

Restructure Scheme Booklet

Scheme with the Watermark Absolute Return Fund (ARSN 631 094 534)

The Independent Directors unanimously recommend that you

VOTE IN FAVOUR

of the Scheme, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the transaction is in the best interests of WMK Shareholders.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THE DOCUMENT IN ITS ENTIRETY BEFORE YOU DECIDE WHETHER TO VOTE IN FAVOUR OF THE SCHEME. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER.

If, after reading this Scheme Booklet, you have any questions about the Scheme, please call the Shareholder Information Line on (02) 9252 0225 (in Australia) or +61 2 9252 0225 (outside Australia) Monday to Friday between 8.30am and 7.00pm (Sydney time). If you have questions regarding the number of WMK Shares you hold or how to vote, please contact the Registry on (02) 9252 0225 (in Australia) or +61 2 9252 0225 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time).

A Notice of Scheme Meeting is included as Annexure E to this Scheme Booklet, and a Proxy Form for the Scheme Meeting accompanies this Scheme Booklet. The Scheme Meeting will be held at 12.30 pm (Sydney time) on 8 April 2019 at Dexus Place, Level 15, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000.

If you have recently sold all of your WMK Shares, please disregard this document.

Investment Manager:



Legal Adviser:



Responsible Entity for the Fund:



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An Overview of the Scheme

The Scheme Meeting will be held at Dexus Place, Level 15, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000 at 12.30 pm (Sydney time) on 8 April 2019.

The Scheme

1. WMK and Equity Trustees Limited (**Responsible Entity**) have agreed to effect a restructure of the ownership of the assets of WMK by way of scheme of arrangement under Part 5.1 of the Corporations Act between WMK and WMK Shareholders (**Scheme**).
2. The Scheme will involve:
 - the Responsible Entity issuing units in the Watermark Absolute Return Fund (**Fund**) (**Units**);
 - WMK reducing its share capital to zero and all WMK Shares being cancelled by way of the Capital Reduction;
 - WMK distributing the Units to WMK Shareholders by way of an *in-specie* distribution to WMK Shareholders (in part in satisfaction of any declared dividend and in part by way of the Capital Reduction);
 - WMK transferring the WMK Assets to the Fund; and
 - the Manager being issued a single fully paid ordinary share immediately following the Capital Reduction so that WMK becomes a wholly owned subsidiary of the Manager.
3. As at the Calculation Date, it is expected that the WMK Assets will be entirely comprised of cash.
4. WMK Shareholders will receive Units:
 - in the event that the Fund has no assets, on the basis of one Unit per dollar of WMK Implementation NTA; or
 - in the event that the Fund has substantive assets (as a result of the WGF Scheme being implemented, which is referred to and defined below in this overview), on an Implementation NTA for Implementation NAV basis.
5. No Issue Costs will be payable by WMK Shareholders in connection with the issue of Units under the Scheme.
6. The Retention Amount is required to be retained by WMK in order to satisfy the payment of the Transaction Costs and other liabilities with respect to the operation of WMK that remain outstanding following the Implementation Date.
7. The Independent Expert has concluded that the Scheme is in the best interests of WMK Shareholders, in the absence of a superior proposal.
8. The Independent Directors believe that, for the reasons set out in this Scheme Booklet, you should vote in favour of the Scheme Resolution. In the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of WMK Shareholders, each Independent Director who holds or controls

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WMK Shares intends to vote (or procure the voting) of all their WMK Shares in favour of the Scheme Resolution.

Capital Reduction

1. The Capital Reduction requires a separate WMK Shareholder approval, and is a necessary step to give effect to the Scheme (in addition to the Scheme itself). The Capital Reduction will be put to WMK Shareholders at the General Meeting (which immediately follows the Scheme Meeting).
2. The Capital Reduction requires approval under section 256C of the Corporations Act by way of ordinary resolution of WMK Shareholders.

WGF Scheme

1. The Scheme is being conducted contemporaneously with another scheme that is being carried out by Watermark Global Leaders Fund Limited (ACN 614 536 560) (**WGF**), which is also managed by the Manager (**WGF Scheme**).
2. Under the WGF Scheme it is proposed that all of the assets of WGF (less a retention amount retained for the purposes of paying transaction costs and other liabilities following the implementation date for the WGF Scheme and deferred tax assets) are also transferred to the Fund.
3. For further information regarding the WGF Scheme please refer to the WGF Scheme Booklet.
4. As set out above, the timing of implementation of the WGF Scheme will impact the Scheme Consideration that you receive as well as the profile of the Fund following the Implementation Date.
5. In the event that the WGF Scheme is not implemented, this may increase the risk that the Fund is of insufficient scale necessary (an aggregate NAV of less than \$30 million) to meet the Fund's objectives. The risk of insufficient scale will increase should there be a large number of withdrawals on the Initial Withdrawal Date by Scheme Participants.

Withdrawal Facility

1. Scheme Participants will be afforded the opportunity to apply to withdraw some or all of the Units that they have received under the Scheme on the Initial Withdrawal Date without incurring Withdrawal Costs. Scheme Participants who wish to withdraw any part of the Units they have received under the Scheme on the Initial Withdrawal Date should complete the withdrawal form attached to the PDS.
2. Following the Initial Withdrawal Date, Scheme Participants will, under the terms of the Fund Constitution, have the opportunity to withdraw their Units on a monthly basis in accordance with the Fund Constitution. It should be noted that there are limitations on the ability for Unitholders to withdraw their Units, see section 6.9, the PDS and the Fund Constitution.
3. If the Fund receives a large number of withdrawal requests on the Initial Withdrawal Date and/or receive a large number of withdrawal requests by Unitholders over time this may impact the ability of the Fund to) to meet the Fund's objectives or maintain an MER acceptable to investors.

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Future of WMK

1. Following the Implementation Date, WMK will be a wholly owned subsidiary of the Manager who will hold one fully paid ordinary share in WMK.
2. As a part of the Scheme, WMK will retain the Retention Amount to satisfy the Transaction Costs and other liabilities with respect to the operation of WMK which remain outstanding or arise following the Implementation Date.
3. As following implementation of the Scheme, WMK will have no assets or operations. The Manager intends to apply to ASX to remove it from the official list of ASX. The Manager then intends to convert WMK into a Proprietary Company. It is expected that WMK will then either be liquidated or de-registered.

