



## NTA and Monthly Update –April 2016

### Company at a Glance

ASX Code	WMK
Fund Size	AU\$89.8m
Fund Strategy	Equity Market Neutral
Share Price	\$1.02
NTA Before Tax	\$1.02
Shares on Issue	87.1m
Dividend (HY16 Interim)	2.5 cents
Dividend (HY16 Interim Special)	1.0 cents
Dividend Yield (annualised)	5.6%

### Net Tangible Asset (NTA) Backing

	Mar 16	Apr 16
NTA Before Tax	\$1.03	\$1.02
NTA After Tax	\$1.03	\$1.03

### Gross Portfolio Structure

Long Exposure	81.3%	102.0%
Short Exposure	-89.3%	-109.1%
Gross Exposure	170.7	211.1
Cash	108.0%	107.1%

### Month in Review

The Fund delivered a net return of 0.2% in April, in a month that saw resource shares lead the Australian share market to eight month highs. It has been pleasing in recent months to see how resilient the portfolio has been, in the face of sudden changes in the macroeconomic backdrop for share markets here and abroad. WMK's portfolio is built from the bottom up and individual security selection provides the main determinant in fund returns, with little impact from thematic tilts. The Fund was slightly net short during the month, which weighed on overall performance. Not surprisingly, it was a selection of long positions in mining shares that made the strongest contribution to returns.

Defensive sectors were the standout performers outside resources, with infrastructure and gaming shares making strong contributions. An investment in *Transurban Group* performed well and received a further boost from the RBA's recent cut in the cash rate. The Fund's recent investment in *Group Eurotunnel* also made a strong contribution with the company releasing a strong quarterly result. *Tabcorp Holdings* also performed strongly in response to the Government's proposed ban on 'in play' betting which will curtail competitors and benefit their domestic gaming franchise.

Performance of bank shares was volatile during the month. The four major banks have all flagged an increase in bad debts reflecting the financial stress in pockets of the domestic economy and our concerns around capital adequacy remain. An investment in *Suncorp Group* contributed to performance from amongst insurance names.

Cyclical shares were weaker in April, with softening consumer confidence impacting retailers and uncertainty likely to remain in the lead up to the federal election. The portfolio is largely balanced across the cyclical sectors, except in transport where the fund holds short positions in a selection of companies that are exposed to weakening trends in the domestic economy.

It was an action packed month in the resources sector, with major moves in most commodities and further improvement in the price of oil. We have built up a small net short exposure to mining and energy shares in recent weeks which detracted slightly from performance during the month. Notwithstanding the recent strength, we expect momentum in this sector will wane, presenting opportunities to profit from lower quality names that have overshot their fair value.

### WMK Performance

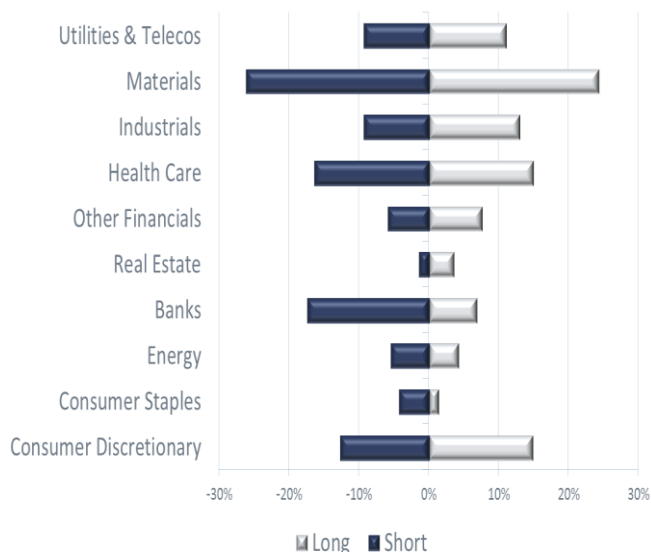
	1 Mth	6 Mths	FYTD	1 Yr	S.I. (pa)
Portfolio Return (net)	0.2%	3.5%	12.6%	15.6%	7.9%
RBA Cash Rate	0.2%	1.0%	1.7%	2.0%	2.3%
<b>Outperformance (net)</b>	<b>0.0%</b>	<b>2.5%</b>	<b>11.0%</b>	<b>13.6%</b>	<b>5.5%</b>



