

# REPLACEMENT PROSPECTUS

Watermark Market Neutral Fund Limited  
ACN 163 980 498

Offer of up to 120,000,000 fully paid ordinary shares at an offer price of \$1.00 per share to raise up to \$120,000,000, together with 1 option to acquire 1 ordinary share exercisable at \$1.00 per Option on or before 31 December 2014.

(Including a Priority Allocation to Australian Leaders Fund Limited shareholders of up to 20,000,000 Shares)



## Important Information

This Replacement Prospectus contains important information for you as a shareholder or prospective investor and requires your immediate attention. It should be read in its entirety. If you have any questions as to its contents or the course you should follow, please consult your stockbroker, accountant, solicitor or other professional adviser immediately.

Joint Lead Managers

Morgan Stanley



Co-Managers

RBS Morgans



TAYLOR COLLISON

## Important Notices

This Replacement Prospectus (**Prospectus**) is dated 14 June 2013 and was lodged with the Australian Securities & Investments Commission (**ASIC**) on that date. It replaces the Prospectus dated 7 June 2013. It is issued by Watermark Market Neutral Fund Limited (ACN 163 980 498) (**Company**) and is an invitation to apply for up to 120,000,000 Shares at an issue price of \$1.00 per Share to raise up to \$120,000,000, together with an entitlement to 1 Option for every 1 Share subscribed for, with each Option exercisable at \$1.00 on or before 31 December 2014.

None of ASIC, ASX or their respective officers take responsibility for the contents of this Prospectus.

This document is important and requires your immediate attention. It should be read in its entirety. You may wish to consult your professional adviser about its contents.

No securities (other than Shares to be issued on the exercise of Options) will be issued on the basis of this Prospectus later than the expiry date of this Prospectus, being the date 13 months after the date of this Prospectus.

### ASX Listing

The Company has applied for admission to the official list of ASX and for the Shares and Options to be quoted on ASX.

The fact that ASX may admit the Company to the official list and quote the Shares and Options is not to be taken in any way as an indication of the merits of the Company. Neither the ASX nor its officers take any responsibility for the contents of this Prospectus. If granted admission to the ASX, quotation will commence as soon as practicable after holding statements are dispatched.

The Company does not intend to issue any securities under this Prospectus unless and until the Shares and Options have been granted permission to be quoted on the ASX on terms acceptable to the Company. If permission is not granted for the Securities to be quoted before the end of 3 months after the date of this Prospectus or such longer period permitted by the Corporations Act or with the consent of ASIC, all Application Monies received pursuant to the Prospectus will be refunded without interest to Applicants in full within the time prescribed by the Corporations Act.

### Intermediary Authorisation

The Company does not hold an Australian Financial Services Licence (AFSL) under the Corporations Act. Accordingly, offers under this Prospectus will be made pursuant to an arrangement between the Company and holders of an AFSL (**Licensees**) under Section 911A(2)(b) of the Corporations Act. The Company will only authorise Licensees to make offers to people to arrange for the issue of Shares and Options by the Company under the Prospectus and the Company will only issue Shares and Options in accordance with such offers if they are accepted.

Morgan Stanley Australia Securities Limited (AFSL 233741) and Macquarie Capital (Australia) Limited (AFSL 314416) (together, the **Lead Managers**) will manage the Offer on behalf of the Company. Any Application Form received which does not bear a Licensee's stamp will be forwarded to the Lead Managers.

The Lead Managers have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Prospectus and do not make any statement in this Prospectus and there is no statement in this Prospectus which is based on any statement by the Lead Managers. The Lead Managers and their respective affiliates, related bodies corporate, officers and employees to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus and make no representation or warranty, express or implied as to the currency, accuracy, reliability or completeness of this Prospectus.

The Lead Managers' functions should not be considered as an endorsement of the Offer, nor a recommendation of the suitability of the Offer for any investor. The Manager and Lead Managers do not guarantee the success or performance of the Company or the returns (if any) to be received by investors. The Manager is not responsible for, or has caused the issue of, this Prospectus. The Manager will receive no fee in connection with the lodgement of Application Forms bearing its stamp.

The Company will pay a broker firm fee equal to 1.0% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp (other than the Manager's stamp) to the extent Shares and Options are allotted under the Broker Firm Offer, provided that the Application Forms are received or a commitment is given to the Lead Managers to lodge the Application Forms by 30 June 2013. No broker firm fee will be payable on General or Priority Applications. The Company has also agreed to pay a Lead Manager fee of 1.0% (excluding GST) of the total Offer size to the Lead Managers.

### Investment Decision

Applicants should read this Prospectus in its entirety before deciding to apply for Shares and Options. This Prospectus does not take into account your individual investment objectives, financial situation or any of your particular needs. You should seek independent legal, financial and taxation advice before making a decision whether to invest in the Company.

An investment in this Company carries risks. An outline of some of the risks that apply to an investment in the Company is set out in Section 6. Applicants are urged to consider this Section of the Prospectus carefully before deciding to apply for Securities.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained or taken to be contained may not be relied on as having been authorised by the Company in connection with the Offer.

### Forward Looking Statements

This Prospectus contains forward looking statements. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements. While the Company believes that the expectations reflected in the forward looking statements in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors set out in Section 6, as well as other matters as yet not known to the Company or not currently considered material by the Company, may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this Prospectus is qualified by this cautionary statement.

### Prospectus

An electronic version of this Prospectus (**Electronic Prospectus**) can be downloaded from the following website [www.wfunds.com.au](http://www.wfunds.com.au). The Offer or invitation to which the Electronic Prospectus relates is only available to persons receiving the Electronic Prospectus in Australia.

The Company will also send a copy of the paper Prospectus and paper Application Form free of charge if the person asks during the application period.

If you download the Electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by a copy of the Application Form. The Securities to which the Electronic Prospectus relates will only be issued on receipt of a printed copy of the electronic Application Form together with a printed copy of the Prospectus. The Application Form may be generated by software accessible by the same means as the Prospectus.

### How to Apply

You can only make an Application for Shares and Options under the Offer by completing and lodging the applicable Application Form attached at the back of this Prospectus. You can find detailed instructions on completing the Application Forms on the back of the Application Form.

Applications must be for a minimum of 2,000 Shares at \$1.00 each (i.e. for a minimum subscription amount \$2,000) and 2,000 Options. A larger number of Shares and Options may be applied for in multiples of 100 Shares and Options.

### Application Form

Applications and Application Monies for Shares and Options under the Offer received after 5.00pm (Sydney time) on the Closing Date will not be accepted and will be returned to potential investors.

Applications must be accompanied by payment in Australian currency.

Cheques in respect of Applications should be made payable to "Watermark Market Neutral Fund Limited Offer" and crossed "Not Negotiable".

No stamp duty is payable by Applicants.

Completed Application Forms, together with Application Monies, should be forwarded to the following address:

#### POSTAL

Watermark Market Neutral Fund Limited Offer  
C/- Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001

#### HAND DELIVERED

Watermark Market Neutral Fund Limited Offer  
C/- Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000

### When to Apply

Completed Applications under the Offer must be received by 5.00pm (Sydney time) on the Closing Date. The Directors may close the Offer at any time without prior notice or extend the period of the Offer in accordance with the Corporations Act.

The Board has set aside 20,000,000 Shares and 20,000,000 Options as a Priority Allocation for eligible Australian Leaders Fund Limited shareholders. See Section 2.1 for further details. The Directors reserve the right to allocate any lesser number of Shares and Options than those for which the Applicant has applied. Where the number of Shares and Options allotted is fewer than the number applied for, surplus Application Monies will be refunded without interest.

### Glossary of Terms

Defined terms and abbreviations included in the text of this Prospectus are set out in the Glossary in Section 9.



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# Highlights of the Offer

## Important Dates

Lodgement of Prospectus with ASIC	14 June 2013
Expected expiry of exposure period	14 June 2013
Offer opens	14 June 2013
Broker firm offer closes	5.00pm 25 June 2013
Offer closes (excluding broker firm offer)	5.00pm 5 July 2013
Expected final allotment of Shares and Options	15 July 2013
Expected final despatch of holding statements	16 July 2013

The above dates are subject to change and are indicative only and times are references to Sydney time. The Company reserves the right to amend this indicative timetable subject to the Corporations Act and the ASX Listing Rules.

## Key Offer Statistics

Company	Watermark Market Neutral Fund Limited ACN 163 980 498
Proposed ASX codes	WMK Shares WMKO Options
Securities offered	Fully paid Shares at an issue price of \$1.00, with 1 Option for every 1 Share subscribed
Minimum number of securities available under the Offer	30,000,000 Shares 30,000,000 Options
Minimum proceeds from the Offer (before exercise of any Options)	\$30,000,000
Maximum number of securities available under the Offer <sup>1</sup>	120,000,000 Shares 120,000,000 Options
Number of Shares available under the Priority Allocation	20,000,000
Issue Price per Share	\$1.00
Exercise Price per Option	\$1.00
Pro forma net asset value per Share ( <b>NAV</b> ) if the minimum subscription amount is raised (based on unaudited pro forma statement of financial position set out in Section 7.2).	\$0.973
Pro forma NAV if the maximum subscription amount is raised (based on unaudited pro forma statement of financial position set out in Section 7.2 ).	\$0.979

## Enquiries

For any enquiries concerning the Offer, please contact Justin Braitling, Tom Richardson, Joshua Ross or Nerida Dawson on (02) 9252 0225.

<sup>1</sup> Including the Priority Allocation

## Watermark Market Neutral Fund Limited

ACN 163 980 498

14 June 2013

**Dear Investor,**

### **The Offer**

On behalf of the Board, I am pleased to invite you to become a shareholder in the Watermark Market Neutral Fund Limited (**Company**).

The Company is raising a minimum of \$30,000,000 at \$1.00 per Share, with attaching Options on a one for one basis that will be exercisable at \$1.00 on or before 31 December 2014.

The Company has been established to take advantage of opportunities to invest in listed securities in a 'market neutral' structure which seeks to limit market risk.

### **Why a market neutral fund?**

Given a softer outlook for growth in advanced economies, the Board believes that listed securities are likely to deliver lower returns in the medium term. Financial risks on the other hand are expected to remain elevated in the aftermath of the global financial crisis, with heightened levels of share market volatility.

Given this balance of risk and return, there is a strong case for investing in a 'market neutral' portfolio, which seek to allow investors to profit from the mispricing of securities while seeking to limit their net exposure to the overall share market.

Investors in listed equities take on two principal sources of risk; company specific risks that are linked to the financial performance of the businesses in which they invest and market risks that reflect the general health of the economy and risk appetite of investors. While investment-specific risks can be diversified in a well constructed portfolio, market risks are harder to avoid.

Traditional managed investment vehicles invest on a 'buy and hold' basis and are fully exposed to market movements. These investments measure risk in the context of 'under-performing' the share market and construct portfolios that closely track share market indices. As a consequence, their performance is largely dependent on a rising market with share selection contributing relatively little to overall returns.

The ability to 'short' sell sets the Company apart from traditional 'long only' investment vehicles, as 'shorts' are a natural hedge for the Company's assets. The Manager will employ its investment process to identify what are seen as mispriced securities, not just buying undervalued securities but selling 'short' overvalued securities as well. By balancing the value of 'long' and 'short' positions the Company's Portfolio is hedged, minimising its exposure to general market movements, although the success of the Portfolio's structure ultimately depends on the Manager's expertise in selecting appropriate investments. This strategy seeks to offer considerable protection if the market were to fall sharply, as the Company retains its capital in cash, earning interest. This protection comes at a cost however, as the Portfolio may underperform a strong share market.

Listed equities have staged an advance in recent months leaving prices in some instances ahead of the Manager's view of fundamental value. As this gap widens and market risks build, investors may like to consider ways of minimising exposure to these risks. The addition of a market neutral fund with limited market risk can help achieve this goal in a broader equities portfolio.

See Section 3 for further information regarding market-neutral investing and an explanation of other key investment terms used in this Prospectus.

### **Manager**

The Company is pleased to engage Watermark Funds Management Pty Limited (**Manager**) as its portfolio manager. Watermark has a strong track record in implementing hedging strategies of this nature. See Section 5 for details. Its flagship fund, the ASX listed Australian Leaders Fund Limited (ASX:ALF), has been among the best performing listed investment companies since listing in 2004 according to Bell Potter's Listed Investment Companies Report, March quarter 2013. Past performance information given on this page relates to the portfolios of ALF and is given for illustration purposes only. It should not be relied upon as (and is not) an indication of future performance of the Company's Portfolio. The actual results of the Company's Portfolio could differ materially from those of ALF, including because of the different strategies to be adopted by the Manager in connection with the Company's Portfolio. The Manager has been retained for a term of 10 years. See Section 10.1 for details.

### **Risks**

An investment in the Company is not without risk. Important risks for investors to consider include its reliance on the Manager, particularly its ability to select investments to buy and sell (short), risks inherent in the proposed investment strategy (including the potential to underperform traditional "long only" funds in strong markets) and risks associated with undertaking short selling. See Section 6 for a detailed discussion of relevant risks.

The Board recommends that you read this Prospectus in its entirety. This Prospectus provides details of the Offer and an overview of the business and activities of the Company.

On behalf of the Board, I would like to welcome all new investors, and thank all existing investors in ALF for their support.

Yours sincerely



**Matthew Kidman**  
Chairman

# 1 Offer Summary

This is a summary only. This Prospectus should be read in full before making any decision to apply for Shares and Options.

## INVESTING IN THE COMPANY

QUESTION	ANSWER	MORE INFORMATION
<p>What is the business model of the Company?</p>	<p>Watermark Market Neutral Fund Limited (<b>Company</b>) will be an investment company investing predominately in listed Australian securities. The Company's Portfolio will be managed by Watermark Funds Management Pty Limited (<b>Manager</b>), a licensed financial services provider owned by an entity associated with Justin Braitling. Justin Braitling is a director of both the Company and the Manager. The Company will provide investors with the opportunity to invest in an actively managed portfolio and gain access to the investment experience and expertise of the Manager.</p> <p>The Company's investment strategy has a primary goal of identifying and buying listed securities that in its view are undervalued by the market, and identifying and short selling listed securities that in its view are overvalued by the market.</p> <p>In a market neutral structure, the Company's capital is retained in cash and cash equivalents and the investment portfolio is funded from the short selling of borrowed securities. The Company will primarily acquire interests in ASX listed securities, with up to 10% of each of the long and short portfolios held in international listed securities (see Sections 4.5 and 4.6 for details).</p> <p>An important distinction for the Company is its ability to short sell listed securities. This is considered by the Company to be an attractive means of funding its long portfolio, as short selling generates cash proceeds for investment and also provides a hedge against market volatility for the Portfolio. The Company will typically hold between 40–80 positions in each of the long and short portfolios at any one time. The Company will remain market neutral with the long and short portfolios being of equal size, resulting in net market exposure of under 10% of capital. The long and short portfolios will be monitored daily and rebalanced as required, at least monthly.</p> <p>The Company's investment objective is to deliver superior returns with reduced market risk while providing a consistent stream of fully franked dividends to Shareholders where franking credits are available.</p>	<p>Section 4</p>
<p>What are the key risks associated with the business model and the Offer?</p>	<p>The key risks of any investment in the Company are highlighted below. Investors should bear these in mind, when considering whether to participate in the Offer:</p> <ul style="list-style-type: none"> <li>• The success and profitability of the Company depends almost entirely upon the ability of the Manager to invest in listed securities that have the ability to increase in value over time (or to sell short listed securities that have the potential to decrease in value over time) and there is no guarantee that this can be achieved. The value of the assets selected for the Portfolio may decline in value, which would be likely to have an adverse impact on the value of the Shares and Options. The value of securities sold short may also increase, having a negative impact on the value of the Portfolio.</li> <li>• There are inherent risks associated with short selling. Short selling involves leverage of the Company's assets, can suffer from low liquidity, and investment flexibility could be restrained by the need to provide collateral to the securities lender.</li> </ul>	<p>Investors should read these risks together with the other risks described in Section 6, as well as Sections 3.6</p>



