WATERMARK ABSOLUTE RETURN FUND

Monthly update – June 2021

APIR ETL8732AU
APIR ETL5025AU

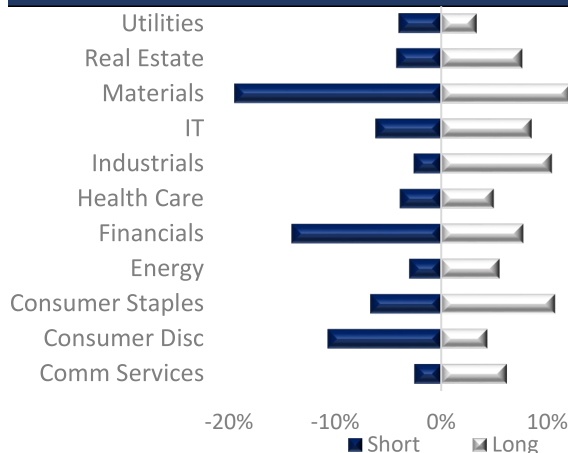
WATERMARK FUNDS MANAGEMENT

FUND AT A GLANCE	
Fund Strategy	Variable Beta
Benchmark	RBA Cash Rate
WARF Ord.Unit NAV	$1.055
WARF Ord.Unit Applic/Redeem	$1.058/1.051
WARF B Class NAV (Ex ALF)	$1.001
WARF B Class Redeem	$0.981

PORTFOLIO CONSTRUCTION	
No. Long Positions	98
No. Short Positions	86
Gross Exposure	169.2%
Net Exposure	-1.9%
Funds in Strategy	140M

GROSS PORTFOLIO STRUCTURE	
Investment Type	**%**
Listed Securities – Long	83.7
Listed Securities – Short	-85.5
Cash	101.9

SECTOR EXPOSURES



TOP CONTRIBUTORS	TOP DETRACTORS
Santos	Altium
Origin Energy	Worley
Megaport	Brickworks

MONTHLY NET PERFORMANCE (%)

	1 Month	3 Months	FYTD	*Inception (pa)
WARF Ord Unit (Established May 2019)	-2.4	-2.0	7.0	9.7
RBA Cash Rate	0	0	0.1	3.4
Outperformance	**-2.4**	**-2.0**	**6.9**	**6.3**
	1 Month	3 Months	FYTD	*Inception (pa)
WARF B Unit (Established 26 March 2021)	-2.8	-2.2		9.7
RBA Cash Rate	0	0		3.4
Outperformance	-2.8	-2.2		**6.3**

**Historic returns from ALF:ASX- same variable beta strategy established in 2004*

KEY RISK INDICATORS

Beta	Volatility	Information Ratio
0.01	5.57%	0.39

MONTH IN REVIEW

The Watermark Absolute Return Fund delivered a 7.0% return for the 2021 financial year. Whilst this is slightly below our target of 8-10% we are pleased with the outcome. We are still of the view that the strength in the stock market fails to capture the underlying risks. We capped off the year with a disappointing June, a draw of 2.4%.

The month of June was defined by bonds rallying (yields falling). This saw a reversal of reflation style moves that have characterised the market for the past 6 months. Strength was seen across growth and defensive sectors such as ***Technology*** and ***REITs***. Weakness was led by ***Financials*** with the banks falling 1.3% over the month.

MESSAGE FROM THE CIO

June was a challenging month for the fund. With share markets looking fully extended, we took out some additional protection, anticipating a pull-back which never came. The set up for a reversal in the reflation trade played out as we expected with commodities falling while the US dollar and bonds rallied, but the share market bucked the trend and moved higher. Equities are defying the logic of bond, commodity and currency markets that have reversed direction.

The fund was approximately 7.6% net short in June detracting 0.5% from performance as the market squeezed higher. We are not ruling out the prospect of a correction still occurring in the weeks ahead. At the very least we are unlikely to see an extension of the May/June rally.