Reasons to vote in favour of the Scheme

1. Trading in WMK shares has been relatively illiquid since WMK listed on ASX on 16 July 2013. This illiquidity has limited WMK Shareholders' ability to manage their investment in respect of acquisitions and disposals of WMK shares on-market. Subject to implementation of the Scheme, WMK Shareholders will have the ability to apply to withdraw their Units on a monthly basis at NAV. It is currently intended, subject to the provisions of the Fund Constitution, that these withdrawal requests will be accepted by the Responsible Entity on the Initial Withdrawal Date (where no Withdrawal Costs will be applied) and on a monthly basis in accordance with the Constitution. Scheme Participants who wish to withdraw any of the Units they receive under the Scheme on the Initial Withdrawal Date should complete the withdrawal form attached to the PDS.
2. The ability for WMK Shareholders to withdraw their Units at NAV provides a mechanism for them to exit their investment at NAV, as opposed to a discount to the NTA they would have received if they attempted to sell their WMK Shares on ASX prior to announcement of the Scheme on 20 December 2018.
3. As investors in an unlisted unit trust as opposed to a listed company, WMK Shareholders will not be subject to the costs associated with the operation of a listed investment company. These costs include, among others: ASX listing fees and Directors' fees, fees paid to the company secretary of WMK, and the costs associated with satisfying WMK's periodic financial reporting obligations to ASX. See sections 7.6 and 7.7 for further details.
4. A central objective of WMK's investment strategy is to provide returns that are uncorrelated with the broader share market. Structuring the Fund as an unlisted unit trust will ensure that exogenous market forces, such as momentum and broader investor sentiment applicable to the share market generally, do not act to dilute the correlation benefits that the Fund is designed to offer. It should be noted that the price of Units will be impacted by the value of the Fund's underlying listed investments (which are expected to fluctuate in value over time).
5. The governance structure of the Fund will be different to that of WMK. The Responsible Entity will have a compliance committee with a majority of independent members as opposed to a board of independent directors. Additionally, the Responsible Entity and the Fund will be subject to the regulatory and compliance obligations of an Australian Financial Services Licensee and a registered managed investment scheme respectively.

Reasons you may want to vote against the Scheme

1. As investors in a publicly listed company, some WMK Shareholders may prefer to hold

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securities listed on ASX to holding units in an unlisted trust.

2. There may also be additional administrative and compliance requirements in managing an investment in a unit trust that do not apply to investors buying and selling shares on-market and via a broker. See section 8.2 of this Scheme Booklet for more details regarding the differences between the transfer of Units and transfer of Shares.
3. In respect of distributions that are made from the Fund, some investors may prefer a corporate structure which allows for the payment of franked dividends as opposed to distributions of a unit trust which are taxed in the hands of unit holders.
4. Shareholders may deem that the restructure being effected by the Scheme is unnecessary and an unwarranted expense.
5. The ability of Scheme Participants and Unitholders to withdraw from the Fund creates a risk that the Fund may have insufficient scale (an aggregate NAV of less than \$30 million) to meet the Fund's objectives or maintain an MER acceptable to investors.

The Independent Directors believe that the Scheme is in the best interests of WMK Shareholders and intend to vote (or procure the voting of) all their own WMK Shares in favour of the Scheme Resolution, in the absence of a superior proposal.

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Watermark Market Neutral Fund Limited

ABN 45 163 980 498

Dear WMK Shareholders,

On behalf of the Board of Watermark Market Neutral Fund Limited (**WMK**), I am pleased to present you with an opportunity to consider and vote on a scheme of arrangement outlined in this Scheme Booklet (**Scheme**). On 20 December 2018, we announced a proposal to implement a restructure that would see the assets of WMK transferred to an unlisted trust. The Watermark Absolute Return Fund has been registered and Equity Trustees Limited has been appointed as the Responsible Entity in anticipation of the Scheme's implementation.

The Scheme is desired to deliver you, as a WMK Shareholder, the following advantages:

- A reduction in the costs associated with administering a listed vehicle, including listing, Board and the quantum of accounting fees. With WMK unable to meaningfully increase the size of the WMK Portfolio since listing in 2013, the costs of operating WMK have remained at what the Board considers to be an "elevated level" on a per share basis relative to other listed investment companies.
- The elimination of the issue of premiums and discounts to NTA backing. WMK Shares have traded persistently at a discount to WMK's NTA in the last 18 months and over various periods since listing. The price of Units in the Fund will reflect more closely the underlying performance of the Fund Portfolio.
- Allowing investors to withdraw their investment proximate to the prevailing NAV on a monthly basis. Once the Scheme has been implemented and the assets of WMK are transferred to the Fund, Unitholders will have the ability to withdraw their investments, subject to the terms of the Fund Constitution, on a monthly basis.
- Providing investors with the option to retain an investment in an absolute return strategy, with similar risk and return characteristics to WMK, namely: returns that are intended to not be correlated with the broader share market; and the ability to protect capital using hedging strategies.
- With the WMK Portfolio to be held in cash on implementation of the Scheme, investors will have certainty as to the value of the Fund at the time of voting on the Scheme.

The disadvantages and reasons you may want to vote against the Scheme include:

- There can be no guarantee given in respect of the future performance of the Fund.
- An unlisted investment vehicle may not suit some investors, who prefer to buy and sell securities on-market, on a daily basis.
- Due to the structure of the Scheme, the possibility of realising any value from the Deferred Tax Assets (prior years' losses) that were sitting on WMK's balance sheet as at June 30 2018, will be lost.
- The tax consequences of the Scheme and the tax structure of the Fund may not suit your financial position.

The Independent Expert has concluded that the Scheme is fair and reasonable and that the Scheme is in the best interests of WMK Shareholders, in the absence of a superior proposal.

The Independent Expert's Report is included in Annexure A; I encourage you to read it before voting on the Scheme. The Independent Directors believe that the advantages outlined above support implementation of the Scheme and you should vote in favour of the Scheme in the absence of a superior proposal.

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WGF Scheme

In parallel with the Scheme, shareholders of Watermark Global Leaders Fund Limited (**WGF**) are also considering a scheme of arrangement on similar terms to the Scheme, which will result in them being issued units in the Fund (**WGF Scheme**). If both this Scheme and the WGF Scheme are implemented, the NAV of the new Fund will reflect the combined assets of WGF and WMK. It is not certain which of the Schemes will be implemented first, however if this Scheme is implemented after the WGF Scheme, you will receive Scheme Consideration on an Implementation NAV for Implementation NTA basis.

WMK Shareholders may benefit from the implementation of the WGF Scheme insofar as the fixed costs of operating the Fund will be applied over a larger capital base, reducing the management expense ratio (**MER**) of the Fund.

The Scheme is not conditional on implementation of the WGF Scheme and the Independent Directors do not consider that the implementation of the WGF Scheme affects their recommendation regarding the Scheme.

Conditions to the Scheme

The Scheme is subject to a number of conditions, including Court and WMK Shareholder approval. The Scheme Conditions are set out in the Scheme Implementation Deed which is included at Annexure B

What can WGF Shareholders expect to receive if the Scheme proceeds?

If the Scheme is implemented, WMK Shareholders will receive Units in the Fund. The number of Units will be calculated on the Calculation Date by reference to the Implementation NTA of WMK.

NTA Calculation Date and Scheme Consideration

The Calculation Date is expected to be 5.00pm on Monday, 25 March 2019. The Scheme Consideration (being Units in the Fund issued in consideration for the transfer of WMK Assets) will be announced to ASX on or before Tuesday, 26 March 2019.

Further Information

Important details of the Scheme and the steps associated with its implementation are set out in the Scheme Booklet which you are urged to read carefully. If you have any questions please call the Shareholders Information Line on (02) 9252 0225 or +61 2 9252 0225 (outside Australia) on Monday to Friday between 8.30am and 7.00pm (Sydney time). Alternatively, contact your financial, legal, taxation or other adviser.

Timetable

The Scheme Meeting will be held at 12.30pm (Sydney time) on Monday, 8 April 2019, at Dexu Place, Level 15, Governor Macquarie Tower, 1 Farrer Place Sydney. I encourage you to read the Scheme Booklet and to submit your votes for the Scheme.