QUESTION	ANSWER	MORE INFORMATION
<p><b>What are the key risks associated with the business model and the Offer?</b> <i>(continued)</i></p>	<ul style="list-style-type: none"> <li>• The Company may pledge its securities as collateral in order to borrow additional funds for investment purposes. The Company's balance sheet will be leveraged to the cash account to maximise returns. The value of long and short portfolios are each limited to twice the value of capital retained in cash. Total market exposure or gross exposure, being the sum of the long and short positions combined as a percentage of shareholder capital, will generally be at or around 200%, and in any event will not exceed 400%. This is expected to add to volatility of the price of Shares and Options. The Manager seeks to prudently manage these risks, but cannot eliminate them entirely.</li> <li>• A market neutral portfolio that has less than 10% net market exposure has limited correlation to market indices, and can be valuable in diversifying investor risk within a broader investment portfolio. A market neutral structure will not, however, provide exposure to all of the benefits to be gained in a rising market as net market exposure is less than 10%, and should not be seen as the only strategy an investor might employ. See Sections 3.5 and 3.6 for more detail.</li> </ul>	<p>Investors should read these risks together with the other risks described in Section 6, as well as Sections 3.6</p>
<p><b>What is "market neutral"?</b></p>	<p>The Company seeks to profit from the mispricing of securities. The Manager favours a long investment portfolio of securities it believes are undervalued, which is funded by the proceeds of selling 'short' the securities of entities it believes are overvalued. The 'long' and 'short' segments of the portfolio are of approximately equal value, minimising exposure to general market movements (net market exposure will be maintained at less than 10% of capital). The Company's investment capital is retained in cash, earning interest. The gross performance of the Portfolio will be the interest on cash at bank, plus the difference between the performance of the long and short portfolios.</p>	<p>Section 3</p>
<p><b>What is a short sale?</b></p>	<p>Short selling occurs when the Company borrows a security from its prime broker and sells the security to a third party, generating cash proceeds. The Company will reacquire the same security on-market and return it to the lender to close the transaction. The Company makes a profit if the price of the borrowed security declines in value in the period between when the Company short sells and when the Company reacquires the borrowed security on-market. Conversely, if the borrowed security increases in value during this period, the Company will suffer a loss. The time period for borrowing securities to short sell may not be fixed, but there are some instances in which the prime broker may recall the securities and the Company must acquire them on-market to close the transaction. See Section 10.2 for more detail.</p>	<p>Section 3</p>
<p><b>Will the Portfolio be leveraged?</b></p>	<p>The Company does not intend to borrow funds for investment. Short selling can magnify gains in the Portfolio, but will also magnify losses in a similar manner to leverage. With a view to managing this risk, total market exposure or gross exposure, being the sum of the long and short positions combined as a percentage of shareholders capital will generally be at or around 200%, and in any event will not exceed 400%.</p>	<p>Section 4.8</p>
<p><b>What is the financial position of the Company?</b></p>	<p>The Company has no performance history as it is yet to commence trading. Unaudited pro forma statements of financial position are set out in Section 7.2.</p>	<p>Section 7</p>

# 1 Offer Summary (continued)

QUESTION	ANSWER	MORE INFORMATION
Who are the Company's directors?	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"> <li>• Matthew Kidman – Chairman</li> <li>• Justin Braitling</li> <li>• John Abernethy</li> <li>• Rob Ferguson</li> <li>• Stephen van Eyk</li> </ul> <p>See Section 5.4 and Section 9.1 for further details regarding the background of the Directors.</p>	Section 9 and Section 5.4
Will any related party have a significant interest in the Company or in connection with the Offer?	<p>Justin Braitling is the director and indirect owner of the Manager, the entity appointed to manage the investment portfolio of the Company. In this capacity, the Company pays the Manager, Watermark Funds Management Pty Limited, a Management Fee and a Performance Fee.</p> <p>All Directors are remunerated for their services as directors of the Company.</p> <p>Directors, or entities associated with them, may apply for Shares and Options under this Offer.</p>	Section 9.8
Is there a relationship with ALF?	<p>Australian Leaders Fund Limited (ASX:ALF) and the Company are independent entities and will operate as such, although the Company's Manager is also the investment manager for ALF. ALF and the Company have two common directors, Justin Braitling and John Abernethy. See Section 5 for detail on the differences between the investment strategies the Manager uses for ALF and the Company.</p>	Section 5
What are the key terms of the Management Agreement?	<p>The Management Agreement has an initial term of 10 years (or as extended annually on each subsequent anniversary). The Company has applied to ASX for a waiver to allow this initial term period of 10 years. If ASX refuses the waiver application, the initial term of the Management Agreement will be 5 years.</p> <p>The Manager will be responsible managing the Portfolio in accordance with the strategy set out in Section 4.</p>	Section 10
What are the Company's other material contracts?	<p>In addition to the Management Agreement, the Company has entered a Prime Brokerage Agreement, an Offer Management Agreement, and Director Protection Deeds with each Director.</p>	Section 10
What fees will the Manager receive?	<p>The Company will pay the Manager a management fee of 1% per annum (plus GST) of the net asset value of the Portfolio, calculated monthly and payable monthly in arrears.</p> <p>In addition, where the Portfolio has increased over any financial year above the benchmark, the Company will pay the Manager a Performance Fee of 20% (plus GST) of the increase exceeding the Benchmark. The Benchmark is the Reserve Bank of Australia's cash-rate. The Performance Fee is calculated monthly, payable annually in arrears. If the Portfolio underperforms the benchmark over a financial year, that underperformance does not carry forward to the calculation of the Performance Fee in the following financial year. See Section 10.1 for more details.</p>	Section 10

QUESTION	ANSWER	MORE INFORMATION				
Will the Company pay dividends?	<p>The Company intends to pay dividends out of available cash flow. The targeted yield will be 5% per annum, based on the net value of the Company's Portfolio at the start of each financial year and based on the current capital structure. This is not intended to be a forecast. It is merely an indication of what the Company aims to achieve over the medium to long term. The Company may not be successful in meeting its objective. Returns are not guaranteed. If available, dividends will be paid at the end of the Company's first financial year and after that semi-annually and will be franked to the maximum extent possible.</p> <p>The Board will consider, but does not commit to, paying a dividend out of capital should the Company have insufficient retained earnings. The Company will operate a Dividend Reinvestment Plan. See Section 11.5 for details</p>	Section 4				
What is the Offer?	<p>The Company is offering for subscription up to 120,000,000 fully paid Shares at an issue price of \$1.00 to raise up to \$120,000,000. Investors will also receive for no additional consideration an attached Option for every 1 Share subscribed for, exercisable at \$1.00 on or before 31 December 2014.</p> <p>Of the 120,000,000 Shares available under the Offer, 20,000,000 Shares are available to existing Australian Leaders Fund Limited shareholders under the Priority Allocation. The Offer also comprises the Broker Firm Offer.</p>	Section 2.1, Section 11.3 and Section 11.4				
What will the capital structure be?	<p>At Completion of the Offer, the capital structure of the Company (assuming the Offer is fully subscribed), is set out below:</p> <table border="1"> <tbody> <tr> <td>Shares</td> <td>120,000,001</td> </tr> <tr> <td>Options</td> <td>120,000,000</td> </tr> </tbody> </table>	Shares	120,000,001	Options	120,000,000	Section 7.4
Shares	120,000,001					
Options	120,000,000					

## ABOUT THE OFFER

QUESTION	ANSWER	MORE INFORMATION
Who is the issuer of the Shares and Options and this Prospectus?	The issuer is Watermark Market Neutral Fund Limited (ACN 163 980 498).	Section 4
Who are the Lead Managers?	The Lead Managers are Morgan Stanley Australia Securities Limited (AFSL 233741) and Macquarie Capital (Australia) Limited (AFSL 314416).	Section 10.3
What is the purpose of the Offer?	The money raised under the Offer will be used by the Company for investments consistent with the Company's investment strategy and objectives, as well as paying the costs of the Offer.	Section 4 and Section 7.1
Who can participate in the Offer?	<p>Members of the general public who have a registered address in Australia.</p> <p>The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia.</p>	Section 2.1 and Section 2.6
Can superannuation funds invest?	Yes, subject to the investment mandate of the particular fund and the trustee's general powers and duties.	

# 1 Offer Summary (continued)

QUESTION	ANSWER	MORE INFORMATION
How do I apply for Shares and Options?	<p>The procedures for making an investment in the Company are described in Section 2.3.</p> <p>Applicants under the Broker Firm Offer should contact their Broker for instructions on how to complete the Broker Firm Application Form accompanying this Prospectus.</p> <p>The Lead Managers may seek to obtain identification information from Applicants. The Company reserves the right to reject an Application if that information is not provided upon request.</p>	Section 2.3
What are the fees and costs of the Offer?	<p>The Company will pay a broker firm fee equal to 1.0% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares and Options are allotted under the Broker Firm Offer provided the Application Forms are received or commitments are given to the Lead Managers to lodge the Application Forms by 25 June 2013. No fee will be payable on General or Priority Applications. No broker firm fee will be payable on Application Forms received bearing the Manager's stamp. The Company has also agreed to pay a fee of 1.0% (excluding GST) of the total funds raised to the Lead Managers.</p>	Section 2.4 and Section 7.6
Is the Offer underwritten?	No.	
Is there a minimum subscription?	<p>Yes, each Applicant must subscribe for a minimum of 2,000 Shares at the issue price \$1.00 per Share i.e. \$2,000.</p> <p>The aggregate minimum amount of Applications required to be received for the Offer to proceed is 30,000,000 Shares.</p>	Section 2.2.
Is there a cooling off period?	No.	
What is the Company's gearing level?	<p>The Company does not intend to borrow funds for investment.</p> <p>Short selling can magnify gains in the Portfolio, but will also magnify losses, in a similar manner to gearing.</p> <p>The value of the long and short portfolios are limited to twice the value of capital retained in cash meaning gross exposure of the combined portfolios will generally be at or around 200%, and in any event not exceed 400%.</p>	Section 4.8
How can I obtain further information?	<p>Contact Justin Braitling, Tom Richardson, Joshua Ross or Nerida Dawson on 02 9252 0225 or email enquiries to <a href="mailto:info@wffunds.com.au">info@wffunds.com.au</a> if you have questions relating to the Offer.</p> <p>If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.</p>	

The above table is a summary only. This Prospectus should be read in full before making any decisions to apply for Shares and Options.

## 2 Information for Investors

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**This is a summary only. This Prospectus should be read in full before making any decision to apply for Shares and Options.**

### 2.1. THE OFFER

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#### **The Offer**

The Company is offering for subscription 120,000,000 fully paid ordinary shares (**Shares**) at an offer price of \$1.00 per Share to raise up to \$120,000,000, together with an entitlement to 1 option to acquire 1 Share (**Option**) per fully paid ordinary Share subscribed for, exercisable at \$1.00 per Option on or before 31 December 2014.

To participate in the Offer, your Application Form must be received by the Registry by 5.00pm Sydney time on the Closing Date. If you intend participating through the Broker Firm Offer, the closing date is 5.00pm 25 June 2013.

The Offer will only be made to investors who have a registered address in Australia.

Early lodgement of your Application is recommended as the Directors may close the Offer at any time after the expiry of the exposure period without prior notice. The Directors may extend the Offer in accordance with the Corporations Act.

#### **Priority Allocation**

Up to 20,000,000 Shares and 20,000,000 Options have been set aside for the Priority Allocation to eligible shareholders of Australian Leaders Fund Limited (**ALF**).

Eligible shareholders of ALF should use the Priority Allocation Form.

If the Company receives Applications from ALF shareholders for more than 20,000,000 Shares and Options, it intends to treat such additional Applications as being made under the General Offer.

#### **Broker Firm Offer**

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia. Investors who have been offered a firm allocation by a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. Investors should contact their Broker to determine whether they may be allocated Shares under the Broker Firm Offer.

### 2.2. MINIMUM SUBSCRIPTION

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While the minimum subscription amount payable by an Applicant under the Offer is \$2,000, there is an aggregate minimum subscription of \$30,000,000 required for the Offer to proceed.

### 2.3. APPLICATIONS

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#### **Application Forms**

Applications under the Offer must be made and will only be accepted on the applicable Application Form issued with and attached to this Prospectus. The Application Form marked "Priority Allocation" must be completed by ALF shareholders wishing to participate in the Priority Allocation. The Application Form marked "General Offer" must be completed by Applicants that are not ALF shareholders or ALF shareholders who do not wish to participate in the Priority Allocation. The Application Form marked "Broker Firm Offer" must be completed by Applicants who have been offered a firm allocation by a Broker (see below for further details).

Shares issued in respect of Applications received by the Company will be issued at \$1.00.

Applications under the Offer must be for a minimum of 2,000 Shares at the issue price \$1.00 per Share i.e. \$2,000.

#### **General Offer and Priority Offer Applications**

Applications and Application Monies for Shares under the Offer received after 5.00pm (Sydney time) on the Closing Date will not be accepted and will be returned to potential investors (without interest). The Directors may extend the Closing Date. Applications must be accompanied by payment in Australian currency.

Cheques in respect of Applications should be made payable to "Watermark Market Neutral Fund Limited Offer" and crossed "Not Negotiable".

No stamp duty is payable by Applicants.

## 2 Information for Investors (continued)

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Completed Application Forms, together with Application Monies, should be forwarded to the following address:

**POSTAL**

Watermark Market Neutral Fund Limited Offer  
c/- Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001

**HAND DELIVERED**

Watermark Market Neutral Fund Limited Offer  
c/- Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000

A binding contract to issue Shares and Options will only be formed at the time Shares and Options are allotted to Applicants.

Application Forms will be accepted at any time after the Opening Date and prior to the Closing Date. Allocations under the Priority Offer are to be determined by the Issuer in its absolute discretion, in consultation with the Joint Lead Managers.

**Broker Firm Offer Applications**

If you are applying for Shares and Options under the Broker Firm Offer, you should complete and lodge your Broker Firm Application Form with the Broker from whom you received your firm allocation. Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Broker Firm Application Form. By making an Application, you declare that you were given access to this Prospectus, together with a Broker Firm Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus.

Applicants under the Broker Firm Offer must lodge their Broker Firm Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Application Forms to the Registry. The Broker Firm Offer is expected to close at 5.00pm (Sydney time) on 25 June 2013. Please contact your Broker for instructions.

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions from their Broker.

The allocation of Shares and Options to Brokers will be determined by the Lead Managers, in consultation with the Company.

Shares and Options that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Applicants who have received a valid allocation of Shares and Options from those Brokers. It will be a matter for the Brokers how they allocate Shares and Options among their retail clients, and they (and not the Company nor the Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them, receive the relevant Shares and Options.

The Company, Registry and the Lead Managers take no responsibility for any acts or omissions by your Broker in connection with your Application, Broker Firm Application Form, and Application Monies (including, without limitation, failure to submit Broker Firm Application Forms by the close of the Broker Firm Offer).

### 2.4. LICENSED DEALERS

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Offers under this Prospectus will be made pursuant to an arrangement between the Company and Licensees under Section 911A(2)(b) of the Corporations Act. The Company will only authorise Licensees to make offers to people to arrange for the issue of Shares and Options by the Company under the Prospectus and the Company will only issue Shares and Options in accordance with Applications made pursuant to such offers if they are accepted. The Company has entered into such an agreement with the Lead Managers.

The Company will pay a broker firm fee equal to 1.0% (excluding GST) of the Application Monies provided with valid Broker Firm Application Forms to the extent Shares and Options are allotted, provided the Application Form bears a Licensee's stamp and the Application Form is received or the Broker Firm allocation is made prior to 30 June 2013. No fee will be payable on General or Priority Applications. No broker firm fee will be payable on Application Forms received bearing the Manager's stamp. The Company has also agreed to pay a lead managers fee of 1.0% (excluding GST) of the total Offer size to the Lead Managers.

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## 2.5. ALLOTMENT

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The Company will not allot Shares and Options until the minimum subscription has been received and ASX has granted permission for quotation of the Shares and Options unconditionally or on terms acceptable to the Company.