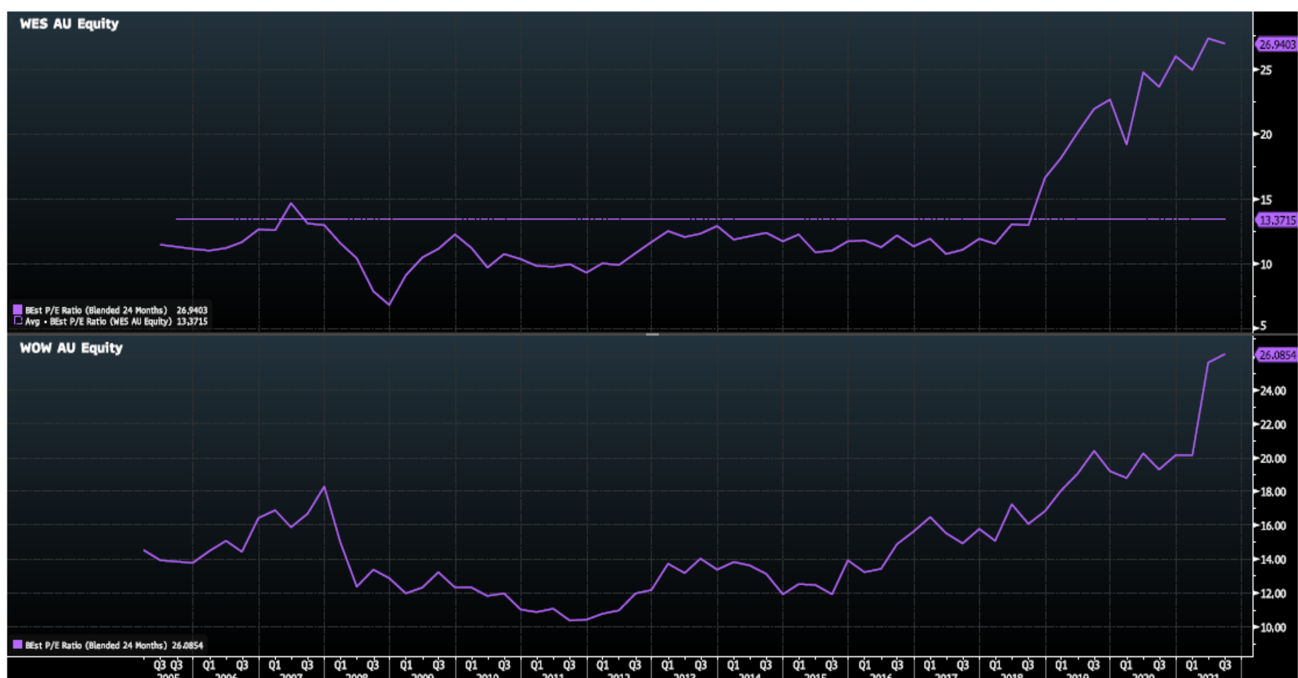
The leadership that has driven markets higher globally has been narrowly centred around technology, broader indexes such as the Russell 2000 and the equally weighted S&P 500 peaked in early May. If we were short these indexes, we would have performed better. Unfortunately, the Australian share market despite its heavy weighting to cyclical and value sectors followed the offshore lead.

Our medium-term forecast is unchanged we expect the advance to continue into 1H 2022 before the environment gets a lot tougher as the recovery slows and emergency liquidity measures are withdrawn next year. You may ask why we have a small-short position if we expect the market to move higher. As a directional fund, we will from time to time take tactical positions ahead of a change in market direction. Simply put we need to be prepared for the bear market when it eventually comes and practiced in managing the settings. We still think there is a decent prospect of a correction happening in the weeks ahead and are positioned for it.

We were short reflation sectors - resources, banks and domestic cyclicals which have underperformed in June. While resource shares have fallen in recent weeks, the banking sector has held up relatively well even though bank shares offshore have fallen sharply as bonds have rallied and yield curves have flattened.

Even with weakness in these important sectors for the Australian market, the broader index moved higher, it just goes to show how ridiculous valuations have become for listed industrial companies.

Fig 1: Industrial Shares are very expensive (P/E multiples- WOW and WES)



Source: Bloomberg

Take *Wesfarmers (WES)* and *Woolworths (WOW)* as proxies for the broader industrial market *(Fig 1)*. Both are quality businesses but look at what you are paying for these companies. On a simple P/E multiple, you are paying 50 - 100% more today for each dollar of profit verses historical averages.

Do not be deceived this is a very expensive and risky market. We do need to prepare for an exit from this cycle.

We had more than our fair share of bad luck in the month also, we caught a bid on one of our short positions only to see the company downgrade two weeks later! One of the more exciting small cap names in the portfolio fell also when an automotive client closed an assembly plant due to COVID. In the financials portfolio, an LMI insurer we own, fell sharply when a major client unexpectedly put their business out to tender.

The good news is we have recovered part of the draw in June so far in July, we even managed to catch a bid on the long side for one of our electricity network holdings. It is still early in the month, hopefully it ends well, and we recover most of last month's losses.