Yours Sincerely,



Matthew Kidman

Chairman, Watermark Market Neutral Fund Limited

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Watermark Funds Management Pty Limited

ACN 106 302 505

Dear fellow WMK Shareholders,

Thank you for your support of WMK to date.

We are pleased to have worked with the Independent Directors to deliver this Scheme Booklet, offering you an opportunity to become an investor in the newly launched Watermark Absolute Return Fund.

In my view, the Fund will retain the best elements of WMK in its ability to hedge market risks and protect investors' capital and to produce returns that have a low correlation with the broader share market. By relaxing the net exposure limits (see section 5 of the PDS), we will target a higher return than we have for WMK, with the potential to benefit from a rising equity market at times when there is a compelling opportunity to do so.

The Fund will focus on the Australian share market. While opportunities abound in the Australian share market, headwinds are building for the Australian economy as the market cycle completes. The relevance of low beta strategies, such as the one the Manager will employ for the Fund, are more relevant than ever to preserve capital during periods of elevated risk in asset markets.

In my view, the operating expenses of the Fund will in most circumstances be lower than WMK, resulting in a MER that is materially lower (see sections 7.6 and 7.7 for further details).

I encourage you to read the Scheme Booklet carefully and vote in support of the Scheme, to become a Unitholder in the Watermark Absolute Return Fund. If you have questions, please call the Shareholder Information Line on 02 9252 0225 (Australia) or +61 2 9252 0225 (outside Australia), Monday to Friday between 8.30am and 7.00pm (Sydney time). Alternatively, contact your financial, legal, taxation or other professional adviser.

Yours Faithfully,



Justin Braitling

CIO, Watermark Funds Management Pty Limited

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IMPORTANT NOTICES

Reading this Scheme Booklet

This Scheme Booklet is important. You should carefully read this Scheme Booklet in its entirety before making a decision as to how to vote on the Scheme Resolution to be considered at the Scheme Meeting. If you have any questions or require further information please contact the Shareholder Information Line on (02) 9252 0225 (in Australia) or +61 2 9252 0225 (outside Australia) on weekdays between 8.30am and 7.00pm (Sydney time). If you are in any doubt about anything in this Scheme Booklet, please contact your legal, financial or other professional adviser.

Capitalised terms used in this Scheme Booklet are defined in the Glossary of terms in section 12. The Glossary of terms also sets out some rules of interpretation that apply to this Scheme Booklet in section 12.

Purpose of this Scheme Booklet

This Scheme Booklet sets out the effects of the Scheme, certain information required by law and all other information known to the Independent Directors which in their opinion is material to your decision to vote in favour of, or against, the Scheme (other than information previously disclosed to WMK Shareholders) and includes the Explanatory Statement, as required by Part 5.1 of the Corporations Act, in relation to the Scheme.

Responsibility for information

Other than as set out below, this Scheme Booklet has been prepared by WMK and is the responsibility of WMK.

The Manager has provided and is responsible for the Fund Information. WMK and its directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the Fund Information.

The Responsible Entity has provided and is responsible for the Responsible Entity Information. WMK and its directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the Responsible Entity.

Pitcher Partners has prepared the information regarding the Australian taxation implications of the Scheme for WMK Shareholders and takes responsibility for that information, contained in section 9. Pitcher Partners does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than the general Australian taxation information contained in section 9.

David McCourt of BDO has prepared the Independent Expert's Report which is contained in Annexure A to this

Scheme Booklet. BDO takes responsibility for that report. BDO does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in Annexure A.

The Registry, Boardroom Limited (as defined in section 12 of this Scheme Booklet) has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the Registry. The Registry has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

ASIC

A copy of this Scheme Booklet was registered by ASIC pursuant to section 412(6) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides the no objection statement, the statement will be produced to the Court at the time of the Second Court Date. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet

ASX

WMK is listed on ASX. WMK Shares will continue to be quoted on ASX if the Scheme does not become Effective.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

Important notice associated with the Court order under subsection 411(1) of Corporations Act

A copy of this Scheme Booklet has been submitted to the Court to obtain an order of the Court approving the convening of the Scheme Meeting.

The fact that, under subsection 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the Explanatory Statement required to accompany the notice of the meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed scheme or as to how you should vote (on this matter, you must reach your own decision); or
- (b) has prepared, or is responsible for the content of, the Explanatory Statement.

Notice regarding Second Court Hearing and if a WMK Shareholder wishes to oppose the Scheme

The date of the Second Court Hearing to approve the Scheme is 10 April 2019. The hearing will be at Federal

Court of Australia Law Courts Building, 184 Phillip Street, Sydney NSW 2000.

A WMK Shareholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Scheme at the Second Court Hearing.

If you wish to oppose in this manner, you must file and serve on WMK a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on WMK at its address for service at least one day before 10 April 2019.

The address for service for WMK is:

Level 23 Governor Phillip Tower
1 Farrer Place Sydney NSW 2000
(Attention: Tim Bolger)
Email: info@wffunds.com.au

Investment decisions

This Scheme Booklet does not take into account your individual investment objectives, financial situation or needs. The information in this Scheme Booklet should not be relied on as the sole basis for any investment decision. You should seek independent legal, financial, accounting and other professional advice before making any investment decision.

Forward looking statements

Certain statements in this Scheme Booklet are about the future. You should be aware that there are a number of risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results or performance of WMK or the Fund, following implementation of the Scheme, to be materially different from the future conduct, results or performance expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Such risks, uncertainties, assumptions and other important factors include, among other things, the risks described in section 4. Changes to future matters are both normal and to be expected.

None of WMK, the Responsible Entity or their respective directors, officers and advisers, nor any other person gives any assurance that the occurrence of the events expressed or implied in any forward-looking statements in this Scheme Booklet will actually occur.

The forward-looking statements in this Scheme Booklet reflect views held only as of the date of this Scheme Booklet. Subject to the Corporations Act and any other applicable laws or regulations, WMK will not update these statements other than with respect to information that they become aware of prior to the Scheme Meeting which is material to the making of a decision regarding whether or not to vote in favour of the Scheme Resolution.

Status of this Scheme Booklet

This Scheme Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not have effect in relation to any

offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the Court in accordance with section 411(1) or (1A) of the Corporations Act.

Privacy and personal information

WMK is required to collect personal information to implement the Scheme. The personal information may include your name, contact details and details of your holding, together with contact details of individuals appointed as proxies, representatives of bodies corporate or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

If you are an individual, you have certain rights to access the personal information collected about you. You may contact the Registry if you wish to exercise those rights.

The information may be disclosed to WMK and its related bodies corporate and advisers, print and mail service providers, share registries, securities brokers and any other service provider to the extent necessary to effect the Scheme.

If the information outlined above is not collected, WMK may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme effectively, or at all.

If you appoint an individual as your proxy, corporate representative or attorney to vote at the Scheme Meeting you should inform that individual of the matters outlined above.

Entitlement to inspect Share Register

It is noted that all persons are entitled, under section 173 of the Corporations Act, to inspect and obtain a copy of the Share Register. This register contains personal information about you.