It is expected that the issue of Shares and Options under the Offer will take place by 15 July 2013. Application Monies will be held in a separate account until allotment. This account will be established and kept by the Company on behalf of the Applicant. The Company may retain any interest earned on the Application Monies held on trust pending the issue of Shares and Options to successful Applicants. The Application constitutes an offer by the Applicant to subscribe for Shares and Options on the terms and subject to the conditions set out in this Prospectus.

The Board reserves the right to accept, reject or scale back any Application, in its absolute discretion.

Where the number of Shares and Options allotted is less than the number applied for or where no allotment is made, the surplus Application Monies will be returned to Applicants (without interest) by cheque within 7 days of the Closing Date.

It is the responsibility of each Applicant to confirm their holding before trading in Shares or Options. Applicants who sell Shares or Options before they receive an initial statement of holding do so at their own risk. The Company, Registry and Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares or Options before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by a Broker or otherwise.

Unless they agree otherwise with their Broker, Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares and Options than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies by their Broker at the time advised by their Broker. Unless advised otherwise by your Broker, no refunds will be provided if the value of any refund you would otherwise be eligible for is less than 100 cents in total, and these funds will become the proceeds of the Company.

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## 2.6. OVERSEAS INVESTORS

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The Offer (including the Priority Allocation and Broker Firm Offer) is an offer to Australian investors. The Offer does not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer.

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## 2.7. PRIVACY

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When you apply to invest in the Company, you acknowledge and agree that:

- you are required to provide the Company with certain personal information to:
  - (i) facilitate the assessment of an Application;
  - (ii) enable the Company to assess the needs of Applicants and provide appropriate facilities and services for Applicants; and
  - (iii) carry out appropriate administration.
- the Company may be required to disclose this information to:
  - (i) third parties who carry out functions on behalf of the Company, including marketing and administration functions, on a confidential basis;
  - (ii) third parties if that disclosure is required by law; and
  - (iii) related bodies corporate (as that term is defined in the Corporations Act) which carry out functions on behalf of the Company.

Under the *Privacy Act 1988* (Cth), Applicants may request access to their personal information held by (or on behalf of) the Company. Applicants may request access to personal information by telephoning or writing to the Manager.

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## 2.8. ANTI-MONEY LAUNDERING/COUNTER-TERRORISM FINANCING ACT 2006

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The Company, Manager or a Lead Manager may be required under the *Anti-Money Laundering/Counter-Terrorism Financing Act 2006* (Cth) or any other law to obtain identification information from Applicants. The Company reserves the right to reject any Application from an Applicant who fails to provide identification information upon request.

# 3 Overview of a 'market neutral' strategy

## 3.1. IMPORTANT INVESTMENT TERMS

An explanation of key investment terms used in this Prospectus is set out below.

INVESTMENT TERM	EXPLANATION
Active management	A style of investment management that seeks to attain returns through active asset allocation and security selection within each asset class rather than by tracking a market index.
Fundamental analysis	Fundamental analysis studies anything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individual specific factors (like the financial condition and management of companies).
High conviction	Typically, high conviction investing means taking larger positions in fewer stocks relative to the portfolio's benchmark and more traditional portfolios. Consequently, the portfolio will more closely reflect a manager's views on which securities are likely to achieve the investment objectives. This style of investing is generally subject to a higher level of concentration risk.
Long position	A long position occurs when an investor has actual ownership of an investment (i.e. owns the security).
Short selling	An investment practice whereby an investor 'borrows' a security from a securities lender and sells it on-market to generate cash, and will return an equivalent security purchased on-market to the lender.
Hedge	An investment position intended to offset potential losses/gains that may be incurred by another investment position.

## 3.2. WHAT IS A MARKET NEUTRAL PORTFOLIO?

A market neutral fund allows investors to benefit from identifying mispriced listed securities without being fully exposed to the volatility and risks of the market. As the long portfolio is equal in size to the short portfolio, the net market risk is minimised.

Generally speaking the market is efficient at pricing most securities. At any point in time however, there may be a select group of securities that are mispriced based on a particular assessment of value. In a market neutral structure the portfolio looks to profit from the mispricing of securities while taking advantage of the natural hedge between long and short positions.

As a well-constructed portfolio retains little or no market risk, the structure offers a hedge against a falling share market. If the share market were to fall in value there is unlikely to be any material impact on the portfolio's performance. Similarly, if the share market were to rise sharply, a market neutral portfolio may underperform, as it retains little or no market exposure.

Returns in a market neutral portfolio will reflect the selection success in choosing securities to buy and sell (short). This is also a key source of risk. If security selection is poor, the portfolio value may fall.

## 3.3. LONG/SHORT INVESTING

A "long only" investment strategy has just one source of return, which is buying securities that are expected to rise in value. A "long/short" investment strategy has two sources of potential return. Firstly, owning securities that the investor expects will rise in value (long). At the same time, the portfolio can sell (short) securities that are expected to decrease in value, also known as "short selling".

To "short sell", a portfolio will borrow securities from a counterparty securities lender, on the basis that it will return equivalent securities at a specified future point. The borrowed securities are sold on the market, and if the securities fall in value, the investor can generate a profit from purchasing the securities at that time and returning them to the lender. If the securities increase in value, the portfolio will generate a loss.

The Manager believes that short selling is more than a simple consideration of the profit or loss on the short sale in isolation, as the profit or loss from re-investing the short proceeds is also relevant.

The Manager believes that investors need to consider both sides of a short sale transaction. Borrowed shares that have been sold short are a liability on the seller's balance sheet. This liability, however, creates another investment opportunity for the investor as the proceeds from the short sale are reinvested in securities (assets) the investor holds.

Short selling can, however, also magnify losses. It is not possible to limit any increase in a borrowed security's value when the security is reacquired on market, which means that losses to the portfolio from short sales may not be limited. Further, the investment of the short sale proceeds in other securities creates additional exposure for the portfolio to movements in the price of those securities.

In short selling the Manager seeks to draw on its security selection skills to access funds for reinvestment. The Manager considers that the proceeds from short sales are an attractive way of funding a long portfolio because of the hedge effect, with the value of the asset (long) and liability (short) moving in tandem with the market.

Short selling has other associated risks, including counterparty, liquidity and leverage risks. See Section 6 for further detail.

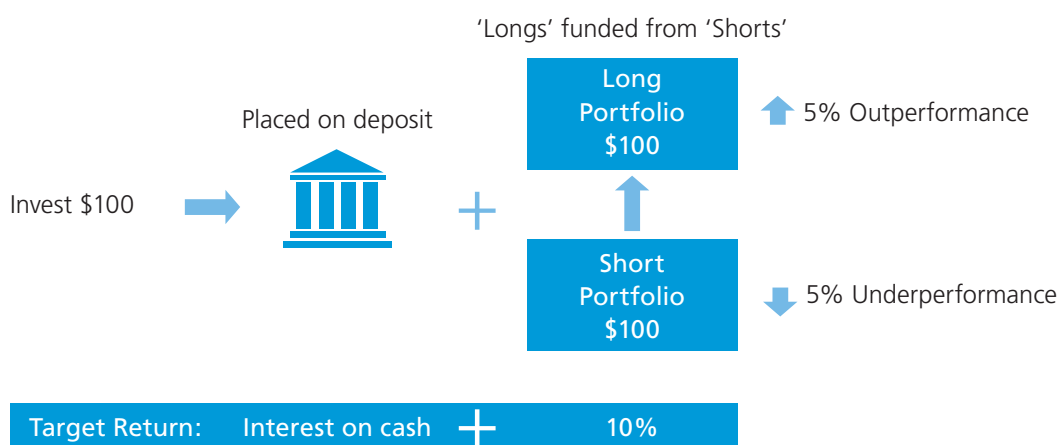
### 3.4. HOW IS A MARKET NEUTRAL PORTFOLIO STRUCTURED?

A sample market neutral portfolio structure is shown in Figure 3.4. The portfolio's capital is retained in cash and cash equivalents held at a bank. There is a short portfolio of securities that are expected to underperform. The funds raised from selling these securities are then reinvested in securities that are expected to outperform. As the 'long' portfolio and the 'short' portfolios are of equal value, the exposure to general market movements is minimised, while capital is retained in cash earning interest.

The gross returns (before expenses) of the market neutral portfolio will be the interest on the cash at bank plus the difference in the performance of the long and short portfolios.

**Figure 3.4:** Sample market neutral portfolio structure (before expenses)

#### Sample Portfolio Structure



### 3.5. WHAT ARE THE BENEFITS OF A MARKET NEUTRAL PORTFOLIO?

The returns for traditional managed funds have closely tracked the share market index and are largely dependent on a rising share market. For a market neutral structure the returns reflect the value added by the investment manager through security selection, with little impact from underlying movements in the share market. As many other portfolios track market indices and are highly correlated with each other and the market, a market neutral portfolio can be highly valuable in diversifying investor risk within a broader investment portfolio. A market neutral structure will not, however, provide exposure to the benefits to be gained in a rising market, and should not be seen as the only strategy an investor might employ.

See Section 5.3 for an illustration of the potential benefits of employing a market neutral strategy in the context of ALF.

### 3.6. WHAT ARE THE DISADVANTAGES?

The success and profitability of a market neutral portfolio depends almost entirely on the ability of the investment manager to construct a long portfolio that outperforms a short portfolio. The key risk with a market neutral investment strategy lies with poor security selection by the investment manager, as market risks have been minimised. If the short portfolio outperforms the long portfolio in a market neutral structure, the portfolio may incur a loss. As a market neutral portfolio minimises market risk via its short portfolio, a market neutral portfolio will not benefit from a strong share market, as it will have little to no correlation to market indices. See Section 6 for a discussion of risk factors to be considered.

# 4 About the Company

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## 4.1. OVERVIEW

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The Company has been established to take advantage of opportunities to invest in listed securities in a 'market neutral' structure, where net market exposure is limited to less than 10% of the Company's capital. The Company's objective is to increase the value of its Portfolio over the long term via capital growth and income, while minimising exposure to market volatility.

The Company will be an active, high conviction investor in listed securities. As an absolute return investor, the Company offers investors an alternative strategy to traditional investment vehicles that tend to invest on a long term "buy and hold" basis, a strategy that the Company believes has proven disappointing in recent years given the dependence of that strategy on a rising share market.

The Company's primary investment goal is the identification of mispriced securities; buying the securities of good businesses at an attractive price. In addition, the Manager will seek to exploit opportunities to sell (short) the securities of businesses that are fundamentally challenged, when the Manager believes these securities are overvalued.

The Manager's investment strategy is more active in profiting from the mispricing of securities and less reliant on share market appreciation. The investment process also provides greater flexibility in controlling market risk through the investment cycle, as 'shorts' are a natural hedge for the Company's investments if securities were to fall in value. The Company will profit to the extent the long portfolio of investments outperforms the short portfolio of borrowed securities that have been sold.

## 4.2. INVESTMENT OBJECTIVE

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The Company has an objective to achieve a 12.00% pre-tax return on shareholders' funds per annum, with an average dividend yield of at least 5.00% per annum, based on the value of the Company's shareholders' funds at the beginning of the financial year, and the current capital structure. This is not intended to be a forecast. It is merely an indication of what the Company aims to achieve over the medium to long term. The Company may not be successful in meeting its objective. Returns are not guaranteed.

Dividends will be franked to the maximum extent possible, payable at the end of the first financial year, and after that, semi-annually.

## 4.3. INVESTMENT PHILOSOPHY

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The Company believes successful investing requires the following skills:

- an ability to evaluate the true worth of a business and the management charged with running it;
- an understanding of how and why securities come to be mispriced; and
- an appreciation of the risks that can undermine the investment case.

The Company has engaged the Manager to employ these skills, believing the best investment opportunities arise when securities in strong, well managed businesses can be purchased on attractive terms. The Manager believes that these businesses typically have the following characteristics:

- a history of superior returns through the economic cycle;
- management with a track record of creating and distributing value to security holders; and
- the capacity to grow.

Consistent with these same principles, in selecting securities to short sell the Manager will look to sell the securities of businesses with weak fundamentals on occasions when the Manager believes they are overvalued.

## 4.4. INVESTMENT PROCESS

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The Manager conducts a detailed fundamental analysis of various Australian industries, seeking opportunities to profit from the mispricing of listed securities. A summary of the investment process to be implemented by the Manager is set out below.

### **Security Selection for Long Positions**

Investment ideas come from monitoring economic and industry trends as well as extensive contact with company management and industry sources.

Once identified, investment opportunities are screened by the Manager to ensure they are of an investment grade. A full qualitative assessment of the proposed investment is completed to establish whether the business is of a suitable quality and attractively priced.

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### **Qualitative Review**

Once a suitable investment opportunity has been identified, a full review of financial performance will be completed. This is usually followed by a meeting with management to further develop an understanding of the business and the management philosophy. Where possible, representatives of the Manager will also meet with suppliers, regulators, competitors and customers to gauge the competitive environment. An overall qualitative scorecard is compiled for each security. A ranking of investment ideas by score along with conviction will determine security weightings in the final portfolio construction.

### **Short Selling**

Short selling is an important part of the investment strategy for the Company. The Manager employs a similar security selection process to that outlined above, but is looking for the opposite qualities for securities to borrow and sell. The Company and the Manager believe the best “shorting” opportunities are found in businesses with weak fundamentals where those securities can be sold for more than they are worth.

When targeting securities to borrow and sell (short) for the Portfolio, the Manager will target entities with:

- a history of inferior returns;
- management with a poor track record;
- businesses operating in highly competitive industries that are struggling to grow; and
- securities that are expensive on a range of valuation measures.

### **Portfolio Construction**

Unlike a traditional portfolio, this Company will have two portfolios; a long and a short portfolio. The weighting of each investment in each portfolio is loosely correlated with its qualitative score and the level of conviction around individual investment ideas.

This process ensures the Manager constructs portfolios for the Company around the best individual investment ideas, with the highest conviction, while retaining a bias in favour of good, well managed businesses to buy (long), and weaker businesses to sell (short). As the Portfolio retains a market neutral structure, the size of the long and short portfolios are kept in balance, maintaining net market exposure below 10% of the Company’s capital and ensuring a “hedged” position.

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## **4.5. PERMITTED INVESTMENTS**

Under the Management Agreement, the Manager may invest in

- ASX listed securities or securities listed on any other licensed market with regulation and disclosure requirements comparable to ASX’s. This may include securities listed on international exchanges;
- warrants and options;
- bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank, Australian governments or corporations of at least an investment grade credit rating;
- cash or cash equivalents;
- debentures, unsecured notes and bonds of a corporation or government of at least an investment grade credit rating;
- units or interests in cash management trusts; or
- any other financial products with which the Manager may use in the management of the Company’s Portfolio in accordance with its AFSL.

The Company’s primary investment is in ASX listed securities. The Company may also hold up to 10% of the long portfolio and 10% of the short portfolio in international securities. These international securities will mainly be of companies that are in sectors such as mining and resources, where the Manager has industry expertise.

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## **4.6. PORTFOLIO CONSTRUCTION**

The Manager also employs the above security selection process in constructing the portfolio of investments for ALF. The securities held by ALF and their relative weighting within the ‘long’ and ‘short’ portfolios will be mirrored for the Company’s long and short portfolios. The only difference between the investment strategy for ALF and that proposed for the Company is that the Manager will monitor the relative size of the Company’s ‘long’ and the ‘short’ portfolios on an ongoing daily basis, rebalancing when required and at least monthly to ensure that the value of the ‘long’ and ‘short’ components of the Portfolio are equal.

## 4 About the Company (continued)

In contrast to the market neutral strategy to be employed for the Company (maintaining net market exposure at less than 10% of the Company's capital), for ALF the Manager may adjust the relative size of the 'long' and the 'short' portfolios, increasing or reducing market risk. In this way, the Manager is more active in setting ALF's market exposure through the investment cycle.

The Portfolio for the Company will mirror the positions and relative weightings for the long and short portfolios constructed for ALF.

As the securities selected are primarily within the S&P/ASX 200 and highly liquid, the Manager's trading for the Company will not affect the market for those securities.

Below are the portfolio holdings for ALF as at 31 December 2012.