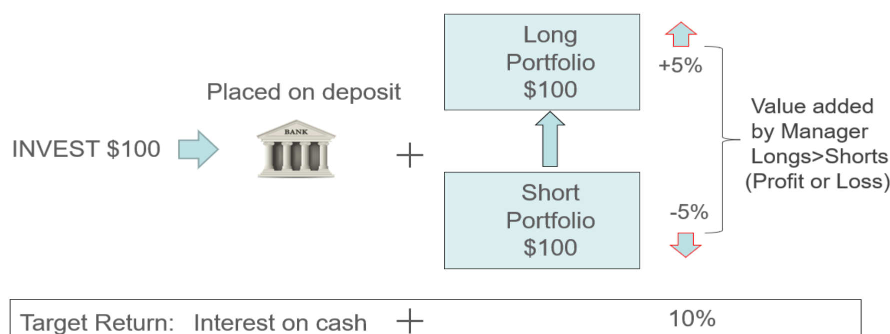
WARF is very different to other funds

When fully hedged as the fund is currently (slightly short to be precise) all the fund's capital is held in cash at bank earning very little interest. Separately, we construct two portfolios: a long portfolio of shares we like and expect to outperform (assets on the balance sheet), and we hedge this exposure by selling short a portfolio of shares we do not like. Shares we expect to underperform (shorts are a liability on balance sheet).

If these portfolios are of equal size, we are fully hedged with fund assets and liabilities equally balanced. If the market collapses the longs (assets) fall but the shorts (liabilities) will also fall so our capital base (assets less liabilities) is protected. It may sound complicated, but it is not, you just have to match everything up. Importantly it works. Since the financial crisis of 2008, the fund has gone up in value in most years when the share market has fallen.

With these settings, investors benefit to the extent the long portfolio does better than the short portfolio. Think of it as a spread business, if the shares in the companies we like do better than the shares in the companies we don't like, we create value, or 'alpha' for our shareholders irrespective of what happens to the share market. *(Fig 2)* lays out the structure of the fund.

Fig 2: Fund Structure



Simply put alpha is the return generated by the manager over and above the return received from taking market risk (beta). If you are fully invested in the share market, it is the outperformance verses the market benchmark, this is the case for most traditional funds. If you have a fully hedged portfolio like WARF, with no market exposure, it is the outperformance verses cash because that is where our capital is retained.

Think of WARF (while fully hedged) as offering a 'Cash Plus' return. The fund's capital is held either on term deposit or in cash and we create a margin or spread on top of that. This spread can be positive of negative. You will see shortly that in 14 years we have only had one year where it was materially negative (-4%). There will be negative months of course from time to time and June was one of those.

When fully hedged, we are entirely dependent on the 'alpha' we deliver through stock selection to create a return for shareholders, we receive no benefit from a rising share market and very little interest of course from the cash at bank. We don't even get to retain the dividends we receive on the longs as we pay these away to the beneficial owners of the shares we have sold short.

