



NTA and Monthly Update – March 2016

Company at a Glance

ASX Code	WMK
Fund Size	AU\$91.6m
Fund Strategy	Equity Market Neutral
Share Price	\$1.05
NTA Before Tax	\$1.06
Shares on Issue	84.1m
Dividend (HY16 Interim)	2.5 cents
Dividend (HY16 Interim Special)	1.0 cents
Dividend Yield (annualised)	5.7%

Net Tangible Asset (NTA) Backing

	Feb 16	Mar 16
NTA Before Tax	\$1.07	\$1.06
NTA After Tax	\$1.06	\$1.07
Dividend Declared (1¢ special)	(\$0.035)	(\$0.035)
NTA After Tax & Dividend (3.5¢)	\$1.02	\$1.03

Gross Portfolio Structure

Long Exposure	83.4%	81.3%
Short Exposure	-88.8%	-89.3%
Gross Exposure	172.3	170.7
Cash	105.4%	108.0%

Month in Review

March presented another interesting month for investors in shares, with broad based gains across most share markets. In a continuation of themes that emerged in February, the Australian share market was led higher by mining shares and the banks, while defensive sectors underperformed. This is somewhat at odds with our view of the macroeconomic environment and has presented an opportunity to sell into the share market rally, leaving the fund slightly net short the market by month-end.

Performance was benign during the month. With the portfolio hedged against major macroeconomic changes, the Fund delivered a net return of 1.2%. Solid contributions came from key long positions that recovered after weaker performance in February – *Fairfax Media* most notably. Our strategy in Resources has been to pick winners and losers from within the commodity basket, while retaining a balanced position across the sector. This worked well during the month, with an exposure to Lithium producer *Orocobre Limited* contributing strongly and short positions in mineral sands and graphite also adding value.

Among defensive shares, healthcare was weak and the Fund benefitted from a large short exposure in this sector. Infrastructure and utility shares were flat, although an investment in *Contact Energy* performed well in the month. We have established a position in *Nokia*, with an expectation that their recent merger with *Alcatel Lucent* will provide strategic benefits and cost synergies beyond those that the market is factoring in.

Cyclical shares were stronger, with media and retail shares posting solid gains. Domestic economic growth surprised to the upside in the quarter and business confidence has improved, notwithstanding uncertainty caused by a looming double dissolution election. We continue to look for opportunities in the discretionary retail sector, amongst quality names that have underperformed in recent months. We have initiated a new position in *Super Retail Group*.

Australian bank shares recovered some lost ground in March; however we still see fundamental challenges ahead. Negative trends in asset quality, regulatory reform and wholesale credit markets are all still evident and were confirmed again this month by *ANZ* and *Westpac* who flagged rising bad debts given exposures to *Arrium* and *Peabody Coal*. Stronger share markets provided a boost for diversified financial shares, although we suspect this will be short-lived as the recent relief-rally runs its course.

Chinese economic data continues to exceed expectations. A significant credit injection has helped the beleaguered property sector and fiscal stimulus has accelerated infrastructure spending. This has driven the rally in commodity prices, most notably steel and iron ore. While Chinese policy will continue to provide a tailwind for some time, the medium term outlook is unchanged and some metal and mining shares are looking overvalued.

WMK Performance

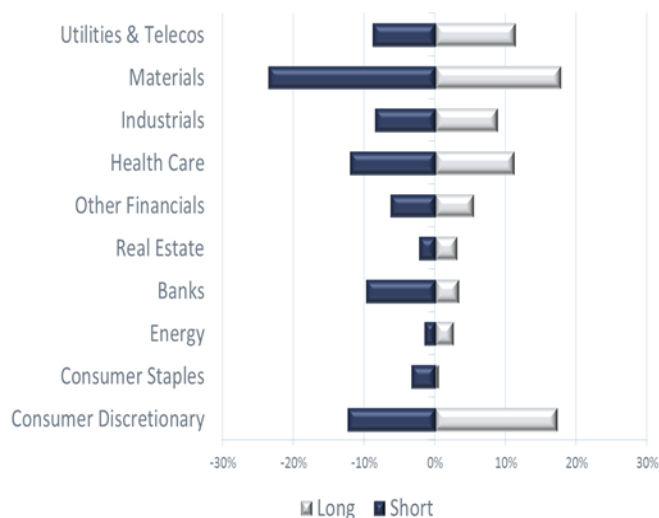
	1 Mth	6 Mths	FYTD	1 Yr	S.I. (pa)
Portfolio Return (net)	1.2%	1.3%	12.4%	16.3%	8.0%
RBA Cash Rate	0.2%	1.0%	1.5%	2.1%	2.3%
Outperformance (net)	1.0%	0.3%	10.9%	14.2%	5.7%