Notice to Ineligible Foreign Shareholders

This Scheme Booklet has been prepared in compliance with the disclosure requirements of Australia and New Zealand which may be different to those in other jurisdictions. This Scheme Booklet and the Scheme does not in any way constitute an offer of securities or a solicitation of an offer to purchase securities in any place in which, or to any person to whom, it would not be lawful to make such an offer or solicitation. WMK Shareholders in jurisdictions outside Australia (including its external territories) and New Zealand should refer to section 2.8 of this Scheme Booklet.

Explanatory statement

This Scheme Booklet constitutes an Explanatory Statement for the purposes of section 412 of the Corporations Act. This Scheme Booklet explains the effect of the Scheme between WMK and WMK Shareholders to be considered at the Scheme Meeting, and provides all information that is prescribed or otherwise material to the decision of WMK Shareholders on whether or not to approve the Scheme.

Date of this Scheme Booklet

This Scheme Booklet is dated 8 March 2019.

IMPORTANT DATES

Event	Indicative date
Calculation Date	5 pm, 25 March 2019
Latest time and date for lodgement of completed proxy form for the Scheme Meeting	11.00am, 6 April 2019
Time and date for determining eligibility to vote at the Scheme Meeting	11.00am, 6 April 2019
Scheme Meeting	12.30 pm, 8 April 2019
General Meeting	1.15 pm 8 April 2019
Second Court Date	10 April 2019
Effective Date	11 April 2019
Trading in WMK Shares on ASX is suspended	11 April 2019
Record Date	7.00pm (Sydney time), 16 April 2019
Implementation Date	23 April 2019
Despatch of transaction confirmation statements for Fund Units	1 May 2019
For Ineligible Foreign Shareholders, the Nominee must withdraw the Foreign Shareholder's Units issued to the Nominee on behalf of the Ineligible Foreign Shareholder	By 22 May 2019
Initial Withdrawal Date	30 April 2019

The dates and times set out above are indicative only and are subject to the Court approval process, ASIC approval and any other regulatory approvals required. Any changes to the above timetable will be announced to ASX and available on its website, www.asx.com.au.

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QUESTIONS AND ANSWERS

This section answers some basic questions that you may have about the Scheme. The information is a summary only and should only be read in conjunction with the entire Scheme Booklet. You should read the entire Scheme Booklet before deciding how to vote on the Scheme Resolution.

Question	Answer
Questions about the Scheme	
What is the Scheme?	<p>On 20 December 2018, WMK announced a proposal to restructure the ownership structure of the WMK Assets via scheme of arrangement.</p> <p>The Scheme involves WMK transferring the WMK Assets to the Fund in exchange for Units, to be distributed <i>in-specie</i> to WMK Shareholders in part by way of a fully-franked dividend and the remainder by way of the Capital Reduction.</p> <p>The outcome of the Scheme will be that Scheme Participants will hold Units in an unlisted unit trust with the Responsible Entity, Equity Trustees Limited, and managed by the Manager. WMK will be a wholly owned subsidiary of the Manager.</p>
What is the Capital Reduction?	<p>The Capital Reduction is a return of capital on your WMK Shares and a means of distributing the Scheme Consideration. The Scheme is conditional on the Capital Reduction Resolution being approved by a majority of WMK Shareholders. As part of the Capital Reduction the WMK Shares will be cancelled.</p> <p>Scheme Participants will not receive any cash as a result of the Capital Reduction.</p> <p>More information in relation to the Capital Reduction is set out in section 10.5 of this Scheme Booklet.</p>
Why is the Scheme being proposed?	<p>The Directors of WMK have identified three issues facing WMK which they feel must be addressed:</p> <ol style="list-style-type: none">1. The WMK Portfolio has a sub-optimal value of approximately \$70 million and has failed to achieve its goal of growing to a market capitalisation in excess of \$100 million. As a result, WMK shares are thinly traded and are relatively illiquid;2. The sub-optimal value of the WMK Portfolio means that the costs of running the listed investment company are relatively high in consideration of the value of the WMK Portfolio; and3. The persistent discount to NTA at which WMK shares have traded in the last 18 months of between 0% and 17%. <p>The Directors believe that the Scheme provides a solution to each of these issues and accordingly is in the best interests of WMK Shareholders.</p>

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<p>What will WMK Shareholders receive if the Scheme is implemented?</p>	<p>If the Scheme is implemented, WMK Shareholders will receive Units.</p> <p>Any Units proposed to be issued to Ineligible Foreign Shareholders will be dealt with by the Nominee in accordance with the process set out in section 2.8.</p> <p>The Scheme Consideration is calculated differently depending on whether the Fund already contains the WGF Assets, as follows:</p> <ul style="list-style-type: none"> (a) in the event that, as at the Calculation Date the Fund contains the WGF Assets, WMK Shareholders will receive Scheme Consideration based on an Implementation NAV for Implementation NTA basis; or (b) in the event that, as at Calculation Date the Fund contains no assets each WMK Shareholder will receive one Unit for each dollar of Implementation NTA represented by the number of WMK Shares that they hold. <p>Further details regarding the calculation of the Scheme Consideration are set out in section 1.4.</p>
<p>What proportion of the Scheme Consideration is a dividend and will it be franked?</p>	<p>On the Effective Date the Directors will declare and announce to ASX a fully-franked dividend to be satisfied by the issue of Units under the Scheme.</p> <p>Based on the quantum of the dividend announced by WMK, a proportion of the Units issued to WMK Shareholders under the Scheme will constitute a fully-franked dividend with the remainder to be considered for Australian income tax purposes to be a capital return. This proportion will be announced to ASX on the Effective Date.</p> <p>Please see section 9 for further information regarding the Australian tax consequences of the declaration of the dividend.</p>
<p>What will happen to WMK?</p>	<p>As part of the Scheme but following the Capital Reduction it is proposed that the Manager will be issued a single fully paid ordinary share.</p> <p>Accordingly, following the Implementation Date, the Manager will be the sole shareholder of WMK.</p> <p>Following the Implementation Date, the Manager intends to apply to ASX to remove it from the official list of ASX. The Manager then intends to convert WMK into a Proprietary Limited company. It is expected that WMK will then either be liquidated or de-registered.</p>
<p>Who are the Independent Directors?</p>	<p>As per the Glossary of terms at section 12 of the Scheme Booklet, the Independent Directors are Matthew Kidman, John Abernethy, Stephen Van Eyk and Robert Ferguson.</p>
<p>What do the Independent Directors recommend?</p>	<p>The Independent Directors believe the Scheme is in the best interests of WMK Shareholders and recommend that WMK</p>