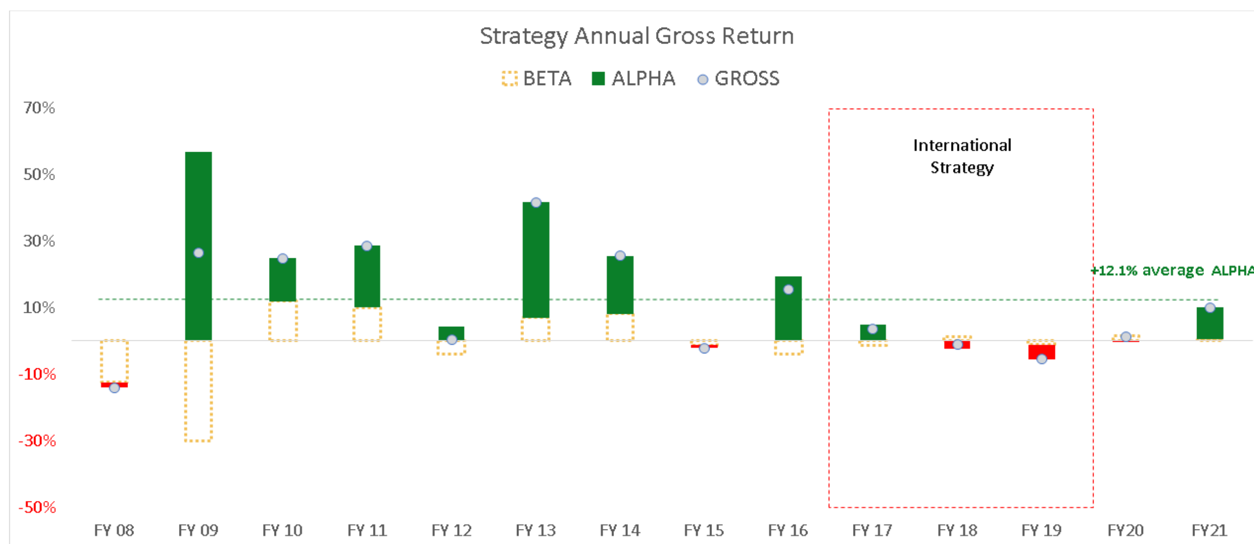
How the strategy works

The fund employs short proceeds to both hedge and lever up returns. The aim, while fully hedged is to enhance the alpha we create to a level that provides an attractive return for shareholders, while implementing a hedge to protect investors from a falling share market.

With two portfolios (long and short) each roughly equivalent to 100% of the fund's capital, we end up with twice the exposure to mispriced shares of a traditional fund. With twice the exposure we can target twice the alpha or value creation of a traditional manager.

Over 14 years managing this strategy we have averaged 12.1% p.a. of alpha *(Fig 3)*. There has only been 1 year when the investment process detracted significantly (-4% alpha in 2019). We also fell well short of our target while engaged in our international strategy (2017-2019) which we exited.

Fig 3: Strategy Gross Return



How does this compare to other managers? To make a fair comparison, we need to adjust for the leverage in the balance sheet which inflates alpha (by design). If we dilute the historic returns for leverage, the adjusted alpha falls to 6% p.a (it halves).

To put this in perspective the average institutional fund over 10 years has outperformed the market benchmark by just 1% p.a, or 1% of alpha. The average 'top quartile' manager has added 4.5% of alpha (Morningstar Data).

In the year to June 30, 2021, we delivered a gross return of 10% while fully hedged (10% alpha). As the leverage was also lighter than normal at 1.6 times (160%), our adjusted alpha was 6.25%, a top quartile performance in line with the alpha created by the best Australian managers. While the alpha contribution was in line with our target, because the fund was under levered, we fell short of our net return target of 10%.

Investors should be pleased with this performance given the low amount of market risk that has been retained.

This is a difficult phase of the cycle for a low beta strategy like WARF. It is too early to get short the market, leaving us entirely dependent on the manager to create value. As you can see *(Fig 3)*, alpha does not come easily, just ask the average fund manager.

It will not always be like this. WARF is a directional fund, we would expect to be aligned with the share market trend most of the time through the cycle, long in bull markets and short in a bear markets, contributing lots of beta-based return over and above the value created by the manager. In *(Fig 3)* you can see the significant beta contribution to fund returns from market length earlier this cycle (orange bar). In the first 6 years of this cycle we averaged 23%p.a. with no draw downs.

We have been fully hedged for a number of years now because this is anything but a typical cycle. At 12 years it is the longest bull market in the modern era and well past it's due date. Given we are close to the end of this cycle, we are not going to expose investors to a market that is expensive and risky, even though we suspect shares will push higher through the balance of this year.

This bull market will end, most likely next year. We will move into the next bear market that will last 1-2 years and shares will fall significantly from current elevated levels. We will aim to be short through the bear market, to cover once value has been restored and to get long again for the next up cycle.

This is no easy task though, execution will be challenging, a key reason why we set up for a correction this quarter. We need the practice managing these settings, we can't just expect to turn up for the next bear market when it comes and make money.

If we can execute well, the fund is unique in its ability to deliver attractive returns in both rising and falling markets. Timing market cycles is inherently difficult though. If we were taking positions purely on a fundamental basis, we would have been short for the last 3 years (look at *Fig 3* closely). Thankfully, we are not relying purely on fundamentals as we would have lost money for investors over this period.

We use price signals to help identify when markets are aligned with fundamental trends. As discussed earlier right now these signals (bonds, currencies, equities, and commodities) are suggesting a correction in shares is in order. But this will only be a correction before the uptrend resumes, so we sit on the sidelines based on our fundamental view that markets are expensive and risky until the price signals confirm otherwise. This will help us spot the bear when he does eventually emerge from his cave.

In summary, the fund is fully hedged because we are late in this cycle and shares are considered risky. Having a fully hedged portfolio is a doubled edged sword. While the fund is protected from a market fall, we receive no benefit from a rising market either. We are entirely dependent on the alpha contribution of the manager. To achieve our 10% target, the manager needs to perform in line with the best institution managers (top quartile), this is not easy to repeat year in year out. We did achieve our alpha target last year.