COMPANY NAME	CODE	% OF LONG/SHORT PORTFOLIO SEGMENT	COMPANY NAME	CODE	% OF LONG/SHORT PORTFOLIO SEGMENT
<b>Consumer Discretionary</b>			<b>Financials</b>		
News Corp.	NWS	2.6%	National Australia Bank Ltd.	NAB	3.3%
Super Retail Group Ltd.	SUL	1.9%	Commonwealth Bank of Australia	CBA	2.6%
JB Hi-Fi Ltd.	JBH	1.9%	Australia & New Zealand Banking Group Ltd.	ANZ	2.4%
SkyCity Entertainment Group Ltd.	SKC	1.3%	Bank of Queensland Ltd.	BOQ	2.3%
Jumbo Interactive Ltd.	JIN	1.2%	AMP Ltd.	AMP	2.1%
Crown Ltd.	CWN	0.8%	QBE Insurance Group Ltd.	QBE	1.5%
Seven West Media Ltd.	SWM	0.7%	Lend Lease Group	LLC	1.3%
Tatts Group Ltd.	TTS	0.6%	Suncorp Group Ltd.	SUN	1.1%
Trade Me Group Ltd.	TME	0.5%	Mirvac Group	MGR	1.0%
OrotonGroup Ltd.	ORL	0.4%	Henderson Group PLC	HGG	0.9%
<b>Consumer Staples</b>			Commonwealth Property Office Fund	CPA	0.7%
Coca-Cola Amatil Ltd.	CCL	1.9%	Australand Property Group	ALZ	0.5%
Woolworths Ltd.	WOW	1.1%	<b>Health Care</b>		
Metcash Ltd.	MTS	0.9%	Mayne Pharma Group Ltd.	MYX	4.8%
<b>Energy</b>			Sonic Healthcare Ltd.	SHL	1.6%
Woodside Petroleum Ltd.	WPL	2.6%	Atcor Medical Holdings Ltd.	ACG	0.6%
Origin Energy Ltd.	ORG	2.4%	QRxPharma Ltd.	QRX	0.4%
WorleyParsons Ltd.	WOR	2.0%	<b>Industrials</b>		
Santos Ltd.	STO	1.7%	Transurban Group	TCL	2.6%
Drillsearch Energy Ltd.	DLS	1.2%	Toll Holdings Ltd.	TOL	1.9%
Whitehaven Coal Ltd.	WHC	0.9%	SAI Global Ltd.	SAI	1.8%
Sundance Energy Australia Ltd.	SEA	0.7%	Brambles Ltd.	BXB	1.7%
Red Fork Energy Ltd.	RFE	0.6%	Aurizon Holdings Ltd.	AZJ	1.6%
Texon Petroleum Ltd.	TXN	0.6%	Tox Free Solutions Ltd.	TOX	1.3%
Oil Search Ltd.	OSH	0.5%	Transfield Services Ltd.	TSE	1.1%
Senex Energy Ltd.	SXY	0.0%	Onthehouse Holdings Ltd.	OTH	1.0%
			Service Stream Ltd.	SSM	0.8%
			Cardno Ltd.	CDD	0.6%
			GWA Group Ltd.	GWA	0.6%
			Southern Cross Electrical Engineering Ltd.	SXE	0.4%
			<b>Information Technology</b>		
			Computershare Ltd.	CPU	0.5%

COMPANY NAME	CODE	% OF LONG/SHORT PORTFOLIO SEGMENT
<b>Materials</b>		
Rio Tinto Ltd.	RIO	3.3%
BHP Billiton Ltd.	BHP	2.6%
Alacer Gold Corp.	AQG	1.8%
Alumina Ltd.	AWC	1.4%
Adelaide Brighton Ltd.	ABC	1.3%
PanAust Ltd	PNA	1.3%
Regis Resources Ltd.	RRL	1.1%
Perseus Mining Ltd.	PRU	0.8%
Newcrest Mining Ltd.	NCM	0.8%
Sandfire Resources N.L.	SFR	0.8%
Blackthorn Resources Ltd.	BTR	0.8%
OceanaGold Corp.	OGC	0.7%
Tiger Resources Ltd.	TGS	0.5%
Pmi Gold Corp Cdi	PVM	0.5%
Base Resources Ltd.	BSE	0.4%
Astron Corporation Ltd.	ATR	0.2%

<b>Short Portfolio by Sector</b>	
Consumer Discretionary	14.7%
Consumer Staples	0.9%
Energy	14.2%
Financials	14.9%
Health Care	13.8%
Industrials	19.1%
Information Technology	2.2%
Materials	15.3%
Telecommunication Services	2.2%
Utilities	2.9%
<b>Total Short Portfolio</b>	<b>100.0%</b>

COMPANY NAME	CODE	% OF LONG/SHORT PORTFOLIO SEGMENT
<b>Telecommunication Services</b>		
Amcom Telecommunications Ltd.	AMM	1.7%
NEXTDC Ltd.	NXT	1.6%
iiNET Ltd.	IIN	1.3%
Telstra Corp. Ltd.	TLS	1.1%
Singapore Telecom SGD0.15 (Chess Unit)	SGT	1.1%
<b>Utilities</b>		
DUET Group	DUE	1.8%
Envestra Ltd.	ENV	1.2%
<b>Total Long Portfolio</b>		<b>100.0%</b>

The above table does not reflect the current portfolio of investments as ALF has actively traded both portfolios since 31 December 2012. It is provided as an example only – it is not to be taken as an example of the optimal portfolio allocation, now or in the future.

# 4 About the Company (continued)

## 4.7. RISK MANAGEMENT

### **Risk Philosophy**

While many investment strategies view risk as the prospect of underperforming a benchmark, the Company has a focus on absolute return and considers risk as the prospect of capital loss.

Capital loss is best avoided by investing in the securities of well managed businesses with sound economics when they are undervalued by the share market. By constructing a long portfolio of these securities the Company maximises the 'embedded value' of the Portfolio's assets, minimising the prospect of loss.

As short sales are recorded as a liability on the Company's balance sheet, the investment principles for short selling are the same but in reverse. The Company looks to minimise the value of the liability, by selling weaker businesses on occasions when the Manager believes they are overvalued.

### **Risk Factors**

**Concentration risk:** The Manager's goal is to have well diversified long and short portfolios populated with a broad range of investment ideas. In addition to capital, which is retained as cash at bank, the Portfolio will typically have between 40-80 positions in each of the long and short portfolios.

**Sector Bias:** A key source of risk in a long/short portfolio is sector bias between portfolios. It is essential that both long and short portfolios are populated with securities taken from a broad distribution of sectors.

The Manager will look to construct well diversified long and short portfolios across a broad range of industries and sectors. The Company will typically have a separate strategy for each sector of the market which is reflected in its net sector weights. While the Portfolio will have several 'natural' long/short pairs, the Company will not pair all positions for risk purposes.

The Manager will carefully monitor the size of the overall amount committed to individual sectors and the net sector weights as a percentage of capital at risk.

**Size Bias:** The portfolio will be well represented across the full size-spectrum. Most of the Portfolio will be positioned in the ASX 200 group of entities, with a smaller balance held in smaller listed entities outside of the ASX 200.

### **Risk Monitoring**

**Qualitative Review** – the Manager will maintain its own internal 'Qualitative Scorecard' (**Scorecard**) for the Company's investments to ensure its Portfolios are constructed around its best individual investment ideas, with the highest conviction, while retaining a bias in favour of good, well managed companies to buy (long), and weaker businesses to sell (short). The Scorecard, constructed using the Manager's internal value metrics, is depicted in a dashboard that illustrates the portfolio biases at a sector/industry and portfolio level at any point in time. The dashboard is a graphical representation of the security weighted average score of the portfolio segments against the Manager's metrics. The long portfolio is made up of securities with a high score; the short portfolio securities have a low score.

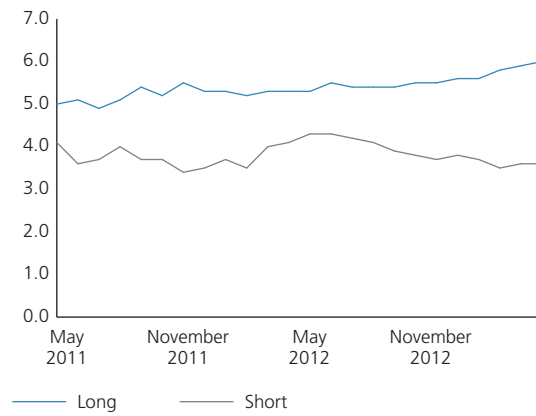
Figure 4.6.1 provides a sample dashboard comprising the Scorecard prepared by the Manager for ALF's portfolio as at 30 April 2013. While the weighting between the long and short portfolios within ALF are not equal, as is proposed for the Company, the dashboard serves to illustrate the overall qualitative review process employed by the Manager.



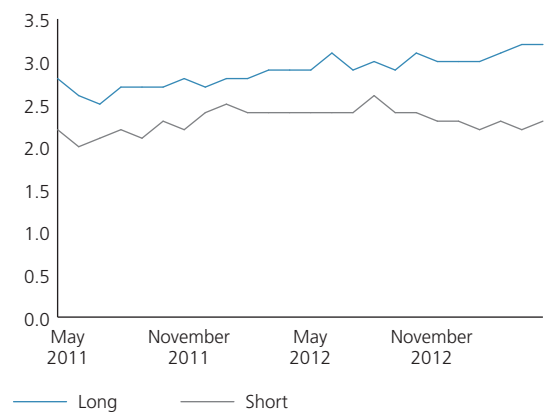
**Figure 4.6.1:** Sample ALF/Manager Portfolio Scorecard

*Portfolio Dashboard*

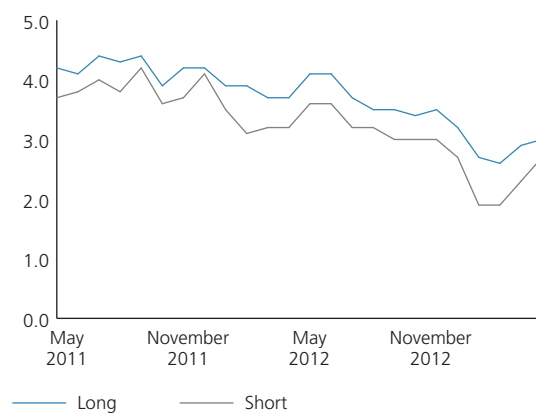
**Business Quality**



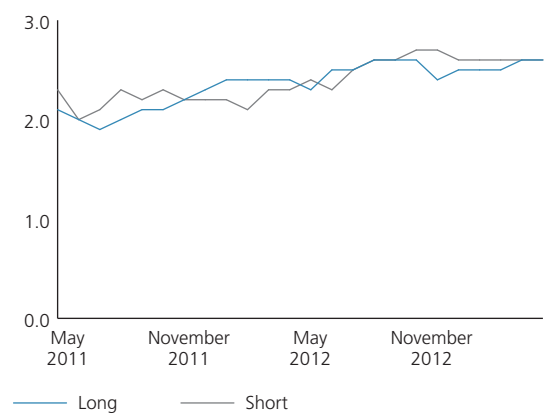
**Management Quality**



**Valuation**



**Risk Level**



**4.8. LEVERAGE POLICY AND SHORT POSITIONS**

The Company does not intend to borrow funds for investment.

Short selling can magnify gains in the Portfolio, but will also magnify losses in a similar manner to leverage. With a view to managing this risk, total market exposure or gross exposure, being the sum of the long and short positions combined as a percentage of shareholder capital, will generally be at or around 200%, and in any event will not exceed 400%.

# 5 About the Manager

## 5.1. BUSINESS OF MANAGER

The Manager will implement the Company's investment strategy. The Manager holds Australian Financial Services Licence number 250897.

The Manager currently manages two other investment portfolios. One is the Manager's flagship investment entity, ALF. The Manager also manages the portfolio of the 'Watermark Market Neutral Fund' (Wholesale Fund) an unregistered unit trust restricted to wholesale investors. As at 30 April 2013, the Wholesale Fund had net assets of \$3.1 million.

## 5.2. ROLE OF THE MANAGER

The role of the Manager is to:

- construct and manage the Company's Portfolio, made up of the long and the short portfolios, and manage and supervise all investments;
- calculate the value of the Portfolio at least monthly or more frequently as required; and
- keep the Company informed in respect of the management of the Portfolio.

## 5.3. PERFORMANCE HISTORY

### Australian Leaders Funds Limited

The Manager has established a successful track record in constructing and managing large long/short portfolios. ALF had a market capitalisation of \$238 million at 31 May 2013 and since listing nine years ago in 2004 has been among the best performing LICs according to Bell Potter's Listed Investment Companies Report, March quarter 2013.

The success of the Company's Portfolio will be dependent on the extent the long portfolio of investments outperforms the short portfolio of borrowed securities the Manager sells. As the two portfolios in ALF reported below will be largely replicated in the Company's own Portfolio, the historic returns of ALF's two portfolios may be relevant for investors assessing an investment decision in the Company. The investment mandate for ALF differs from the Company's in that ALF can adjust its net market exposure through the investment cycle and will typically retain some market risk. The Company's long and short portfolios will instead be of equal size, creating a hedged position with substantially reduced market risk.

Figure 5.3.1 sets out the net returns per annum achieved by ALF over 1, 3 and 5 years to 30 April 2013 and since inception in 2004 in comparison to ALF's benchmark, the All Ordinaries Accumulation Index. The performance of the long and short portfolios (gross returns) over these periods is also included. ALF's overall performance has been reported with the monthly NAV announcements issued via ASX under ASX Listing Rule 4.12 since listing in 2004. The performance of the ALF long and short portfolios has been separately recorded since January 2007, and reported since February 2009.

Past performance information provided in Section 5.3 relates to the Portfolios of ALF, unless otherwise stated, and is given for illustrative purposes only. It should not be relied upon as (and is not) an indication of future performance of the Company's Portfolios. The actual results of the Company's Portfolios could differ materially from those referred to on this page, including because of the different strategies to be adopted by the Manager in connection with the Company's Portfolios.

**Figure 5.3.1:** ALF Performance to April 2013

ALF	1 YEAR	3 YEARS (PER ANNUM)	5 YEARS (PER ANNUM)	SINCE INCEPTION (PER ANNUM)
Long <sup>1</sup>	21.2%	12.2%	13.8%	–
Short <sup>1</sup>	–2.4%	–0.4%	–1.4%	–
Net Returns <sup>2</sup>	28.2%	12.4%	16.0%	15.4%
Index – S&P/ASX All Ords Accum <sup>3</sup>	21.0%	6.8%	2.6%	9.5%
Net Excess <sup>4</sup>	7.2%	5.7%	13.4%	5.9%

1 "Long" and "Short" refer to the gross returns (before interest, tax and fees) achieved by ALF for its long and short portfolios, consistent with ALF's net returns (before tax) reported to the ASX on a monthly basis.

2 "Net returns" refers to ALF's net returns (before tax but after fees) as reported to ASX.

3 "Index – S&P/ASX All Ordinaries Accumulation Index" refers to the All Ordinaries Accumulation Index as reported by Iress.

4 "Net excess" refers to the difference between the "Net Returns" and "Index –S&P/ASX All Ordinaries Accumulation Index" for that period.

5 Numbers may not add due to rounding.



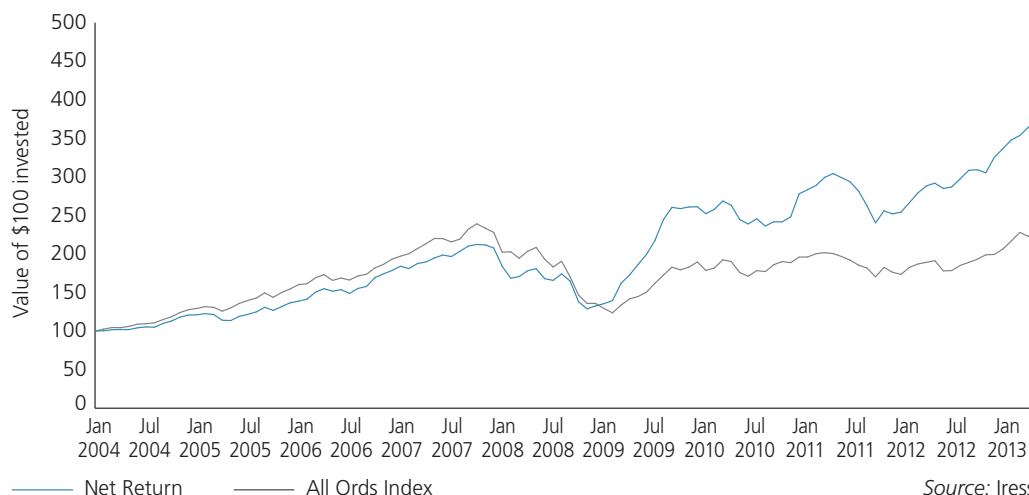
On a cumulative basis since inception, ALF's portfolio has increased in value by 274% net of fees, before tax and dividends, compared to the S&P/ASX All Ordinaries Accumulation Index, which has increased by 131.4% reflecting an outperformance of 142.6% in absolute terms.