	Shareholders vote in favour of the Scheme Resolution in the absence of a superior proposal.
How do the Independent Directors intend to vote in respect of their own WMK Shares?	In the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of WMK Shareholders, the Independent Directors intend to vote (or procure the voting of) all their WMK Shares in favour of the Scheme Resolution and recommend all WMK Shareholders also vote in favour of the Scheme Resolution.
What is the opinion of the Independent Expert?	<p>The Independent Expert has considered the merits of the Scheme and has concluded that the Scheme is in the best interests of WMK Shareholders in the absence of a superior proposal.</p> <p>The Independent Expert's Report is set out in full at Annexure A.</p>
How will the Scheme be implemented?	<p>The Scheme will be implemented by way of a scheme of arrangement between WMK and WMK Shareholders. As part of the Scheme, the Fund will acquire all of the WMK Assets from WMK, in consideration for the Scheme Consideration. As a part of the Scheme, it is proposed that the Scheme Consideration is paid directly to the Scheme Participants by way of a capital reduction by WMK.</p> <p>The Scheme is subject to (amongst other things), the approval of WMK Shareholders and the approval of the Court.</p> <p>WMK Shareholders will be asked to consider and vote on the Scheme Resolution at the Scheme Meeting. If all the Scheme Conditions are satisfied or waived (in accordance with the Scheme Implementation Deed), the Scheme will constitute a binding arrangement between WMK and each Scheme Participant as a result of which they will receive Units in the Fund. Further details on how the Scheme will be implemented are set out in section 10.</p>
When and where will the Scheme Meeting be held?	The Scheme Meeting is scheduled to be held at Dexus Place, Level 15, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000 at 12.30 pm on 8 April 2019.
Who is entitled to participate in the Scheme?	Only persons registered as holders of WMK Shares on the Record Date may participate in, and will be bound by, the Scheme. It is anticipated that the Record Date will be 7.00pm (Sydney time) 16 April 2019. This date may change. Any changes will be announced to ASX and notified on the ASX announcements platform.
When will the Scheme become Effective?	Subject to satisfaction or waiver (in accordance with the Scheme Implementation Deed) of the conditions to the Scheme, it is expected that the Scheme will become Effective on 11 April 2019. The Units will not be issued until the Implementation Date. It is expected that the Implementation Date will be 23 April 2019.
What are the reasons to vote in favour of the Scheme?	The reasons to vote in favour of the Scheme are considered in section 3.3 of this Scheme Booklet and include:

	<ol style="list-style-type: none"> 1. the Independent Directors believe that the proposed Scheme is in the best interests of WMK Shareholders, in the absence of a superior proposal; 2. the Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of WMK Shareholders; 3. Scheme Participants will be able to manage their investment by requesting the withdrawal of their Fund Units on the Initial Withdrawal Date and otherwise on monthly withdrawal dates; 4. Scheme Participants will be able to exit their investment at NAV; 5. the costs of operating as an unlisted registered managed investment scheme are expected to be lower than operating as a listed investment company on ASX (see sections 7.6 and 7.7 for further details); 6. the price of Units will no longer be subject directly to exogenous market forces such as momentum and broader investor sentiment applicable to the share market generally; and 7. different governance structure.
<p>What are the reasons you may want to vote against the Scheme?</p>	<p>The reasons you may want to vote against the Scheme are considered in section 3.4 of this Scheme Booklet and include:</p> <ol style="list-style-type: none"> 1. you may disagree with the Independent Directors' recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests; 2. risks of the Scheme for Scheme Participants; 3. you may prefer to hold listed investments; 4. you may prefer a company structure to a trust structure; 5. the Scheme is an unnecessary expense; and 6. the tax consequence of the Scheme may not suit your financial position.
<p>What are the risks of the Scheme?</p>	<p>The risks associated with the Scheme include but are not limited to:</p> <ol style="list-style-type: none"> 1. The risk that the Scheme and the Capital Reduction are not approved by WMK Shareholders at the Scheme Meeting, in which case WMK will have borne costs associated with a failed Scheme and failed to address the issues identified by the Board.

	<p>2. The Scheme may deliver cost savings in operating synergies following its implementation. However, it is possible that the integration of WMK and the Fund will be more difficult or take more time than currently anticipated, and could delay the realisation of synergy benefits expected to result from the Scheme.</p> <p>3. The risk that following the Implementation Date, the Fund has insufficient scale, either as a result of the WGF Scheme not being implemented and/or because of withdrawals by holders of Units (an aggregate NAV of less than \$30 million), to meet the Fund's objectives or maintain an MER acceptable to investors.</p> <p>Further detail about these risks is set out in section 4.</p>
<p>What happens if the Scheme does not proceed?</p>	<p>Regardless of whether the Scheme is implemented, Transaction Costs in connection with the Scheme of approximately \$315,000 (excluding GST) are to be borne by WMK as set out in section 5.9 of this Scheme Booklet.</p>
<p>What will be the effect of the Scheme on Scheme Participants?</p>	<p>If the Scheme is implemented:</p> <ul style="list-style-type: none"> • each Scheme Participant will receive the Scheme Consideration; • all WMK Shares will be cancelled and Scheme Participants will cease to hold WMK Shares; and • Scheme Participants will be offered the opportunity to apply to have their Units withdrawn on the Initial Withdrawal Date (with no Withdrawal Costs) or otherwise monthly in accordance with the Fund Constitution. Scheme Participants who wish to withdraw any of the Units they receive under the Scheme on the Initial Withdrawal Date should complete the withdrawal form attached to the PDS.
<p>What are the options for WMK Shareholders?</p>	<p>WMK Shareholders may:</p> <ul style="list-style-type: none"> • vote in favour of the Scheme Resolution and Capital Reduction Resolution at the Scheme Meeting or General Meeting (as applicable); • vote against either or both of the Scheme Resolution and Capital Reduction Resolution at the Scheme Meeting or General Meeting (as applicable); • sell their WMK Shares before trading is suspended on the Effective Date; or • do nothing.
<p>What approvals are required at the Scheme Meeting?</p>	<p>For the Scheme to be approved, votes in favour of the Scheme Resolution must be received from WMK Shareholders as follows:</p> <ul style="list-style-type: none"> • a majority in number (more than 50%) of WMK Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or by corporate representative); and • at least 75% of the total number of votes cast on the Scheme Resolution (whether in person, by proxy, by

	attorney or by corporate representative).
What approvals are required at the General Meeting?	For the Capital Reduction to be approved, votes in favour of the Capital Reduction must be received from WMK Shareholders by a majority of votes cast on the Capital Reduction Resolution (whether in person, by proxy, by attorney or by corporate representative).
What are the key conditions to be satisfied before the Scheme can proceed?	<p>The key conditions that must be satisfied in order for the Scheme to proceed are:</p> <ul style="list-style-type: none"> • WMK Shareholders approving the Scheme Resolution at the Scheme Meeting; • WMK Shareholders approving the Capital Reduction at the General Meeting; and • the Court approving the Scheme. <p>These are not the only conditions. Each of the conditions is summarised in section 10.11 of this Scheme Booklet. The conditions are set out in full in clause 3 of the Scheme Implementation Deed which is reproduced in Annexure B.</p>
Questions about Fund	
What is the Fund (ASRN 631 094 534)?	The Fund is a registered managed investment scheme, established in Victoria, Australia on 18 January 2019 and registered on 24 January 2019. Further information about Fund is set out in section 6 of this Scheme Booklet.
Who is the Responsible Entity of the Fund?	Equity Trustees Limited (ACN 004 031 298).
Why does WMK wish to “convert” to a trust?	<p>The Independent Directors are of the opinion that an unlisted unit trust is a preferable vehicle through which to offer investors exposure to the Manager’s hedged investment strategy.</p> <p>The Independent Directors are also of the opinion that a unit trust offers significant benefits to WMK Shareholders, including but not limited to improved liquidity and lower operating costs.</p>
Who will manage the Fund following the completion of the Scheme?	The investment manager for the Fund will be the same as WMK, Watermark Funds Management Pty Limited (ACN 106 302 505).
What are the intentions of the Manager in relation to the investments of the Fund after implementation of the Scheme?	<p>The Manager intends to employ an investment strategy that is similar to that currently employed for WMK, subject to certain minor changes.</p> <p>In particular, the limits on the net equity exposure of the Fund will be relaxed to allow the Manager to take advantage of additional opportunities to create value, where an opportunity is particularly compelling.</p> <p>See section 5 of the PDS for further information regarding the proposed investment strategy of the Fund.</p>
Questions about implementation of the Scheme	
How will the NTA of WMK be	The NTA of WMK will be calculated by the WMK