As we start a new year, we are very pleased with how the strategy is performing. This cycle is close to completion and the strategy is perfect for the more challenging conditions that lie ahead. The portfolio is full of good ideas and we look forward to hitting our target again this year.

SECTORS IN REVIEW

Financials had a weak month; a key detractor of performance was our investment in *Genworth Mortgage Insurance Australia (GMA). GMA* is the largest provider of Lenders Mortgage Insurance in Australia and has been a significant beneficiary of the rising housing market and mortgage volumes. *GMA* announced that its largest customer CommBank is putting its business out to tender. CommBank provided *GMA* with 57% of its business written in FY20. Whilst we think there is a solid chance that *GMA* retains the CommBank contract we think the binary outcome will overhang the business until the contract is awarded to *GMA* or a competitor.

Offsetting this weakness was our core long in *Computershare (CPU)*. Even though longer-term yields fell over the month, short term rates remain stable. *CPU* continued to lead financials, up ~8% for the month of June.

Within the ***Technology*** portfolio performance was impacted by a short position in *Altium (ALU)*. *ALU* was subject to takeover proposal which it has rejected. The takeover was proposed at more than 20 times *ALU's* revenue, which is considered extremely high compared to recent software acquisitions. However, the bid came from a strategic investor, Nasdaq listed, Autodesk. We consider these high multiple acquisitions of strategic nature very rare, and unlucky when we are positioned on the wrong side. The company downgraded its profit two weeks after receiving the bid from Autodesk.

Key contributors within technology were *Life360 (360)*, *LiveHire (LVH)*, and *Megaport (MP1)*. We retain *360* as a core long. The business provides location-based services via applications so families can easily keep track of each other. *360* has performed very strongly this year and was the most downloaded App in 11 countries last month. It also received a direct investment from a group of celebrities including Michael Phelps and Kobe Bryant's wife.

The Australian ***Consumer*** sector has benefited through COVID from excessive government stimulus and a redirection of spending from services in favour of durable goods. In recent months, we have started to see a reversal of this trend and a return to prior spending behaviour as shops and services have reopened, this will be a headwind for trading activity in the listed retail sector in the year ahead.

All retail businesses have benefited from this exuberance, good and bad businesses alike. As such, we see significant opportunity for our short book as this transitionary spending rolls off and weaker businesses once again, show their true colour.

We have written previously of excessive valuations in ***Ecommerce*** shares. With the bubble in these Ecommerce names deflating in recent months, we covered our remaining short positions in June and are now neutral the sector. This concluded what has been a very successful trade over the last six months.

Our ***Consumer Discretionary*** short position did not contribute meaningful alpha in June however we remain confident in the position. In June/July, Covid lockdowns are likely to impact near-term trading. Therefore, investors who are holding out for a final upgrade might be disappointed. As the vaccine program accelerates and international boarders ultimately open, household spending will pivot back to the services sector away from consumer durable categories. As such we believe the peak for many domestic discretionary retail shares is behind us.

In ***Consumer Staples,*** some of the more interesting investment opportunities are emerging in Fast-moving consumer goods (FMCG). These companies struggled through lock downs as restaurants were closed but are not seeing activity return as consumers get out again. We have already seen this play through in our investments in *United Malt (UMG)* and *Inghams (ING). A2M* is our latest position in the FMCG space. See a detailed explanation of our investment case in the "***Ideas in Focus***" section.

Healthcare, it has been a frustrating time managing positions in this sector. There are a number of companies that are over earning due to COVID tailwinds that we would like to short recognising there are unlikely to be generating these profits again for years to come. The share market is extremely myopic though pushing these shares higher.

We own some smaller specialty providers in imaging *Integral Diagnostics (IDX)* and IVF *Virtus Health (VRT)* that are trading well but struggling along with small caps generally. We don't have a position in *CSL*, the shares will struggle until the August results when further clarity around 2022 trading will be provided.

In ***Building Materials*** the market is unclear about the outlook for housing next year, a lot of demand has been pulled forward with the HomeBuilder stimulus measures and immigration levels have collapsed with COVID. We are selectively short some of the domestic building material companies. *James Hardie (JHX)* on the other hand is well positioned to keep capturing share in the US building market as competitors are supply constrained.