Investors are reminded that past performance is no guarantee of future performance and that the investment strategy for the Company will differ from that of ALF as long and short portfolios will be monitored daily and balanced on an ongoing basis (at least monthly).

The reported net cumulative returns of ALF net of fees since inception in 2004 is illustrated in Figure 5.3.2.

**Figure 5.3.2:** ALF net cumulative returns

**Australian Leaders Fund – Net Cumulative Returns**

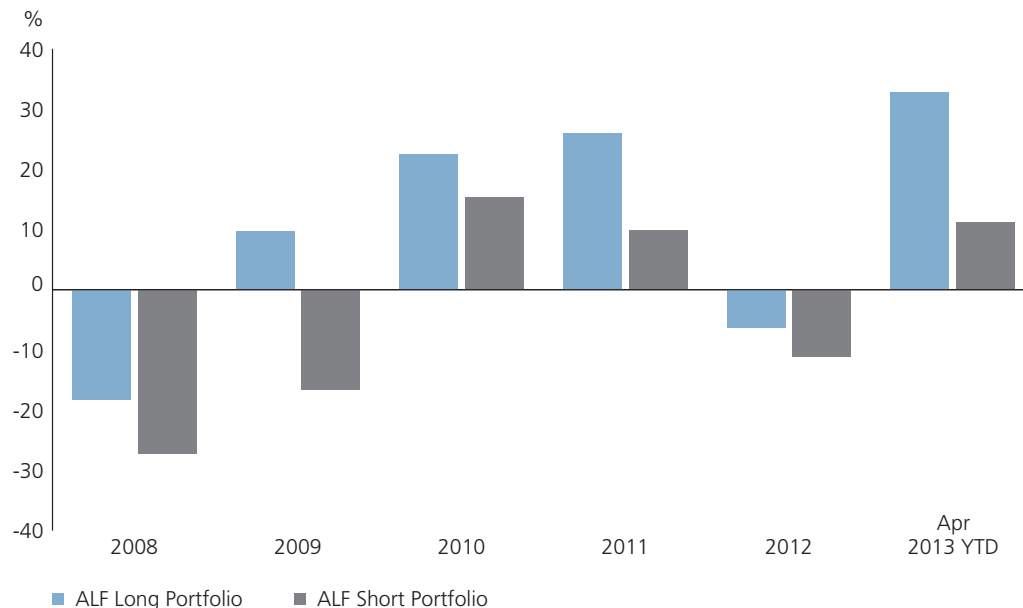


Investors are reminded that past performance is no guarantee of future performance and the investment strategy for the Company will differ from that of ALF as long and short portfolios will be monitored daily and balanced on an ongoing basis, (at least monthly).

Figure 5.3.3 illustrates the Manager's performance with ALF's long portfolio outperforming the short portfolio each year. In a market neutral structure gross profit reflects this performance margin, plus interest on the cash at bank. The absolute direction of returns (up or down) and market movements are largely irrelevant, as it is the relative performance of the long and short portfolios that will generate returns for the Company.

**Figure 5.3.3:** Long/short performance of ALF portfolios

**Financial Year Gross Returns for ALF Portfolios**



## 5 About the Manager (continued)

Past performance information given on this page relates to the portfolios of ALF and is given for illustration purposes only. It should not be relied upon as (and is not) an indication of future performance of the Company's Portfolio. The actual results of the Company's Portfolio could differ materially from those referred to on this page, including because of the different strategies to be adopted by the Manager in connection with the Company's Portfolio.

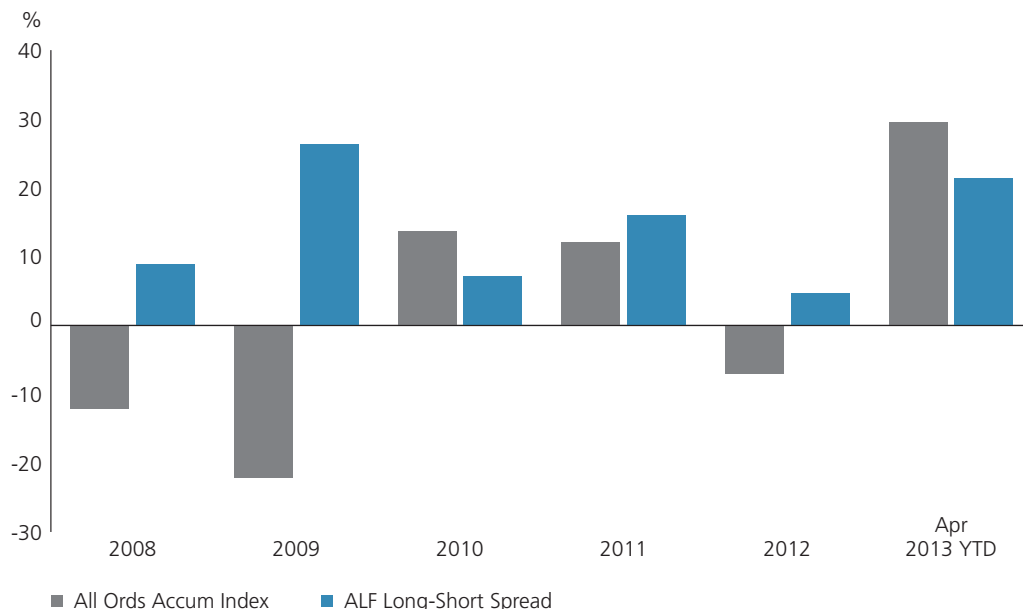
Investors are reminded that past performance is no guarantee of future performance.

In every year the spread between ALF's long and short portfolios has been positive. As a market neutral structure has long and short portfolios of equivalent size, a positive spread will achieve a gross profit before interest received on cash at bank. If the spread between the long and short portfolios is negative, a loss will be generated before interest is received on cash at bank.

Over the same period, the securities market (S&P/ASX All Ordinaries Accumulation Index) has fallen in three of the last six financial years, including major losses through the global financial crisis of 2008, and also during 2012. This is illustrated in Figure 5.3.4.

**Figure 5.3.4:** Gross long/short spread for ALF against S&P/ASX All Ordinaries Accumulation Index

### Financial Year Returns



Investors are reminded that past performance is no guarantee of future performance.

Investors are reminded that when the market performs strongly as it has done in the first five months of 2013 a market neutral portfolio will not have exposure to a positive market return as market risk is minimised (net market exposure is maintained at less than 10%). In such instances, a market neutral portfolio may underperform as it will have limited correlation to the positive market movement.

### Wholesale Market Neutral Fund

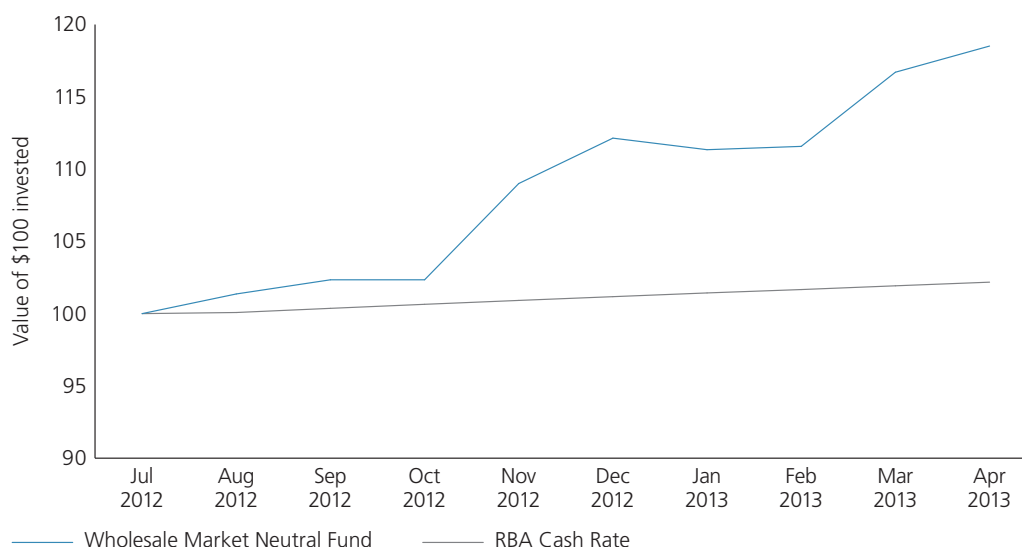
The Manager launched the Wholesale Fund in August 2012, which employs the same market neutral strategy to be used by the Company and is a unit trust restricted to wholesale investors only. The Wholesale Fund has achieved a cumulative net return of 18.5% since it was launched in August 2012. The Wholesale Fund differs from the Company in that it is a unit trust structure rather than a company, however in all material respects the investment strategy for the Wholesale Fund reflects that proposed for the Company.

Figure 5.3.5 compares the cumulative net returns of the Wholesale Fund net of fees since inception to the Reserve Bank of Australia cash rate.

Past performance information provided in this sub section relates to the portfolios of the Wholesale Fund and is given for illustrative purposes only. It should not be relied upon as (and is not) an indication of future performance of the Company's Portfolios. The actual results of the Company's Portfolios could differ materially from those referred to on this page, including because of the different strategies to be adopted by the Manager in connection with the Company's Portfolios.

**Figure 5.3.5:** Wholesale Fund net cumulative returns

**Wholesale MNF – Net Cumulative Returns**



Investors are reminded that past performance is no guarantee of future performance.

**5.4. INVESTMENT MANAGEMENT PERSONNEL**

**Justin Braitling**

Justin has over 22 years experience in investing in Australian and international securities. He was an Investment Analyst and Portfolio Manager at Bankers Trust for 12 years from January 1991 to June 2002. He was a key member of the investment team at Bankers Trust that was consistently ranked in the top quartile of managers by Intech. Justin Braitling has been a Director of ALF since October 2003, and became Chairman in February 2007. Justin Braitling is now the sole Director of the Manager. Justin completed a Bachelor of Economics (Hons) degree at Macquarie University.

As a director of the Company, Justin will attend Board meetings. It is expected that Board meetings will be held at least quarterly and more frequently as required. His commitment of time to these activities will depend on a number of factors including the size of the Portfolio, the spread of investments in the Portfolio and the state of investment of the Portfolio.

**Tom Richardson**

Tom joined Watermark Funds Management in December 2009 and is employed as a senior analyst. He is responsible for researching a number of industry sectors and managing positions within the Manager’s portfolios. Tom began his career as a research analyst with Renaissance Asset Management in 2006. He has a Bachelor of Aerospace Engineering from the University of Sydney and is a CFA Charterholder.

**Joshua Ross**

Joshua joined Watermark Funds Management in April 2010. He is employed as an investment analyst responsible for researching a number of sectors within the Australian equities market. Joshua has completed both Applied Finance and Commerce (Accounting) degrees at Macquarie University and has passed Level 2 of the CFA Exam. Prior to joining Watermark, Joshua gained experience in funds management at Ord Minnett, Hunter Hall and Challenger Financial Services.

# 6 Risk Factors

## 6.1. INTRODUCTION

Intending investors should be aware that subscribing for any securities involves various risks. There are general risks associated with owning securities in publicly listed entities. The price of securities can go down as well as up due to factors outside the control of the Company. These factors include Australian and worldwide economic and political stability, natural disasters, performance of the Australian stock market as a whole, the Australian interest rate, foreign exchange, taxation and labour relations environments.

## 6.2. INVESTMENT STRATEGY RISK

The past performance of portfolios managed by the Manager, and persons associated with the Manager, are not necessarily a guide to future performance of the Company. There are risks inherent in the investment strategy that the Manager will employ for the Company:

- The success and profitability of the Company depends almost entirely on the ability of the Manager to construct a 'long' Portfolio that is exposed to well managed businesses that have the ability to increase in value over time, while minimising market risk via its short portfolio;
- Because the Manager must first borrow a security to establish a short position, there is a risk that a security will not be available at a particular time or an acceptable price and therefore the Manager may not be able to implement its investment strategy;
- The Manager may be obligated to cover its short position at a higher price than the short price, resulting in a loss. Losses on short sales are potentially unlimited as a loss occurs when the value of a security sold short increases;
- Until the Manager replaces a borrowed security, the Company will be required to maintain assets with the lending broker as collateral. Thus, short sales involve credit exposure to the prime broker that lends the securities;
- The Company uses the service of a Prime Broker and Custodian and must post Collateral with the Prime Broker under this agreement. In the event of insolvency of the Custodian or the Prime Broker, the Company may not be able to recover the entire value of the relevant securities;
- The Performance Fee may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of a fee based on the performance of the Company;
- The Company's Portfolio may be less diversified than other listed investment entities;
- The ability of the Manager to continue to manage the Company's Portfolio in accordance with this Prospectus and the Corporations Act is dependent on the maintenance of the Manager's AFSL and its continued solvency. Maintenance of the AFSL depends, among other things, on the Manager continuing to comply with the ASIC imposed licence conditions and the Corporations Act.

## 6.3. GENERAL RISKS

The operating results and profitability of the Company are sensitive to a number of factors. The risks set out below, as well as others described elsewhere in this Prospectus, should be carefully considered in evaluating the Company and its prospects.

TYPE OF RISK	DESCRIPTION OF RISK
Manager risk	The success and profitability of the Company in part depends upon the retention of the Manager as manager of the Portfolio of the Company and the retention of key personnel within the Manager with responsibility for managing the Portfolio. See Section 10.1 for detail on the Management Agreement terms. If the Management Agreement is terminated, the Company will need to identify and engage a suitably qualified and experienced manager to implement the Company's investment strategy.
Investment risk	The value of your investment may fall for a number of reasons, including the risks set out below, which means that you may receive back less than your original investment when you sell your Shares or Options.
Market and economic risk	The Company's Portfolio will be constructed so as to minimise market risks. Certain events may have a negative effect on the price of all types of investments within a particular market. These events may include changes in economic, social, technological or political conditions, as well as market sentiment. The Manager will seek to minimise market and economic risks but cannot eliminate them entirely. In a strong share market, the Portfolio may underperform the market indices, as the Portfolio will have limited exposure to market risk.