calculated?	Administrator.
How will the NAV of the Fund be calculated?	The NAV of the Fund will be calculated by the Fund Administrator.
Will I be required to pay broker fees or stamp duty?	You will not have to pay either brokerage or stamp duty if the Scheme is implemented unless you are an Ineligible Foreign Shareholder.
When will I receive my Fund Units?	<p>Scheme Participants (other than Ineligible Foreign Shareholders) will be issued with Units on the Implementation Date together with an advice detailing your new holding. At this stage, the Implementation Date is expected to be 23 April 2019.</p> <p>If the Scheme becomes Effective, it is expected that trading in WMK Shares on ASX will be suspended at close of trade on the Effective Date. These dates may change. Any change will be announced to ASX and notified on the ASX announcements platform.</p>
What is happening to my WMK Shares?	All WMK Shares will be cancelled as part of the Scheme. Following the Capital Reduction the Manager will be issued a single fully paid ordinary share.
Can I sell my WMK Shares now?	You can offer to sell your WMK Shares on ASX at any time prior to trading in WMK Shares being suspended. If the Scheme becomes Effective, it is expected that trading in WMK Shares on ASX will be suspended at close of trade on the Effective Date. It is currently expected that the Effective Date will be 11 April 2019.
Who is an Ineligible Foreign Shareholder?	Each WMK Shareholder whose address is on WMK's Share Register as at the Record Date in a place outside Australia, its external territories or New Zealand, unless WMK and the Responsible Entity agree that it is lawful and not unduly onerous or impracticable to issue that Scheme Participant with Fund Units when the Scheme becomes Effective.
What if I am an Ineligible Foreign Shareholder?	<p>Ineligible Foreign Shareholders will not receive the Fund Units to which they would otherwise be entitled under the Scheme. Instead, those Fund Units will be issued to the Nominee who will apply to withdraw those Fund Units on the Initial Withdrawal Date.</p> <p>The Nominee will remit the proceeds of the withdrawal requests received to WMK, and WMK will then remit to each Ineligible Foreign Shareholder an amount equal to the proportion of the proceeds of withdrawal requests received by WMK under the Withdrawal Facility to which that Ineligible Foreign Shareholder is entitled, in satisfaction of their right to the Scheme Consideration.</p> <p>For further information on the treatment of Ineligible Foreign Shareholders, please refer to section 2.8 of this Scheme Booklet.</p>

<p>What are the tax implications of the Scheme for Scheme Participants?</p>	<p>The taxation implications of the Scheme will differ depending on the individual circumstances of each Scheme Participant. General information on the taxation effect of the Scheme on Scheme Participants who are residents of Australia for tax purposes is set out in section 9. The information is expressed in general terms and does not constitute taxation advice in respect of the particular circumstances of any Scheme Participant.</p> <p>Your decision on how to vote on the Scheme Resolution should be made only after consultation with your financial, legal, taxation and other professional advisers based on your own investment objectives, financial situation, taxation position and particular needs.</p>
<p>Questions about voting</p>	
<p>Who is entitled to vote at the Scheme Meeting?</p>	<p>To be entitled to vote at the Scheme Meeting and General Meeting, you will need to be registered as a WMK Shareholder at 11.00am (Sydney time) on 6 April 2019.</p>
<p>How do I vote by Proxy?</p>	<p>Accompanying this Scheme Booklet is a personalised Proxy Form. If you wish to vote on the Scheme Resolution and Capital Reduction Resolution but are not able to attend the Scheme Meeting or General Meeting, you should appoint a proxy by following the instructions on the Proxy Form. You do not need to complete the Proxy Form if you intend to vote in person, by attorney or by representative at the Scheme Meeting and General Meeting.</p> <p>In order to be valid, your proxy must be appointed by 11.00am on 6 April 2019. If you intend to appoint your proxy by returning the completed Proxy Form by mail or fax, your Proxy Form must be received by the Registry before 11.00am on 6 April 2019.</p>
<p>Is voting compulsory?</p>	<p>No, voting is not compulsory. However, your vote is important. If you cannot attend the Scheme Meeting or General Meeting, you should appoint a proxy. For further details regarding voting and appointing a proxy for the Scheme Meeting and General Meeting, see section 2.4 of this Scheme Booklet.</p>
<p>What happens if I vote against the Scheme Resolution?</p>	<p>If the Scheme becomes Effective it will bind all WMK Shareholders, including those who voted against the Scheme Resolution and those who do not vote.</p>
<p>Other information</p>	
<p>What other information is available?</p>	<p>This Scheme Booklet provides detailed information in relation to the Scheme that all WMK Shareholders should read.</p> <p>If you have any questions or require further information, you can call the Shareholder Information Line on (02) 9252 0225 (within Australia) or +61 2 9252 0225 (outside Australia) between 8.30am and 7.00pm Monday to Friday (Sydney time).</p>

1. SUMMARY OF THE SCHEME

This section provides a summary of the Scheme, the reasons for the Scheme, the Independent Directors' recommendation in relation to how you should vote on the Scheme and the key terms of the Scheme Implementation Deed.

The Scheme Implementation Deed is set out in full in Annexure B.

1.1. Rationale for the Scheme

The Directors of WMK have identified three issues facing WMK which they feel must be addressed:

- (a) the WMK Portfolio has a sub-optimal value of approximately \$70 million and has failed to achieve its goal of growing to a market capitalisation in excess of \$100 million. As a result, WMK Shares are thinly traded and are relatively illiquid;
- (b) the sub-optimal value of the WMK Portfolio means that the costs of running the listed investment company are relatively high in consideration of the value of the WMK Portfolio; and
- (c) the persistent discount to NTA at which WMK Shares have traded in the last 18 months of between 0% and 17%.

The Board believes that the Scheme provides a solution to these issues, offering WMK Shareholders access to an unlisted investment vehicle with a unit price that will reflect at all times, the underlying NAV of the investment portfolio and the ability to withdraw their investment at NAV. As Unitholders in the Fund, Scheme Participants will also avoid the costs associated with operating a listed investment company.

The Manager operates other unlisted funds and believes that the structure of the Fund will be the most efficient vehicle through which to provide Scheme Participants with exposure to its hedged investment strategy.

The new investment strategy for the Fund will retain similar objectives as it currently holds for WMK, namely seeking attractive risk adjusted returns with a focus on capital preservation, while enabling the Manager to create additional value for Scheme Participants by taking net exposure to the share market where opportunities are particularly compelling.

1.2. Independent Directors' recommendation

In the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of WMK Shareholders, each Independent Director intends to vote (or procure the voting) of all their WMK Shares in favour of the Scheme Resolution and recommend all WMK Shareholders also vote in favour of the Scheme Resolution.