In ***Resources*** we are long *Nickel Mines (NIC)* who continue to expand their Indonesian Nickel Pig Iron operations at very low cost. We also added *29Metals (29M)* to the portfolio a recent listing that trades at a significant discount to its peer group (*OZ Minerals OZL* and *Sandfire Resources SFR*). We have become more constructive on the outlook for base metals based on supply side reforms in China, adding emerging copper explorers- *Cyprium Metals (CYM)* and *Rex Minerals (RXM*) to the portfolio. In Oil and Gas we have added *Carnarvon Petroleum (CVN)* to the portfolio with its interest in the world class Dorado oil project (Santos Operator).

IDEA IN FOCUS – Sour milk now tasting sweeter?

The A2 Milk share price has seen one-way traffic since its full-year result in August last year, down 75% before basing out in May.

Whenever we see a great brand cop a hiding like this, we get excited (as long as we don't own it!). Successful brands are difficult and expensive to build, but most importantly tend to have enduring value. There can be many reasons for a brand's near-term profit to fall, but the key is to determine whether these issues are permanent or transient.

The aim is to identify the reasons for A2M's share price collapse and make some judgement on whether it's time to buy.

Source: Bloomberg

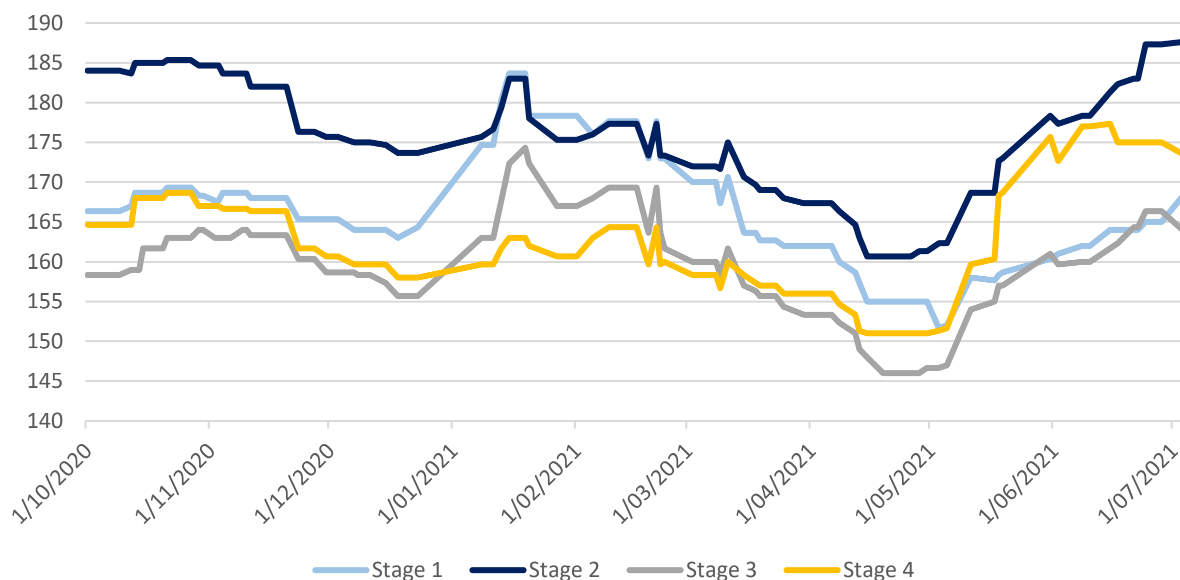
Supply – a big part of the problem

A2M experienced volatile demand in 2020 because of Covid. Firstly, demand spiked as Chinese consumers panicked and filled their pantries. Later, as pandemic concerns eased, consumers started to work through their personal inventories and demand quickly eased.

This sort of volatility can be difficult to manage, but nonetheless we think A2M did a poor job of it. A2M management (now gone from the business), did not adjust supply to match slowing demand signals from its usual trusted wholesale customers. Instead it pushed excess supply into new channels and customers that were not properly developed. The result was a market that was saturated with inventory, a large amount held by parties that A2M did not know and ultimately could not trust. These parties attempted to clear the inventory in discount channels, thereby reducing the profitability for A2M's trusted partners. The ultimate effect of this 'channel loading' saw A2M's FY20 revenue overstate true demand.

Coming down the other side of the mountain, FY21 revenue has been notably smaller, and the cause of the share price collapse. The incoming CEO has purposefully held back sales to allow excess inventory to clear and channel economics to recover. Our industry sources suggest that A2M elected not to participate in recent key selling events on Chinese Ecommerce platforms. As such, FY21 revenue is likely a poor indicator of the true sales base and under-represents real demand for the brand.

A key point of optimism, and an essential factor for an investment in A2M is the following price chart for a2 Platinum infant formula. This price recovery tells us that the oversupply may be nearing resolution. As such FY22 revenue is more likely to reflect true demand.