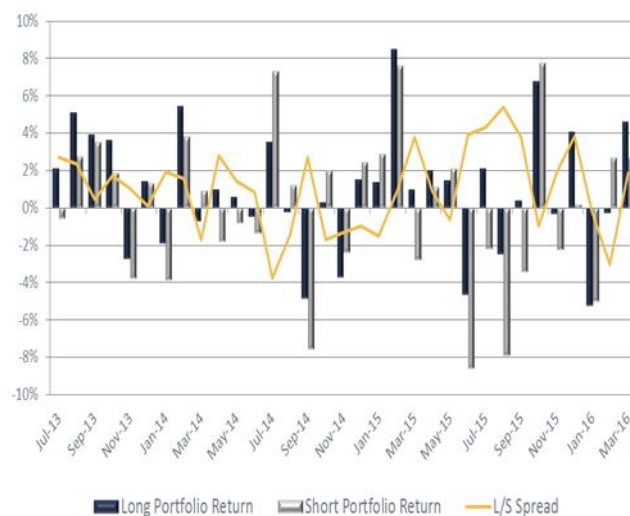
WATERMARK

MARKET NEUTRAL FUND

Sector Exposures

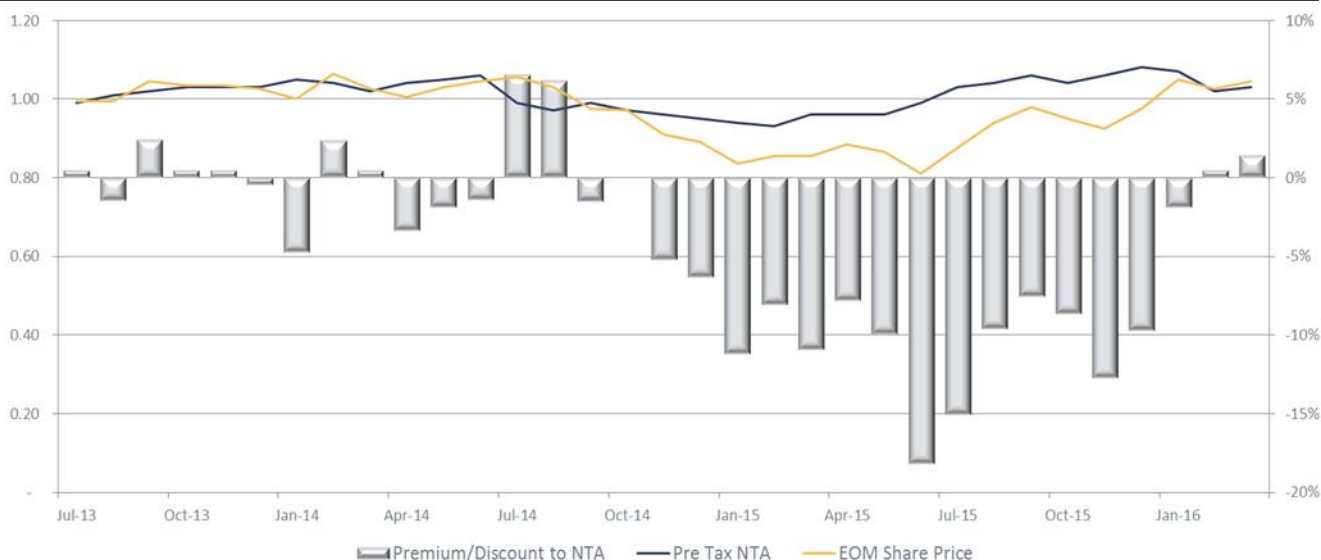


Long Short Spread*



* Long Short spread shows the gross monthly performance of the Company's long and short portfolios. The difference between the two represents the gross performance of the portfolio as a whole. The company will make a profit where the long portfolio outperforms the short portfolio, after the payment of fees and expenses

Premium/Discount to NTA History



Dividend History

The Board is committed to paying an consistent stream of franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and that it is within prudent business practices. Dividends are paid on a six-monthly basis. From time to time the board will offer a dividend reinvestment plan.

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