The Independent Directors have considered:

- (a) the advantages and disadvantages of the Scheme set out in section 3;
- (b) the risks factors associated with the Scheme set out in section 4; and
- (c) the opinion of the Independent Expert, whose report is included in Annexure A.

After considering the information available to them, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of WMK Shareholders, the Independent Directors unanimously recommend that you vote in favour of the Scheme Resolution.

1.3. Scheme Consideration

If the Scheme is implemented, WMK Shareholders will receive the Scheme Consideration as Units, described further in section 10. If the Scheme becomes Effective, the Scheme Consideration will be provided in respect of each WMK Share held at the Record Date, which is currently expected to be 7.00pm (Sydney time) on 16 April 2019.

1.4. Key dates relating to the Scheme Consideration

A. Calculation of Scheme Consideration

- (a) The Scheme Consideration will be calculated as at the Calculation Date, 5.00pm, 25 March 2019.
 - (i) WMK must procure that the WMK Administrator calculate the Implementation NTA of WMK as at the Calculation Date.
 - (ii) The Responsible Entity must procure that the Fund Administrator calculate the Implementation NAV of the Fund at the Calculation Date.

The Scheme Consideration will then be determined as follows:

- (b) In circumstances where the Fund has, immediately prior to the Calculation Date an Implementation NAV reasonably likely to be greater than zero, the Responsible Entity must within 5 Business Days of the Calculation Date cause the Fund Administrator to calculate the Implementation NAV of the Fund. The Scheme Consideration will be calculated on the following basis:

Where:

A = the Implementation NAV of the Fund per Unit.

B = the Implementation NTA of WMK per WMK Share.

D = the number of WMK Shares held by the WMK Shareholder.

SC = the number of Units to be issued to each WMK Shareholder (rounded up to the nearest whole Unit).

$$SC = (B/A) \times D$$

- (c) In circumstances where the Fund has, immediately prior to the Calculation Date an Implementation NAV reasonably likely to be zero, the Scheme Consideration will be on the basis of one Fund Unit for each dollar of Implementation NTA of WMK as calculated in accordance with (a) above.
- (d) Each WMK Shareholder will be entitled to such number of Units on a pro-rata basis by reference to the number of WMK Shares that they hold as at the Record Date based on the following formula:

Where:

A = the number Fund Units required to be issued in the Fund in accordance with 1 above.

B = the number of WMK Shares on issue at the Calculation Date.

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C = the number of WMK Shares held by the WMK Shareholder.

NU = the number of Fund Units to be issued to each WMK Shareholder (rounded up to the nearest whole Unit).

$$NU = (A/B) \times C$$

B. Issue of Scheme Consideration

The Units will be issued direct to WMK Shareholders (other than Ineligible Foreign Shareholders) on the Implementation Date, which is currently expected to be 23 April 2019. Confirmation of issue of Units will be dispatched to WMK Shareholders (other than Ineligible Foreign Shareholders) on 1 May 2019.

The Scheme Consideration will be distributed to WMK Shareholders by way of the Capital Reduction to be comprised of a fully-franked dividend and capital return. As part of the Capital Reduction, all WMK Shares will be cancelled.

1.5. Consideration

A. Terms of Units

Units will be fully paid and will rank equally with other ordinary Fund Units on issue as at the Implementation Date. Section 8 sets out additional information about the Units.

1.6. Implementation of the Scheme

A. Scheme Implementation Deed

WMK and the Responsible Entity entered into the Scheme Implementation Deed on 4 February 2019. A copy of the Scheme Implementation Deed is at Annexure B.

The Scheme Implementation Deed can be terminated by either party in various circumstances. Further information regarding the termination of the Scheme Implementation Deed is set out in section 10.14 of this Scheme Booklet.

At the date of this Scheme Booklet, WMK and the Responsible Entity are not aware of any reason to terminate the Scheme Implementation Deed.

B. Scheme Conditions and status

Implementation of the Scheme is subject to the satisfaction or waiver of the Scheme Conditions summarised in section 10.11 of this Scheme Booklet and set out in clause 3 of the Scheme Implementation Deed.

As at the date of this Scheme Booklet, WMK and the Responsible Entity are not aware of any circumstances which would cause the Scheme Conditions not to be satisfied or (if applicable) waived. An update of the status of the Scheme Conditions will be provided at the Scheme Meeting.

C. End date

If the Scheme Resolution is approved by WMK Shareholders at the Scheme Meeting, the Scheme may still not be implemented if all the Scheme Conditions are not satisfied or waived (in accordance with the Scheme Implementation Deed). If the Scheme has not become Effective on or before 30 June 2019 or such later date as WMK and the Responsible Entity may agree in writing, the Scheme will lapse and be of no further force and effect, and no Scheme Consideration will be distributed.

D. Dividend

Under clause 4 of the Scheme Implementation Deed the Board of WMK is required to declare a fully-franked dividend. The dividend will be paid by way of issue of a proportion of

the Units under the Scheme. The balance of the payment of the Scheme Consideration will be characterised as a return of capital for Australian income tax purposes. The proportions of the Scheme Consideration that are considered a fully-franked dividend and a capital return will be announced by WMK on the Effective Date.

E. Independent Expert's Report

WMK engaged BDO to provide an Independent Expert's Report assessing the merits of the Scheme for WMK Shareholders. The Independent Expert's Report is included in this Scheme Booklet at Annexure A. In the opinion of the Independent Expert, the Scheme is in the best interests of WMK Shareholders.

1.7. Ineligible Foreign Shareholders

Ineligible Foreign Shareholders will not receive the Units to which they would otherwise be entitled under the Scheme. Instead, those Units will be withdrawn from the Fund on the Initial Withdrawal Date (no Withdrawal Costs will apply with respect to Units withdrawn in respect of Ineligible Foreign Shareholders).

The Nominee will then remit the proceeds of the withdrawal received to WMK. WMK will then remit to each Ineligible Foreign Shareholder an amount equal to the proportion of the proceeds of withdrawal received by WMK under the Withdrawal Facility to which that Ineligible Foreign Shareholder is entitled, in satisfaction of their right to the Scheme Consideration.

For further information on the treatment of Ineligible Foreign Shareholders, please refer to section 2.8.

1.8. Questions

If you have any questions or would like any further information about the Scheme, please call the Shareholder Information Line between 8.30am and 7.00pm Monday to Friday, Sydney time on:

(02) 9252 0225 (within Australia)

+61 2 9252 0225 (outside Australia).

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2. SCHEME MEETING

This section 2 provides you with information on the Scheme Meeting and how to vote at the Scheme Meeting. Additional information about voting by proxy is set out on the Proxy Form, accompanying this Scheme Booklet.

2.1. Scheme Meeting

The Scheme Meeting is scheduled to be held at 12.30 pm on 8 April 2019 at Dexus Place, Level 15, Governor Macquarie Tower, 1 Farrer Place, NSW Sydney 2000.

Your vote is important

In order for the Scheme to be implemented, the Scheme Resolution must be approved by WMK Shareholders at the Scheme Meeting. This means votes in favour of the Scheme Resolution must be received from:

- (a) a majority in number (more than 50%) of WMK Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, by corporate representative); and
- (b) at least 75% of the total number of votes cast on the Scheme Resolution (whether in person, by proxy, by attorney or, by corporate representative).

The Independent Directors unanimously recommend that you vote in favour of the Scheme Resolution.