Source: CLSA, 1688.com

Demand – appears to be holding up better than some might think

Underlying demand and brand health are important factors to assess for any consumer company experiencing distress. This can be difficult to determine when revenue is volatile, but ultimately comes down to what the end-customer (the mother) is buying. If the product is still in demand by mothers, supply issues can often be managed.

Below is a table showing the results of major Chinese sales events over the last 24 months, the most recent in June 2021. As can be seen, the a2 Platinum brand has maintained a strong position despite disruption in its supply chain. While this data is indicative rather than conclusive evidence of brand health, it is a reassuring sign.

Rank	2021 (6/18)	2020 (11/11)	2020 (6/18)	2019 (11/11)
1	Aptamil	Aptamil	Aptamil	Aptamil
2	Friso	Friso	Feihe	Illuma
3	Feihe	Wyeth (including Illuma)	Friso	a2 Milk Platinum
4	a2 Milk Platinum	Feihe	a2 Milk Platinum	Friso
5	Wyeth (including Illuma)	a2 Milk Platinum	Mead Johnson	Feihe
6	Mead Johnson (including Enfinitas)	Mead Johnson (including Enfinitas)	Abbott	Mead Johnson
7	Biostime	Junlebao	Wyeth	Abbott
8	Abbott (including Eleva)	Abbott (including Eleva)	Junlebao	Wyeth
9	Junlebao	Biostime	Illuma	Nutrilon
10	Yili (including Golden Collar)	Nutrilon	Nestle	Junlebao
11	Nestle	Yili (including Golden Collar)	Nutrilon	Beingmate
12	Nutrilon	Nestle	Biostime	Eleva (Abbott)
13	Beingmate	Bellamy's	Friso Prestige	Biostime
14	Bellamy's	Beingmate	Yili	Nestle
15	Hipp	Hipp	Kabrita	Bellamy's
16	Cow and Gate	Cow and Gate	Beingmate	Enfinitas (Mead Johnson)
17	Wandashan	Banner Dairy	Golden Collar (Yili)	Friso Prestige
18	Beba	Hypocrite 1897	Eleva (Abbott)	Yili
19	Arla	Wandashan	Enfinitas (Mead Johnson)	Hipp
20	Hypocrite 1897	Synutra	Bellamy's	Golden Collar (Yili)

Source: CLSA, Maternal Research Institute

While consumer preference is one factor influencing demand, the size of the potential market (or TAM) is also a factor. A decline in China's birth rate in recent years has been a headwind impacting all infant formula producers. Because a2 Platinum has been gaining market share for several years, the impact of the birth rate has not been noticeable in reported revenue. However, as the brand matures it may become more important. While the Chinese Government is introducing policy for birth rate recovery, it is likely to remain a head-wind in our view.

Another headwind for a2 Platinum demand over the past 12-months has been the impact from restrictions to international travel. We estimate historically around 20% of A2M revenue came from ''retail daigau', who are Chinese students or travellers that send product back to family and friends. With Covid restrictions, this part of A2M's customer base has all but disappeared. While this demand is unlikely to return to previous levels, a resumption of international travel could be incrementally positive. In the meantime, A2M management is employing strategies to see end-demand fulfilled via other channels.

China Politics – Is this a risk for A2M?

The first point to remember here is that A2M is a New Zealand company reporting in NZD. 100% of its infant formula is manufactured in the South Island by Synlait Milk, which is also a New Zealand entity.

New Zealand is a 'western country', so it will not be helped by China's Self-Sufficiency policy, a program to promote Chinese domestic enterprise. However, New Zealand PM Jacinda Ardern, has kept NZ out of Chinese related politics, so we see less risk of A2M or any other NZ company experiencing the intentionally disruptive treatment that some Australian companies have experienced.

We see little point in the Chinese government picking a fight with NZ farmers while they own significant milk processing capacity in NZ that needs milk feedstock to operate.

Also important in this discussion is the way A2M integrates with Chinese partners and industry. A2M's sole infant formula producer, Synlait, is 32% owned by Bright Dairy, of which the Chinese government has a 52% holding. China State Farm, a Chinese State-owned enterprise, is the exclusive import agent for A2M's infant formula products into China. China State Farm is also a 25% investor in A2M's newly acquired Matuara Valley manufacturing facility. Given these Chinese Government investments in manufacturing capacity are intrinsically linked to the success of the a2 Platinum brand, we see it unlikely it will obstruct the licensing of those facilities.