TYPE OF RISK	DESCRIPTION OF RISK
Asset risk	A particular asset that the Company invests in its long portfolio may fall in value, which can result in a reduction of the value of your investment. A particular asset that the Company holds in its short portfolio may rise in value, which can also result in a reduction of the value of your investment.
Currency risk	For investments in international assets, which have currency exposure, there is potential for adverse movements in exchange rates to reduce their Australian dollar value. For example, if the Australian dollar rises, the value of international investments expressed in Australian dollars can fall.
Interest rate risk	Changes in interest rates may have a negative impact, either directly or indirectly, on investment returns.
Liquidity risk	The risk that the securities in which the Company is invested, or securities in the Company itself, may become illiquid. This can result in a loss if the holder of the security needs to sell it within a particular timeframe.
Leverage risk	While the Company and the Manager do not currently use debt to increase the scale of the Portfolio of the Company, the use of 'short sales' may have an effect similar to leverage in that it can enlarge the fluctuations in the value of the Portfolio of the Company in a manner similar to a leveraged portfolio. See Section 4.8 for more detail.
Derivatives risk	The Manager is permitted to use some derivatives to manage risk within the Portfolio, although this will not be the Company's main investment. Derivative values can fluctuate significantly and in certain circumstances a derivative can be more volatile than the underlying asset or index. The value of a derivative contract may fall as a result of an adverse movement in the underlying asset or index. Losses can be magnified where a greater exposure is created through the derivative position than is backed by the assets of the Portfolio. Derivatives may also be subject to liquidity risk and/or counter-party risk. Depending on market conditions, derivative positions can be costly or difficult to reverse.
Counter-party risk	A loss may occur if the other party to a contract, including derivatives contracts or lending arrangements (cash or stocks), defaults on their obligations under the contract.
Company risk	The Company is a new entity with no operating history and no proven track record.
Other risks that could materially affect the Company's operating results and/or your investment	<p>The investment professionals employed to manage the Portfolio may change.</p> <p>Investing in the Company may have a different tax outcome than investing directly.</p> <p>The future earnings of the Company and the value of the investments of the Company may be affected by the general economic climate, commodity prices, currency movements, changing government policy and other factors beyond the control of the Company. As a result, no guarantee can be given in respect of the future earnings of the Company or the earnings and capital appreciation of the Company's investments.</p> <p>Variations in legislation and government policies (for example, legislative or regulatory restrictions on short selling or other activities required to implement the strategy described in the Prospectus).</p> <p>Any variation in the taxation laws of Australia.</p> <p>Any variation in foreign exchange rates.</p> <p>Any variation in short and long term interest rates.</p>

#### 6.4. TIME FRAME FOR INVESTMENT

Investors are strongly advised to regard any investment in the Company as a medium term proposition (3–5 years) and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur over that period.

# 7 Financial Information

## 7.1. PROCEEDS OF THE ISSUE

The Board intends to use the funds raised from the Offer for investment consistent with the investment objectives and investment process set out in Section 4.

## 7.2. UNAUDITED PRO FORMA STATEMENTS OF FINANCIAL POSITION

The unaudited pro forma statements of financial position set out below represents the financial position of the Company at completion of the Offer. It is intended to be illustrative only and it neither reflects the actual position of the Company as at the date of this Prospectus nor at the conclusion of the issue of Shares and Options under this Prospectus.

The unaudited pro forma statements of financial position have been prepared in accordance with the accounting policies set out in Section 7.7 below.

### Watermark Market Neutral Fund Limited Unaudited Pro Forma Statements of Financial Position

#### Assumes completion of the Issue

The unaudited pro forma statements of financial position are presented in summary form only and do not comply with the presentation and disclosure requirements of Australian Accounting Standards.

	MINIMUM SUBSCRIPTION \$30,000,000	SUBSCRIPTION \$50,000,000	SUBSCRIPTION \$75,000,000	MAXIMUM SUBSCRIPTION \$120,000,000
Assets				
Cash (\$)	29,193,142	48,783,842	73,282,667	117,465,852
Liabilities	–	–	–	–
Net Assets/Equity (\$)	29,193,142	48,783,842	73,282,667	117,465,852
NAV per Share (\$)	0.973	0.976	0.977	0.979

## 7.3. ASSUMPTIONS

The unaudited pro forma statements of financial position in Section 7.2 have been prepared on the basis of the following assumptions:

- Application of the proposed accounting policies and notes to the accounts set out in Section 7.7.
- In the unaudited pro forma statement of financial position entitled "Subscription \$30,000,000", the reference is to subscription of 30,000,000 Shares by Applicants under this Prospectus.
- In the unaudited pro forma statement of financial position entitled "Subscription \$50,000,000", the reference is to subscription of 50,000,000 Shares by Applicants under this Prospectus.
- In the unaudited pro forma statement of financial position entitled "Subscription \$75,000,000", the reference is to subscription of 75,000,000 Shares by Applicants under this Prospectus.
- In the unaudited pro forma statement of financial position entitled "Subscription \$120,000,000", the reference is to subscription of 120,000,000 Shares by Applicants under this Prospectus.
- The Company will pay a Broker firm fee equal to 1.0% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares and Options are allotted under the Broker Firm Offer and the Applications are received or commitments given to the Lead Managers to lodge the Application Forms by 30 June 2013. No fee will be payable on General or Priority Applications. No Broker firm fee will be payable on Application Forms received bearing the Manager's stamp. For the purpose of the above unaudited pro forma statements of financial position, it has been assumed that the Broker fee of 1% plus GST will be paid on 90%, 90%, 90% and 83% of Applications in respect of the 30,000,000, 50,000,000, 75,000,000 and 120,000,000 Shares issued respectively. The 90% assumption is based on the Manager's recent experience in raising capital, that at least 10% of subscriptions would be obtained through their contact base or ALF shareholders and no broker fee would be payable. For a full subscription (120,000,000 Shares), the Company has assumed that ALF investors would take up their full priority allocation (20,000,000 Shares) and the remaining 100,000,000 Shares would be for new subscribers. On that basis, new subscribers represent 83% of the total subscriptions (120,000,000 Shares).
- The Company will pay a fee of 1.0% (excluding GST) of the total funds raised to the Lead Manager, to be apportioned between them.
- Expenses of the Offer have been paid and are recognised in Equity.

## 7.4. CAPITAL STRUCTURE

The anticipated capital structure of the Company on completion of the Issue is set out below.

	MINIMUM SUBSCRIPTION \$30,000,000	SUBSCRIPTION \$50,000,000	SUBSCRIPTION \$75,000,000	MAXIMUM SUBSCRIPTION \$120,000,000
Shares	30,000,001	50,000,001	75,000,001	120,000,001
Options	30,000,000	50,000,000	75,000,000	120,000,000

## 7.5. CASH

A reconciliation of the unaudited pro forma statements of financial position for cash is as below:

	MINIMUM SUBSCRIPTION \$30,000,000	SUBSCRIPTION \$50,000,000	SUBSCRIPTION \$75,000,000	MAXIMUM SUBSCRIPTION \$120,000,000
Initial Subscriber Share at \$1.00	1	1	1	1
Proceeds of Prospectus offer – at \$1.00 each	30,000,000	50,000,000	75,000,000	120,000,000
Expenses of Offer – refer to Section 7.6	806,858	1,216,158	1,717,333	2,534,148
Estimated net cash position	29,193,142	48,783,842	73,282,667	117,465,852

## 7.6. EXPENSES OF THE OFFER

The Company will pay the expenses of the Offer including lead manager and broker fees, legal and investigating accountant fees, printing and initial ASX listing fees. These expenses have been estimated at \$2,534,148 assuming the maximum subscription is achieved. A breakdown of these expenses (including GST), assuming the maximum subscription of \$120,000,000 is provided below:

Lead Manager and Broker firm fees	\$2,255,000
Legal fees	\$55,000
Investigating accountant fees	\$27,500
ASX fees	\$139,260
ASIC lodgement fees	\$2,388
Other expenses	\$55,000
<b>Total estimated expenses of the Offer</b>	<b>\$2,534,148</b>

# 7 Financial Information (continued)

## 7.7. PROPOSED SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A summary of significant accounting policies that have been adopted in the preparation of the pro forma statements of financial position set out in Section 7.2 or that will be adopted and applied in preparation of the financial statements of the Company for the period ending 30 June 2014 and subsequent periods is set out as follows:

### **a) Basis of preparation**

The pro forma statement of financial position has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act (as modified for inclusion in the Prospectus).

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board have concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial information presented in the Prospectus is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. The pro forma statement of financial position has been prepared on the basis of assumptions outlined in Section 7.3.

The pro forma statement of financial position has been prepared on an accrual basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The pro forma statement of financial position has been prepared for the Company. The Company is a company limited by shares incorporated and domiciled in Australia.

### **b) Financial Instruments**

#### *Classification*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

The Company makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as current financial liabilities at fair value through profit and loss.

#### *Recognition and Measurement*

Financial instruments incorporating financial assets and financial liabilities are initially measured at fair value on trade date, which excludes transaction costs on trade date, where the related contractual rights or obligations exist. Transaction costs are expensed to the Statement of Comprehensive Income.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets and financial liabilities are included in the Statement of Comprehensive Income in the period which they arise.

Fair value for the purpose of valuing holdings of securities that are listed or traded on an exchange are to be based on quoted "bid" prices for securities prevailing at the close of business on the balance date.

### **c) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with bank, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.



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**d) Taxation**

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

**e) Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**f) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates and amounts collected on behalf of third parties.

Profits and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Comprehensive Income in the year they are incurred in accordance with the policies described in paragraph b) above.

Interest income is recognised using the effective interest method.

Dividends and trust distributions are recognised as revenue when the right to receive payment is established.

**g) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

# 8 Investigating Accountant's Report

**MOORE STEPHENS**  
ACCOUNTANTS & ADVISORS

14 June 2013

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Dear Directors

## **PART 1: INVESTIGATING ACCOUNTANT'S REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION**

### **8.1 INTRODUCTION**

The Directors of Watermark Market Neutral Fund Limited (the "*Company*") have engaged Moore Stephens Sydney Corporate Finance Pty Limited ("*Moore Stephens*") to report on the pro forma statement of financial position of the Company.

We have prepared this Investigating Accountant's Report ("*Report*") to be included in a replacement prospectus dated on or about 14 June 2013 and relating to the offer of up to 120,000,000 fully paid ordinary Shares at an offer price of \$1.00 per Share to raise up to \$120,000,000, together with an entitlement to 1 option to acquire 1 ordinary Share per fully paid ordinary Share subscribed for, exercisable at \$1.00 per Share, on or before 31 December 2014 (including a Priority Allocation to Australian Leaders Fund shareholders of up to 20,000,000 Shares).

Unless stated otherwise, expressions defined in the Prospectus have the same meaning in this Report and section references are to sections of the Prospectus.

### **8.2 SCOPE**

This Report deals with the financial information included in Section 7 of the Prospectus ("*Financial Information*").

The proforma statements of financial position in section 7.2 have been prepared to illustrate the financial position of the Company on completion of the Issue and have been prepared on the basis of the assumptions, accounting policies and notes as discussed in Section 7 of the Prospectus.

Moore Stephens Sydney Corporate Finance Pty Ltd ABN 77 122 561 184. Liability limited by a scheme approved under Professional Standards Legislation. Moore Stephens Sydney Corporate Finance Pty Ltd is an authorised representative and affiliate of Moore Stephens Sydney Wealth Management Pty Ltd, AFS Licence No. 336950, ABN 85 135 81 77 66 which is an affiliate of Moore Stephens Sydney Pty Limited ABN 34 098 199 118. Moore Stephens Sydney Pty Limited is an independent member of Moore Stephens International Limited - members in principal cities throughout the world. The Sydney Moore Stephens firm is not a partner or agent of any other Moore Stephens firm.

The pro forma statements of financial position are presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports.

We disclaim any responsibility for any reliance on this Report or the financial information to which it relates for any purpose other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus and has been prepared for inclusion in the Prospectus.

### **8.3 DIRECTOR'S RESPONSIBILITIES**

The Directors of the Company are responsible for the preparation and fair presentation of the pro forma statements of financial position including the assumptions, accounting policies and notes on which they are based. This responsibility includes establishing and maintaining internal control relevant to the preparation of the Financial Information so that it is free from material misstatement, whether due to fraud or error.

### **8.4 OUR RESPONSIBILITIES**

Our responsibility is to express a conclusion on the pro forma statement of financial position based on our review.

We have conducted an independent review of the Financial Information included in Section 7 of the Prospectus in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the pro forma statements of financial position are not presented fairly, in all material respects, in accordance with the recognition and measurement requirements (but not all of the disclosure requirements) of applicable Australian Accounting Standards, other mandatory professional reporting requirements in Australia and the stated assumptions and accounting policies contained in section 7.

Our independent review was conducted in accordance with Australian Standard on Review Engagements ASRE 2405: *Review of Historical Financial Information Other than a Financial Report* ("ASRE 2405"). Our procedures consisted primarily of enquiry, review of relevant work papers and documentation, and analytical review procedures we considered necessary. These procedures included discussions with the Directors and management of the Company and review of selected legal and other documents in relation to the Offer.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have also reviewed the Prospectus as a whole to ensure that financial information contained elsewhere in the Prospectus is consistent with our understanding of the Company's operations.

ASRE 2405 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

## 8 Investigating Accountant's Report (continued)

**MOORE STEPHENS**  
ACCOUNTANTS & ADVISORS

### **8.5 CONCLUSION**

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma statements of financial position are not presented fairly, in all material respects, in accordance with the recognition and measurement requirements (but not all of the disclosure requirements) of applicable Australian Accounting Standards, other mandatory professional reporting requirements in Australia and the stated assumptions and accounting policies.

Investors should consider the statement of investment risks set out in the Prospectus, in Sections 6.

### **8.6 LEGAL PROCEEDINGS**

To the best of our knowledge and belief, there are no material legal proceedings outstanding or currently being undertaken, not otherwise disclosed in this Report, which would cause the information included in the report to be misleading.

### **8.7 SUBSEQUENT EVENTS**

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no other material transactions or events outside of the ordinary business of the Company have come to our attention, that would require comment on, or adjustment to the information referred to in our Report, or that would cause such information to be misleading or deceptive.

### **8.8 SOURCES OF INFORMATION**

We have made enquiries of the Directors and management of the Company and other parties as considered necessary during the course of our analysis. We have also referred to the Prospectus and material documents which relate to the proposed operations of the Company.

We have no reason to believe the information supplied is not reliable.

### **8.9 INDEPENDENCE OR DISCLOSURE OF INTEREST**

Moore Stephens has no financial or other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion on the matters that are subject of this Report for which normal professional fees will be received.

#### **8.10 LIABILITY**

Moore Stephens has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report, this consent has not been withdrawn.

The liability of Moore Stephens is limited to the inclusion of this Report in the Prospectus. Moore Stephens has not authorised the issue of the Prospectus. Accordingly, Moore Stephens makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from, the Prospectus.

#### **8.11 FINANCIAL SERVICES GUIDE**

We have included our Financial Services Guide as Part 2 of this Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

**MOORE STEPHENS SYDNEY CORPORATE FINANCE PTY LTD**



**S.M Whiddett**  
Director

# 8 Investigating Accountant's Report (continued)



## PART 2 - FINANCIAL SERVICES GUIDE

14 June 2013

### 1. Moore Stephens Sydney Corporate Finance Pty Ltd

Moore Stephens Sydney Corporate Finance Pty Ltd ("**Moore Stephens**") is an authorised representative of Moore Stephens Sydney Wealth Management Pty Ltd ("**Licence Holder**") in relation to Australian Financial Services Licence No. 336950.

Moore Stephens may provide the following financial services to wholesale and retail clients as an authorised representative of the Licence Holder:

- Financial product advice in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, deposit and payment products, life products, retirement savings accounts and superannuation (collectively "**Authorised Financial Products**"); and
- Applying for, varying or disposing of a financial product on behalf of another person in respect of Authorised Financial Products.

### 2. Financial Services Guide

The Corporations Act 2001 requires Moore Stephens to provide this Financial Services Guide ("**FSG**") in connection with its provision of an Investigating Accountant's Report ("**Report**") which is included in the Prospectus provided by Watermark Market Neutral Fund Limited (the "**Entity**").

### 3. General Financial Product Advice

The financial product advice provided in our Report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our Report is appropriate for you, having regard to your own personal objectives, financial situation or needs. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence ("**AFSL**") to assist you in this assessment.

### 4. Remuneration

Moore Stephens' client is the Entity to which it provides the Report. Moore Stephens receives its remuneration from the Entity. Our fee for the Report is based on a time cost or fixed fee basis. This fee has been agreed in writing with the party who engaged us. Neither Moore Stephens nor its Directors and employees, nor any related bodies corporate (including the Licence Holder) receive any commissions or other benefits in connection with the preparation of this Report, except for the fees referred to above.

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of Moore Stephens or related entities but any bonuses are not directly connected with any assignment and in particular not directly related to the engagement for which our Report was provided.

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connections with the reports that we are licensed to provide.

### 5. Independence

Moore Stephens is required to be independent of the Entity.

Neither Moore Stephens, Moore Stephens Sydney Wealth Management Pty Limited, any Director thereof, nor any individual involved in the preparation of the Report have any financial interest in the outcome of this Offer, other than a fee in connection with the preparation of our Report for which professional fees in the order of \$25,000 (excluding GST) will be received. No pecuniary or other benefit, direct or indirect, has been received by Moore Stephens, their Directors or employees, or related bodies corporate for or in connection with the preparation of this Report.

