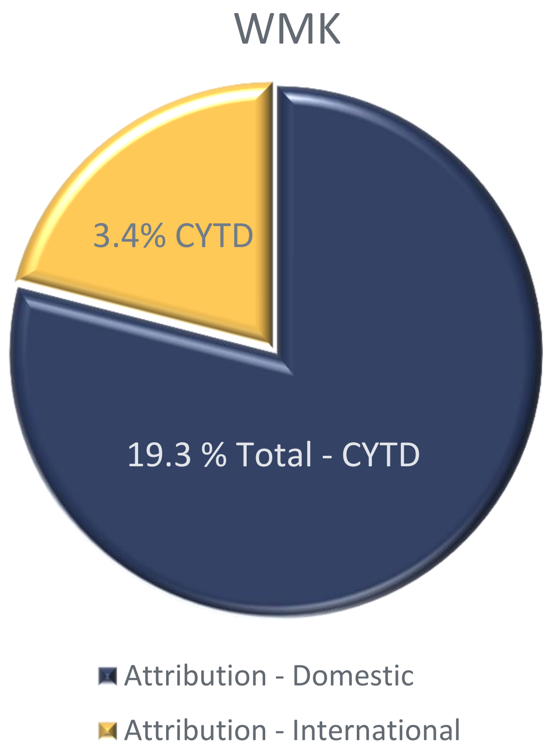
Portfolio Strategy – International Investments

	Long	Short
Resources	Goldcorp Tahoe Resources Royal Dutch Shell BG Group Anadarko Petroleum Corp	Barrick Gold Corporation Matador Resources Parsley Energy Synergy Resources Glencore PLC First Quantum Minerals Total SA
Defensives	Medtronic Merck & Co Galapagos NV	Novo Nordisk Grifols SA
Cyclicals	Zhaopin Ltd Apple Inc	Netflix ITV Just Eat PLC 51Job Inc Intel Corporation
Financials	ABN Amro Group	

International shares make a strong contribution to performance

A disproportionate share of fund performance is coming from international investments





QUESTIONS