Time to get long

We have recently made an investment in A2M based on improving supply/demand data and our view that the a2 Platinum brand continues to resonate strongly with Chinese mothers. While there are some risks around market size (declining birth rate), and recovery timeline for Chinese travellers (daigau), these are palatable risks when the stock is trading at such a significant discount to prior valuations.

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Monthly update – June 2021

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WATERMARK
FUNDS MANAGEMENT

MONTHLY NET PERFORMANCE (%) *													
YEAR	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
FY04								0.3	1.1	0.2	0.0	1.8	**3.4**
FY05	1.0	-0.3	3.7	2.3	3.6	2.0	0.3	1.0	-0.7	-4.9	-0.4	3.9	**11.7**
FY06	2.0	2.2	3.9	-2.3	3.1	3.1	1.3	1.6	5.3	2.7	-1.0	0.9	**25.0**
FY07	-3.1	4.4	1.8	6.3	2.5	2.0	2.8	-1.7	2.8	1.1	2.2	1.8	**25.0**
FY08	-1.0	4.1	2.5	0.8	-0.1	-1.4	-11.7	-8.3	1.4	4.4	1.5	-7.1	**-15.1**
FY09	-1.1	5.3	-5.2	-16.0	-6.3	3.2	2.5	3.1	16.2	7.3	10.1	7.1	**24.5**
FY10	9.3	11.2	6.0	0.1	0.5	-0.5	-2.3	1.9	3.5	-1.7	-5.7	-1.9	**20.8**
FY11	2.9	-3.8	2.4	0.1	2.7	10.8	2.2	1.7	3.6	2.0	-1.2	-1.3	**23.6**
FY12	-4.0	-6.7	-8.3	6.5	-1.3	1.0	5.0	4.8	3.8	0.9	-2.3	0.8	**-1.0**
FY13	3.8	4.2	0.0	-1.2	6.7	3.0	2.7	1.2	3.0	2.2	1.6	2.9	**34.2**
FY14	3.9	3.6	2.9	3.7	-0.2	-0.1	0.4	3.1	-1.3	2.4	1.1	0.6	**21.8**
FY15	-3.6	-2.4	1.4	-1.2	-2.5	-1.1	-1.2	1.0	3.0	0.8	-0.5	3.1	**-3.5**
FY16	3.8	4.6	1.9	-2.1	0.6	2.6	0.4	-2.6	1.8	-1.0	1.7	1.8	**13.9**
FY17	-0.3	-0.6	3.9	-0.5	-0.9	-0.2	-0.7	-0.1	0.2	1.2	0.8	-0.5	**2.3**
FY18	0.2	-1.9	-0.4	-3.1	1.3	0.1	-0.6	0.7	0.9	0.9	0.0	-0.6	**-2.4**
FY19	3.0	-2.0	0.2	-2.0	-2.9	-1.4	0.5	0.7	-0.9	-2.3	-0.6%	**1.1**	**-6.6**
FY20	**2.1**	**1.5**	**-0.5**	**1.6**	**-0.4**	**-0.1**	**0.7**	**-1.1**	**-2.4**	**0.9**	**-0.7**	**-1.2**	**0.3**
FY21	**1.2**	**1.1**	**0.1**	**1.4**	**2.8**	**-1.1**	**0.8**	**3.9**	**-1.1**	**1.0**	**-0.5**	**-2.4**	**7.0**

**WARF Ordinary Unit established May 2019, historic returns from ALF:ASX- same variable beta strategy established in 2004*

MANAGING YOUR INVESTMENT

To view details of your investment such as your transaction history and distribution payments, please register via the secure portal (investorserve.com.au) operated by Boardroom Pty Limited.

The Fund is priced monthly, on or around the 6th business day of each month. Boardroom Limited, who manage the unit registry for the Fund, will accept applications and redemptions up until 2pm on the last day of the month.

In the first 12 months of B Class units issued, there will be no base management fee however a withdrawal fee will apply to those who redeem up until 26/03/2022, please refer to PDS for more information.

WARF Application and Redemption forms can be found on our website wfunds.com.au, once completed please return to watermark@boardroomlimited.com.au.

Product Disclosure Statement Watermark Absolute Return Fund ETL8732AU PDS & ETL5025AU PDS

For further information about the InvestorServe portal or queries regarding your holding, please contact Boardroom Limited 1300 005 027 (in Australia) +61 2 8023 5474 (international) or email watermark@boardroomlimted.com.au.

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Available on the following platforms:
Macquarie Wrap
BT Wrap
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Ausmaq

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