### 6. Complaints Resolution

Moore Stephens is only responsible for its Report and this FSG. Complaints or questions about the Prospectus should not be directed to Moore Stephens which is not responsible for that document.

Both Moore Stephens and the Licence Holder may be contacted as follows:

- By phone: (02) 8236 7700
- By fax: (02) 9233 4636
- By mail: GPO Box 473  
SYDNEY NSW 2001

If you have a complaint about Moore Stephens' Report or this FSG you should take the following steps:

1. Contact the Enquiries and Complaints Officer of the Licence Holder on (02) 8236 7700 or send a written complaint to the Licence Holder at Level 15, 135 King Street, Sydney NSW 2000. We will try and resolve your complaint quickly and fairly.
2. If you still do not get a satisfactory outcome, you have the right to complain to the Financial Industry Complaints Service at PO Box 579 Collins St West, Melbourne, Victoria 8007 or call on 1300 78 08 08. We are a member of this scheme.
3. The Australian Securities & Investments Commission (ASIC) also has a freecall Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

The Licence Holder, as holder of the AFSL, gives authority to Moore Stephens to distribute this FSG.

# 9 Directors and Corporate Governance

## 9.1. BACKGROUND OF THE DIRECTORS

### **Matthew Kidman**

Matthew Kidman has 20 years experience in the finance industry. He spent four years as finance journalist at the Sydney Morning Herald, during which time he was appointed finance editor of the newspaper. In 1998 Matthew joined the funds management group Wilson Asset Management as a portfolio manager, his roles since then included positions as stock analyst, dealer, portfolio manager and senior executive of the management group. He was appointed to the board of WAM Capital Pty Limited in 1999.

Matthew is currently a director of WAM Capital Pty Limited, WAM Research Pty Limited, WAM Active Limited, financial planning group Centrepont Alliance Limited and Incubator Capital Limited.

Matthew holds a Bachelor of Economics and Bachelor of Laws degree and a Graduate Diploma in Applied Finance, all from Macquarie University.

### **Justin Braitling**

See Section 5.4 for details.

### **John Abernethy**

John Abernethy has over 29 years experience in funds management and corporate advisory. He holds a Bachelor of Commerce and Bachelor of Laws (BCom/LLB) from the University of New South Wales. He spent ten years at NRMA Investments as Head of Equities. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Loftus Capital Partners (now Clime Investment Management Limited) in 1996.

John Abernethy is the Chairman of Clime Capital Limited. He is a Director of Clime Investment Management Limited, Jasco Holdings Limited, Wilson Investment Fund Limited, WAM Active Limited and Australian Leaders Fund Ltd.

### **Rob Ferguson**

Rob Ferguson's career spans over 30 years in research, finance, investment management and property. Rob commenced employment in 1971 with Bankers Trust Australia Ltd and was its CEO between 1985 and 1999 and Chairman from 1999 to 2001. Rob has extensive experience in both executive and non-executive roles. He is currently Chairman of GPT Management Holdings Limited; Non-Executive Chairman of IMF (Australia) Ltd; Non-executive Chairman of Primary Health Care Limited; Non-Executive Director of MoneySwitch Limited, Director of the Lowy Institute and Chairman of SmartWard Holdings Pty Ltd. Rob holds a B.Ec (Hons) from the University of Sydney.

### **Stephen van Eyk**

Stephen has over 25 years' experience in the financial services industry, with over 15 years as Managing Director of research house van Eyk Research. Stephen was presented with the Lifetime Achievement Award at the 2013 Fund Manager awards. Stephen holds a Commerce Degree from the UNSW and is a fellow of the Financial Services Institute.

## 9.2. PARTICIPATION BY DIRECTORS

All Directors will attend Board meetings. It is expected that Board meetings will be held at least quarterly and more frequently as required. The Directors' commitment of time to these activities will depend on a number of factors including the size of the Portfolio, the spread of investments in the Portfolio and the state of investment of the Portfolio.

## 9.3. INTERESTS OF DIRECTORS IN THE COMPANY

Justin Braitling currently holds 1 Share which was issued on incorporation.

The number of Shares and Options in which Justin Braitling and Matthew Kidman, or entities associated with them, will subscribe for under the Offer is as follows:

DIRECTOR	ORDINARY SHARES
Justin Braitling	200,000
Matthew Kidman	40,000

The other Directors have not yet decided whether to invest in the Company.

## 9 Directors and Corporate Governance (continued)

### 9.4. NO OTHER INTERESTS

Except as set out in this Prospectus, there are no interests that exist at the date of this Prospectus and there were no interests that existed within 2 years before the date of this Prospectus that are, or were respectively, interests of a Director, a proposed Director of the Company or a promoter of the Company or in any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer. Further, there have been no amounts paid or agreed to be paid to a Director in cash or securities or otherwise by any persons either to induce him to become or to qualify him as a Director or otherwise, for services rendered by him in connection with the promotion or formation of the Company.

### 9.5. DIRECTORS' REMUNERATION

Directors are entitled to receive Directors' fees of up to \$180,000 per annum to be shared among the Directors. Additional remuneration may be paid in accordance with the Company's Constitution. The following are the Directors' remuneration payable for the year ending 30 June 2014:

DIRECTOR	DIRECTOR'S FEES
Matthew Kidman	\$30,000
Justin Braitling	\$10,000
John Abernethy	\$30,000
Rob Ferguson	\$30,000
Stephen van Eyk	\$30,000

The Company outsources its accounting and company secretarial function to White Outsourcing Pty Ltd. These services are provided on commercial terms and are estimated to cost the Company \$110,000 per financial year.

### 9.6. INDEMNITY FOR DIRECTORS

The Company has agreed to provide an indemnity to the Directors in limited circumstances. See Section 10.4 for details.

### 9.7. CORPORATE GOVERNANCE POLICIES

The Board has the responsibility of ensuring the Company is properly managed so as to protect and enhance shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to all parties with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and the nature of activities.

The main corporate governance policies are summarised below.

#### **Independent Directors**

The Company has four independent Directors, one of whom is the Chairman of the Board.

The independent Directors will have no direct involvement in the management of the Portfolio.

#### **Appointment and Retirement of Non-Executive Directors**

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive Directors on a case-by-case basis and in conformity with the requirements of the Listing Rules and the Corporations Act.

#### **Directors' Access to Independent Professional Advice**

It is the Board's policy that any committees established by the Board should:

- Be entitled to obtain independent professional or other advice at the cost of the Company, unless the Board determines otherwise.
- Be entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the Company as they might require.
- Operate in accordance with terms of reference established by the Board.



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### **ASX Corporate Governance Recommendations**

Except as disclosed below, the Company complies or will comply with all recommendations set out in the ASX Corporate Governance Council's Second Edition Corporate Governance Principles and Recommendations with 2010 Amendments:

- The Board does not have and does not intend to establish a nomination or remuneration committee because the formation of such committees would be inefficient given the Company's size and nature. Should the size of the Company change, the Board will consider establishing a separate nomination committee or remuneration committee.
- The Company has not established policies for the oversight and management of material business risks. Due to the size of the Company, the responsibility for the effectiveness of risk management and internal compliance and control will rest with the Board. The Board will liaise with and oversee the application by the Manager of the risk management protocols.

## **9.8 RELATED PARTY RELATIONSHIP**

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The Company and the Manager have a common director, Justin Braitling. As set out above, four of the five Directors are independent, including the Chairman. In accordance with the Corporations Act and its corporate governance policies, Justin Braitling will excuse himself from any decisions the Board makes with respect to the relationship between the Company and the Manager. Please see Section 10.1 for further detail on the Management Agreement.

# 10 Material Contracts

The Directors consider that the material contracts described below and elsewhere in this Prospectus are those which an investor would reasonably regard as material and which investors and their professional advisors would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer. This Section contains a summary of the material contracts and their substantive terms.

## 10.1. MANAGEMENT AGREEMENT

### Parties

The Company and the Manager.

### Appointment

The Company has appointed the Manager to manage the Portfolio of the Company and to manage and supervise all investments for the term.

### Powers of Manager

Subject to the Corporations Act, the Listing Rules and any written guidelines issued by the Company from time to time, the Manager will on behalf of the Company invest money constituted in or available to the Portfolio in making, holding realising and disposing of investments.

Subject to the obligation to liquidate the Portfolio to meet the Company's operating costs, dividend payments, capital returns, buybacks, or other distributions, the Manager has absolute and unfettered discretion to manage the Portfolio and to do all things considered necessary or desirable in relation to the Portfolio, including, without limitation:

- investigation of, negotiation for, acquisition of, or disposal of every investment;
- to sell, realise or deal with all or any of the investments or to vary, convert, exchange or add other investments in lieu of those investments;
- if any investments are redeemed or the capital paid on it is wholly or partly repaid by the entity by which that investment was created or issued, to convert that investment into some other investment or accept repayment of the capital paid or advanced on the investment and any other monies payable in connection with that redemption or repayment and to invest any of those monies in other investments;
- retain or sell any shares, debentures or other property received by the Company by way of bonus, or in lieu of, or in satisfaction of, a dividend in respect of any investments or from the amalgamation or reconstruction of any company; and
- to sell all or some of the rights to subscribe for new securities in an investment, to use all or part of the proceeds of sale of such rights for the subscription for securities or to subscribe for securities pursuant to those rights.

### Monthly valuations

The Manager must arrange for calculation of the value of the Portfolio at least monthly and provide such calculations to the Company as soon as practicable after such calculations are made. All costs incurred by the Manager in arranging this calculation are to be paid by the Company.

### Management fee

In its capacity as Manager, the Manager is entitled to receive a management fee of 1% per annum (plus GST) of the net value of the Portfolio. The Management Fee is calculated monthly and payable monthly in arrears.

### Performance Fee


In addition to the Management Fee, the Manager is entitled to be paid, annually in arrears, a performance fee being 20% of the amount by which the value of the Portfolio exceeds the return of the Reserve Bank of Australia's cash rate (**Benchmark**) over that period.

No performance fee is payable in respect of any performance period where the Portfolio has decreased in value over that period. If the Portfolio underperforms the benchmark over a financial year, that underperformance does not carry forward to the calculation of the Performance Fee in the following financial year.

### Term and termination

The term of the Management Agreement is 10 years unless terminated earlier in accordance with the Agreement.

The Management Agreement gives the Company certain termination rights including if the Manager becomes insolvent or breaches its obligations under the Management Agreement in a material respect and such breach cannot be rectified or is not remedied within 30 days after receiving notice of that breach.



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The Manager is entitled to terminate the Management Agreement on 6 months' notice at any time after the fifth anniversary of the Management Agreement.

The Company has applied to the ASX for a waiver of Listing Rule 15.16 to the extent necessary to permit the Manager to act as the investment manager for the Company for an initial term of 10 years. See Section 11.6 for details.

#### **Removal of Manager**

The Company may remove the Manager with one month's notice on the occurrence of any one of the following events:

- the Manager persistently fails to ensure that Investments made on behalf of the Company are consistent with the Investment Strategy applicable at the time the Investment is made;
- the Manager is in default or breach of its obligations under the Management Agreement in a material respect, such default or breach is rectifiable and is not rectified within 30 days after the Company has notified the Manager in writing to rectify the default or breach; or
- the Manager's AFSL is suspended for a period of no less than 3 months or cancelled at any time in accordance with Subdivision C, Division 4 of Part 7.6 of the Corporations Act.

#### **Company indemnity**

The Company must indemnify the Manager against any losses or liabilities reasonably incurred by the Manager arising out of, or in connection with, and any costs, charges and expenses (including legal expenses on a solicitor/own client basis) incurred in connection with the Manager or any of its officers, employees or agents acting under the Management Agreement or on account of any bona fide investment decision made by the Manager or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, default, fraud or dishonesty of the Manager or its officers or employees. This obligation continues after the termination of the Management Agreement.

#### **Manager indemnity**

The Manager must indemnify the Company against any losses or liabilities reasonably incurred by the Company arising out of, or in connection with, and any costs, charges and expenses incurred in connection with, any negligence, default, fraud or dishonesty of the Manager or its officers or supervised agents. This obligation continues after the termination of the Management Agreement.

## **10.2. PRIME BROKERAGE AGREEMENT**

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The Company has appointed UBS AG, Australia Branch to be Prime Broker and UBS Nominees Pty Limited as Custodian for the Company. Both are members of the UBS Group of companies. The appointments were made pursuant to the prime brokerage customer documents (the "**Customer Documents**") entered into between the Company and the Prime Broker (for itself and as agent for certain other members of the UBS Group of companies (the "**UBS Companies**")) and the Custodian. These services may include the provision to the Company of margin financing, clearing, settlement, stock borrowing and foreign exchange facilities. The Company may also utilise the Prime Broker, other members of the UBS Group of companies and other brokers and dealers for the purposes of executing transactions for the Company.

The fees of the Prime Broker and the Custodian are payable by the Company. The Prime Broker has no decision making discretion relating to the investment of the assets of the Company and makes no representation in respect of the Company or the investment of the assets.

Certain assets of the Company will, subject to the following paragraph, be held by the Custodian in segregated accounts together with assets deposited by it on behalf of other customers of the Custodian or the Prime Broker.

Such assets will not be mixed with the property of the Custodian or the Prime Broker and should not be available to third party creditors of the Custodian or the Prime Broker in the event of insolvency of the Custodian or the Prime Broker (as the case may be). However, the assets of the Company held by a Custodian will be subject to a charge to secure the Company's obligations to the Prime Broker.

The obligations of the Company to the Prime Broker in respect of any transactions will be secured by transferring to the Prime Broker by way of security title to certain investments, cash or other assets of the Company (together referred to as "**Collateral**"). The Prime Broker is entitled to sell, lend or otherwise use any Collateral for their own purposes, subject to an obligation to return equivalent securities or cash value. Such Collateral is not segregated from the Prime Broker's own property and may be available to third party creditors of the Prime Broker in the event of the insolvency of the Prime Broker.

Under the Customer Documents, the Prime Broker is not responsible for and is not liable for any loss on settlement of a transaction, any acts or omission of the executing broker, its employees or agents, non-compliance with any regulatory requirements to report transactions, refusing to settle a transaction

## 10 Material Contracts (continued)

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or failing to notify the Company of its failure to settle a transaction (except where the Prime Broker performs such functions in its own capacity).

Where the Company intends to short-sell securities it is anticipated that the securities will be borrowed from or by the Prime Broker under the customer documents. Under the terms of the customer documents, the Company may seek to borrow the securities with a borrowing request. If the Prime Broker accepts the Company's borrowing request, the Prime Broker will deliver the securities borrowed to the Company or as the Company directs.

The Company will have an obligation to redeliver the securities borrowed or equivalent securities on an agreed date or otherwise the Prime Broker may call for the redelivery at any time by giving notice on any business day of not less than the standard settlement time for such equivalent securities. The Company must provide Collateral to secure its obligations under the relevant customer documents. The amount of Collateral is the value of the securities borrowed plus a margin. In the event that the value of the securities borrowed plus a margin exceeds the Collateral provided, further Collateral will need to be delivered so that the Collateral equals the value of securities borrowed plus the margin.

UBS Nominees Pty Limited will provide custody services for the assets of the Company (but not those assets which the cash custodian may hold from time to time) including documents of title or certificates evidencing title to investments, held on the books of the Prime Broker as part of its brokerage function in accordance with the terms of the customer documents. The Custodian may appoint sub-custodians, including a member of the UBS Group, for such investments.

The Company may remove UBS AG, Australia Branch as the Prime Broker and UBS Nominees Pty Limited as the Custodian and appoint another prime broker and custodian in their respective place at any time without notice to investors.

Neither the Prime Broker, the Custodian nor any UBS Company will be liable for any loss to the Company resulting from any act or omission in relation to the services provided under the terms of the Customer Documents unless such loss results directly from the gross negligence, wilful default breach of contract or fraud of the indemnified person.

The Prime Broker and the Custodian are providers to the Company and are not responsible for the preparation of this Prospectus or the activities of the Company and therefore accepts no responsibility for any information contained in this document. Neither the Prime Broker nor the Custodian will participate in the investment decision-making process for the Company.