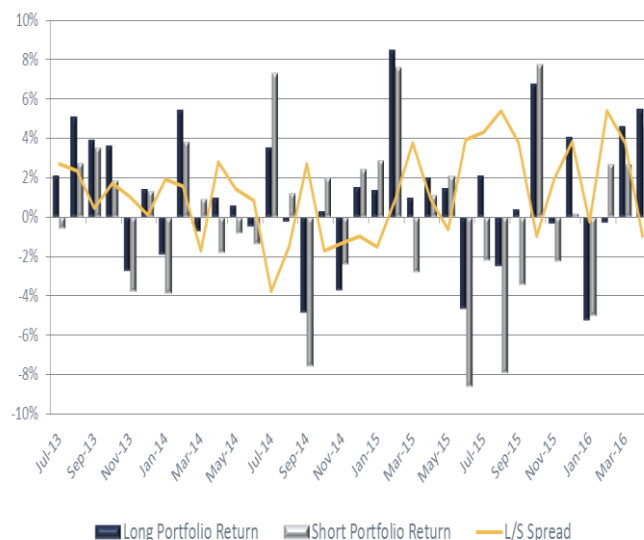
# WATERMARK

MARKET NEUTRAL FUND

## Sector Exposures

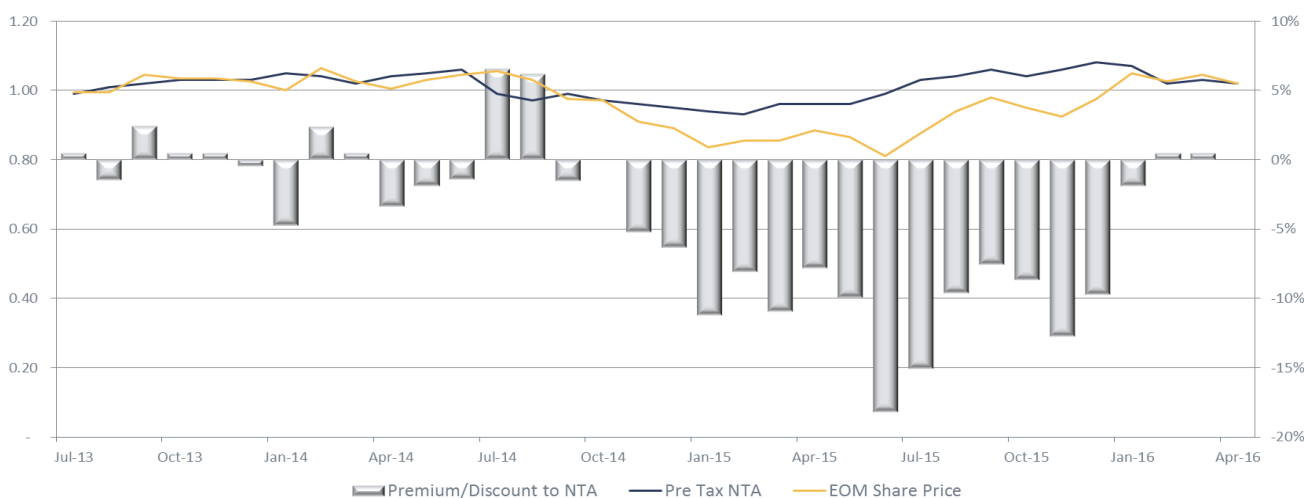


## Long Short Spread\*



\* 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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