UBS has financial resources in excess of US\$200 million.

### 10.3. OFFER MANAGEMENT AGREEMENT

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The Company has entered into a Offer Management Agreement (**Offer Management Agreement**) with the Lead Managers pursuant to which the Lead Managers will manage the Offer.

Under the Offer Management Agreement the Company has provided customary representations and undertakings to the Lead Managers. These undertakings include an undertaking that within 180 days from completion of the Offer, the Company will not propose or activate any security or subordinated debt security, or issue or agree to issue any securities or subordinated debt securities or other securities or alter its capital (other than pursuant to the Offer) without first obtaining the Lead Managers' written consent, which may not be unreasonably withheld or delayed.

In return for providing the services under the Offer Management Agreement, the Lead Managers will be paid 1% of the total funds raised by the issue of Shares and Options issued under the Offer, to be apportioned between them.

### 10.4. DIRECTOR PROTECTION DEEDS

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The Company has entered into director protection deeds with each Director. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each officer in respect of certain liabilities which the officer may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. These liabilities include losses or liabilities incurred by the Director to any other person as an officer of the Company, including legal expenses. The Company has also agreed to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are officers and for 7 years after they cease to act as officers.

# 11 Additional Information

## 11.1. INCORPORATION

The Company was incorporated on 28 May 2013.

## 11.2. BALANCE DATE AND COMPANY TAX STATUS

The accounts for the Company will be made up to 30 June annually.

## 11.3. RIGHTS ATTACHING TO THE SHARES

The following information is a summary of the Company Constitution. Shareholders have the right to acquire a copy of the Company Constitution, free of charge.

Each Share confers on its holder:

- the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- the right to receive dividends, according to the amount paid up on the Share;
- the right to receive, in kind, the whole or any part of the Company's property in a winding up, subject to priority given to holders of Shares that have not been classified by ASX as "restricted securities" and the rights of a liquidator to distribute surplus assets of the Company with the consent of members by special resolution; and
- Subject to the Corporations Act and the Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

## 11.4. RIGHTS ATTACHING TO THE OPTIONS

The terms and conditions of the Options are as follows:

### **Transfer/Transmission**

An Option may be transferred or transmitted in any manner approved by the ASX.

### **Exercise**

An Option may be exercised by delivery to the Company of a duly completed Notice of Exercise of Options, signed by the registered holder of the Option, together with payment to the Company of \$1.00 per Option being exercised and the relevant option certificate.

An Option may be exercised on any Business Day from the date of grant to 31 December 2014, (inclusive) but not thereafter.

A Notice of Exercise of Options is only effective when the Company has received the full amount of the exercise price in cash or cleared funds.

### **Dividend entitlement**

Options do not carry any dividend entitlement until they are exercised. Shares issued on exercise of Options rank equally with other issued Shares of the Company 7 Business Days after their date of issue and are entitled to dividends paid on and from this date.

### **Participating rights**

For determining entitlements to the issue, an Option holder may only participate in new issues of securities to holders of Shares in the Company if the Option has been exercised and Shares allotted in respect of the Option before the record date. The Company must give at least 6 Business Days' notice to Option holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules of the ASX.

If between the date of issue and the date of exercise of an Option the Company makes 1 or more rights issues (being a pro rata issue of Shares in the capital of the Company that is not a bonus issue), the exercise price of Options on issue will be reduced in respect of each rights issue according to the following formula:

$$NE = OE - \frac{E [P - (S + D)]}{(N + 1)}$$

where:

NE is the new exercise price of the Option;

OE is the old exercise price of the Option;

E is the number of underlying Shares into which one Option is exercisable;

P is the average closing sale price per Share (weighted by reference to volume) during the 5 trading days ending on the day before the ex rights date or ex entitlements date (excluding special crossings and overnight sales);

# 11 Additional Information (continued)

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S is the subscription price for a Share under the rights issue;

D is the dividend due but not yet paid on each Share at the relevant time; and

N is the number of Shares that must be held to entitle holders to receive a new Share in the rights issue.

If there is a bonus issue to the holders of Shares in the capital of the Company, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

## **Reconstructions and alteration of capital**

Any adjustment to the number of outstanding Options and the exercise price under a reorganisation of the Company's share capital must be made in accordance with the Listing Rules.

## **ASX Listing**

The Company must make application for quotation of Shares issued on exercise of the Options on the ASX in accordance with the Listing Rules. Shares so issued will rank equally with other issued Shares of the Company.

## **Register**

The Company will maintain a register of holders of Options in accordance with Section 168(1)(b) of the Corporations Act.

## **11.5. DIVIDEND RE-INVESTMENT PLAN**

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### **Eligible Members**

Shareholders who may participate in the dividend reinvestment plan (Plan) comprise shareholders:

- whose address, as it appears in the register of members of the Company, is situated in Australia; or
- whose address, as it appears in the register of members of the Company, is situated outside Australia and who have produced to the Company such evidence as the Company may require to satisfy the Company that any necessary approvals of any government or governmental authority in relation to participation in the Plan have been obtained and that such participation is not contrary to any applicable laws of Australia or any other relevant jurisdiction.

### **Application**

Eligible Members may elect to participate in the Plan in respect of all or part of their Shares in the Company which will comprise that member's Plan Shares. The Directors may in their absolute discretion accept or refuse any application to participate.

### **Subscription price**

Shares allotted to participants will be allotted at up to a 3% discount to the weighted average market price of Shares sold on the ASX on the books closing date for the relevant dividend and the 3 trading days preceding that date.

### **Investment of dividends**

In respect of each cash dividend from time to time due and payable to a participant in respect of the member's Plan Shares, the Directors will on behalf of and in the name of the participant subscribe for Shares being the maximum number of Shares which could be acquired by subscription by the application of that participant's entitlement to dividends in respect of the Plan Shares to the subscription for Shares at the subscription price.

### **Ranking of Shares**

All Shares allotted and issued under the Plan will rank equally in all respects with existing Shares.

### **ASX Listing**

The Company will make application promptly after each allotment of Shares for quotation of such Shares on the official list of the ASX.

### **Variation or termination of participation**

A participant may apply to increase or decrease the number of Plan Shares which the Company may in its absolute discretion approve or refuse. A participant may at any time terminate participation in the Plan by notice in writing to the Company.

## **11.6. ASX WAIVER**

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The Company has applied to the ASX for a waiver of Listing Rule 15.16 to the extent necessary to permit the Manager to act as the investment manager for the Company for an initial term of 10 years. As at the date of this Prospectus, the ASX has yet to make a determination on the application. The Company has no reason to believe that the ruling and the waiver will not be granted. If the waiver is not granted, the initial term of the Management Agreement will be 5 years.

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## 11.7. INVESTOR CONSIDERATIONS

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Before deciding to participate in this Offer, you should consider whether the Securities to be issued are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of securities listed on the ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser immediately. The potential tax effects relating to the Offer will vary between Investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

## 11.8. LEGAL PROCEEDINGS

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The Company is not and has not been, in the 12 months preceding the date of this Prospectus, involved in any legal or arbitration proceedings that have had a significant effect on the financial position of the Company. As far as the Directors are aware, no such proceedings are threatened against the Company.

## 11.9. CONSENTS AND RESPONSIBILITY STATEMENTS

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Australian Leaders Fund Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to the inclusion of raw performance portfolio data as reported to ASX and used in the preparation of data presented in this Prospectus.

Morgan Stanley Australia Securities Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as Lead Manager of the Offer in the form and context in which it is named.

Macquarie Capital (Australia) Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as a Lead Manager of the Offer in the form and context in which it is named.

Taylor Collison Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as a Co Manager of the Offer in the form and context in which it is named.

RBS Morgans Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as a Co Manager of the Offer in the form and context in which it is named.

Moore Stephens Sydney Corporate Finance Pty Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as Investigating Accountant to the Company in the form and context in which it is named, and consents to the inclusion of its Investigating Accountant's Report in the form and context in which it appears.

UBS AG, Australia Branch has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as Prime Broker in the form and context in which it is named.

Watermark Funds Management Pty Ltd has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as Manager of the Company in the form and context in which it is named.

Watson Mangioni Lawyers Pty Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as Solicitor to the Offer in the form and context in which it is named.

Boardroom Pty Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as share registrar of the Company in the form and context in which it is named.

White Outsourcing has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus in the form and context in which it is named.

None of Australian Leaders Fund Limited, Morgan Stanley Australia Securities Limited, Macquarie Capital (Australia) Limited, Taylor Collison Limited, RBS Morgans Limited, Moore Stephens Sydney Corporate Finance Pty Limited, Boardroom Pty Limited, White Outsourcing, Watson Mangioni Lawyers Pty Limited, Watermark Funds Management Pty Ltd:

- has authorised or caused the issue of the Prospectus or offer any Shares or Options;
- has made, or purported to have made, any statement in this Prospectus, except this section and as noted above; and
- assumes responsibility for any part of this Prospectus except for statements in this section and as noted above.

Each of these entities to the maximum extent permitted by the law, disclaim any responsibility or liability for any part of this Prospectus other than a statement included in this Section and as noted above.

# 12 Definitions and Interpretation

## 12.1. DEFINED TERMS

In this Prospectus:

<b>AFSL</b>	means Australian Financial Services License.
<b>ALF shareholder</b>	means a registered shareholder of Australian Leaders Fund Limited (ACN 106 845 970), as recorded on the date of the Prospectus.
<b>Applicant</b>	means an applicant for Shares and Options under this Prospectus.
<b>Application</b>	means an application for Shares and Options under this Prospectus.
<b>Application Form</b>	means the General Offer Application Form or Priority Offer Application Form (as applicable) each in the form attached to this Prospectus.
<b>Application Monies</b>	means the issue price of \$1.00 multiplied by the number of Shares applied for.
<b>ASIC</b>	means the Australian Securities & Investments Commission.
<b>Associate</b>	has the same meaning as in the Corporations Act.
<b>ASX or Australian Securities Exchange</b>	means the ASX Limited or the securities exchange operated by ASX Limited.
<b>Broker</b>	means any ASX participating organisation selected by the Lead Managers in consultation with the Company to act as a Broker to the Offer.
<b>Broker Firm Offer</b>	means the offer of Securities under this Prospectus to Australian resident retail clients of Brokers who have received a firm allocation from their Broker.
<b>Broker Firm Application Form</b>	means the Application Form to be used by Applicants pursuant to the Broker Firm Offer.
<b>Closing Date</b>	means the date by which valid Application Forms must be received being 5 July 2013 or such other dates as the Company may determine in its discretion.
<b>Company</b>	means Watermark Market Neutral Fund Limited (ACN 163 980 498).
<b>Company Constitution</b>	means the constitution of the Company.
<b>Directors or Board</b>	means the directors of the Company.
<b>General Offer Application Form</b>	means the Application Form to be used by Applicants who are not Existing Members.
<b>Listing Rules</b>	means the listing rules of the ASX.
<b>Lead Managers</b>	means Morgan Stanley Australia Securities Limited (ACN 078 0652 276) and Macquarie Capital (Australia) Limited (ACN 123 199 548).
<b>Management Agreement</b>	means the agreement between the Company and the Manager.
<b>Manager</b>	means Watermark Funds Management Pty Ltd (ACN 106 302 505).
<b>NAV</b>	means net asset value per Share.
<b>Offer</b>	means the offer of up to 120,000,000 Shares at an offer price of \$1.00 per Share to raise up to \$120,000,000, together with an entitlement to 1 option to acquire 1 Share per fully paid ordinary Share subscribed for exercisable at \$1.00 per Option on or before 31 December 2014. The Offer includes the Priority Allocation, unless the context requires otherwise.
<b>Opening Date</b>	means the date the Offer opens, expected to be 14 June 2013.
<b>Option</b>	means an option to acquire 1 Share per fully paid Share subscribed for, exercisable at \$1.00 per Option on or before 31 December 2014.
<b>Portfolio</b>	means the portfolio of investments of the Company from time to time.
<b>Prime Broker</b>	means UBS AG, Australia Branch.
<b>Priority Allocation</b>	means the priority allocation to ALF shareholders of up to 20,000,000 Shares and 20,000,000 Options under the Offer.
<b>Priority Allocation Application Form</b>	means the Application Form to be used by Applicants who are ALF shareholders to apply for Shares under the Priority Allocation.

<b>Prospectus</b>	means this replacement prospectus dated 14 June 2013 replacing the prospectus dated 7 June 2013 as modified or varied by any supplementary document issued by the Company and lodged with the ASIC from time to time.
<b>Security</b>	has the meaning given in Section 92 of the Corporations Act.
<b>Share</b>	means a fully paid ordinary share in the Company.
<b>Shareholder</b>	means a registered holder of a Share.
<b>Share Registrar</b>	means Boardroom Pty Limited.
<b>Watermark Market Neutral Fund Limited or the Company</b>	means Watermark Market Neutral Fund Limited (ACN 163 980 498).
<b>Wholesale Fund</b>	means Watermark Market Neutral Fund (ABN 52 394 336 727), a managed investment scheme for wholesale investors.

## 12.2. INTERPRETATION

In this Prospectus the following rules of interpretation apply unless the context otherwise requires:

- Words and phrases not specifically defined in this Prospectus have the same meaning that is given to them in the Corporations Act and a reference to a statutory provision is to the Corporations Act unless otherwise specified;
- The singular includes the plural and vice versa;
- A reference to an individual or person includes a corporation, partnership, joint venture, association, authority, company, state or government and vice versa;
- A reference to any gender includes both genders;
- A reference to clause, section, annexure or paragraph is to a clause, section, annexure or paragraph of or to this Prospectus, unless the context otherwise requires;
- A reference to "dollars" or "\$" is to Australian currency;
- In this document, headings are for ease of reference only and do not affect its interpretation; and
- Except where specifically defined in the Prospectus, terms defined in the Corporations Act have the same meaning in this Prospectus.

## 12.3. GOVERNING LAW

This Prospectus is governed by the laws of the State of New South Wales.

## 12.4. APPROVAL

This Prospectus has been approved by unanimous resolution of the Directors of the Company.

Dated: 14 June 2013



**Matthew Kidman**  
Chairman



# Corporate Directory

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## Watermark Market Neutral Fund Limited

Level 5  
139 Macquarie Street  
Sydney NSW 2000  
Ph: (02) 9252 0225  
Fax: (02) 9252 1220

## Company Secretary

Peter Roberts

## Manager of Watermark Market Neutral Fund Limited

Watermark Funds Management Pty Limited  
Level 5  
139 Macquarie Street  
Sydney NSW 2000  
Ph: (02) 9252 0225  
Fax: (02) 9252 1220

## Lead Managers to the Offer

Morgan Stanley Australia Securities Limited  
Level 39  
The Chifley Tower  
2 Chifley Square  
Sydney NSW 2000  
Macquarie Capital (Australia) Limited  
1 Martin Place  
Sydney NSW 2000  
Ph: (02) 82323 3333  
Fax: (02) 8232 4109

## Co-Managers to the Offer

Taylor Collison Limited  
Level 10, 167 Macquarie Street  
Sydney, New South Wales, 2000  
Ph: (02) 9377 1500  
Fax: (02) 9232 1677  
RBS Morgans Limited  
Level 29, 123 Eagle Street  
(GPO Box 202)  
Brisbane QLD 4000  
Ph: (07) 3334 4888  
Fax: (07) 3834 0888

## Solicitor to the Offer

Watson Mangioni Lawyers Pty Limited  
Level 13  
50 Carrington Street  
Sydney NSW 2000  
Ph: (02) 9262 6666  
Fax: (02) 9262 2626

## Investigating Accountant to the Offer

Moore Stephens Sydney Corporate Finance Pty Limited  
Level 15  
135 King Street  
Sydney, New South Wales 2000  
Ph: (02) 8236 7700  
Fax: (02) 9233 4636

## Share Registrar

Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000  
Ph: (02) 9290 9600  
Fax: (02) 9279 0664

## Stock Exchange Listing Listing Code:

Australian Securities Exchange  
WMK Ordinary shares  
WMKO Options



**Watermark Funds Management**  
Level 5, 139 Macquarie Street  
NSW Sydney 2000

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