2.2. Who is entitled to attend vote?

Each person that is registered on the Share Register at 11.00am (Sydney time) on 6 April 2019 is entitled to attend and vote at the Scheme Meeting, either in person, by proxy or attorney. If you are a corporate shareholder, then you can appoint a corporate representative to attend and vote at the Scheme Meeting.

In the case of WMK Shares held by joint holders, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in relation to jointly held WMK Shares, only the vote of the shareholder whose name appears first in the Share Register will be counted.

The Responsible Entity on behalf of the Fund and any entity holding WMK Shares controlled by the Responsible Entity on behalf of the Fund are excluded from voting at the Scheme Meeting.

2.3. Location and details of the Scheme Meeting

The notice convening the Scheme Meeting is set out in Annexure E.

The details of the Scheme Meeting are as follows:

Location	Dexus Place Level 15 Governor Macquarie Tower 1 Farrer Place Sydney NSW 2000
Date	8 April 2019
Time	12.30 pm

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2.4. How to vote on the Scheme

You can vote:

- (a) **in person**, by attending the Scheme Meeting;
- (b) **by mailing** the accompanying Proxy Form so that it is received before 12.30 pm on 6 April 2019 to:
*Watermark Market Neutral Fund Limited
C/- Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001*
- (c) **by delivering in person** the accompanying Proxy Form so that it is received before 12.30 pm on 6 April 2019 to:
*Watermark Market Neutral Fund Limited
C/- Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000*
- (d) **by faxing** the accompanying Proxy Form so that it is received before 12.30pm on 6 April 2019 to (Within Australia): 1300 653 459; or (Outside Australia) =61 2 9279 0664.
- (e) **online** by visiting www.investorserve.com.au and following the instructions in your Proxy Form to submit your voting intentions.

2.5. Undirected proxies

The Chairman of the Scheme Meeting will act as your proxy if the Proxy Form is returned to the Registry without naming a proxy or proxies.

Proxy appointments in favour of the Chairman of the Scheme Meeting, the company secretary of WMK or any WMK Director which do not contain a direction as to how to vote will be voted in support of the Scheme Resolution (in the absence of a superior proposal in respect of WMK Shares prior to the date of the Scheme Meeting).

2.6. Voting by attorney

WMK Shareholders wishing to vote by attorney at the Scheme Meeting must, if they have not already presented an appropriate power of attorney to WMK for notation, deliver to WMK the original instrument appointing the attorney by no later than 12.30pm on 6 April 2019 (Sydney time) (or, if the Scheme Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting).

Unless the contrary is evident from the express terms of attorney, any power of attorney granted by a WMK Shareholder will, as between WMK and that WMK Shareholder, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant WMK Shareholder is lodged with WMK.

2.7. Voting by corporate representative

To vote by corporate representative at the Scheme Meeting, a corporate WMK Shareholder or proxy should obtain an appointment of corporate representative form from WMK and complete and sign the form in accordance with the instructions on it. The appointment of corporate representative form must then be lodged either prior to the Scheme Meeting with the Registry or at the registration desk on the day of the Scheme Meeting.

The appointment of a representative may set out restrictions on the representative's

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powers.

The original form of appointment of a representative or a certificate of the body corporate evidencing the appointment of a representative is evidence of a representative having been appointed.

The Chairman of the Scheme Meeting may permit a person claiming to be a representative to exercise the appointing body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.

2.8. Ineligible Foreign Shareholders and operation of the Withdrawal Facility

Each WMK Shareholder whose address on WMK's Share Register as at the Record Date in a place outside Australia and its external territories and New Zealand, unless WMK and the Responsible Entity agree that it is lawful and not unduly onerous or impracticable to issue that Scheme Participant with Units when the Scheme becomes Effective, are Ineligible Foreign Shareholders.

Ineligible Foreign Shareholders will participate in the Scheme on the same basis as all Scheme Participants. However, Ineligible Foreign Shareholders will not receive the Units to which they would otherwise be entitled under the Scheme. Instead, their Units will be issued to the Nominee who will request that those Fund Units are withdrawn by the Responsible Entity on the Initial Withdrawal Date. No Withdrawal Costs will be applied with respect to any such withdrawals under the Withdrawal Facility.

The Nominee will then remit the proceeds of the withdrawal requests received to WMK, and WMK will then remit to each Ineligible Foreign Shareholder an amount equal to the proportion of the proceeds of sale received by WMK under the Withdrawal Facility to which that Ineligible Foreign Shareholder is entitled, in satisfaction of their right to the Scheme Consideration.

The obligation of WMK to pay, or procure the payment of amounts in accordance with the Withdrawal Facility to Ineligible Foreign Shareholders will be paid in Australian dollars by:

- electronic funds transfer to a bank account as noted on the WMK Share Register on the Record Date; or
- whether or not an account is noted on the WMK Share Register, a cheque drawn on an Australian bank and sent by pre-paid ordinary post (or if the Ineligible Foreign Shareholder's Registered Address is outside Australia, by pre-paid airmail post).

Full details of this process are contained in clause 5 of the Scheme Implementation Deed (which is set out in Annexure B).

2.9. Further information

If you have any questions in relation to the Scheme, you can call the Shareholder Information Line on weekdays between 8.30am and 7.00pm (Sydney time) on:

(02) 9252 0225 (within Australia)

+61 2 9252 0225 (outside Australia)

If you have any questions regarding the number of WMK Shares you hold or how to vote, please contact the Registry weekdays between 8.30am and 7.30pm (Sydney time) on:

1300 737 760 (within Australia)

+61 2 9290 9600 (outside Australia)

If you are in any doubt about anything in this Scheme Booklet, please contact your legal, financial or other professional adviser.

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3. KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

This section 3 identifies the key considerations relevant to your vote including the material advantages, disadvantages, and other relevant matters you should consider when deciding whether to vote in favour of the Scheme Resolution.

You should carefully consider the following advantages and disadvantages of the Scheme, as well as the other information contained in this Scheme Booklet including the risks in section 4, in deciding whether or not to vote in favour of the Scheme Resolution.

3.1. Independent Directors' recommendation

The Independent Directors unanimously believe that the advantages of the Scheme outweigh its disadvantages and risks. In the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of WMK Shareholders, each Independent Director recommends that WMK Shareholders vote in favour of the Scheme Resolution. Each Independent Director who holds or controls WMK Shares intends to vote (or procure the voting) all of their WMK Shares in favour of the Scheme Resolution.

Section 3.3 explains the reasons why the Independent Directors are making this recommendation.

3.2. Independent Expert's Report

The Independent Directors have commissioned an Independent Expert to prepare a report on the Scheme. That report concludes that, in the view of the Independent Expert, the Scheme is fair and reasonable and is in the best interests of WMK Shareholders, in the absence of a superior proposal.

The report is contained in Annexure A.

3.3. Reasons to vote in favour of the Scheme

A. The Independent Directors believe that the proposed Scheme is in the best interests of WMK Shareholders, in the absence of a superior proposal

The WMK Board have identified three issues facing WMK which they feel must be addressed:

- (a) the WMK Portfolio has a sub-optimal value of approximately \$70 million and has failed to achieve its goal of growing to a market capitalisation in excess of \$100 million. As a result, trading in WMK Shares is relatively illiquid;
- (b) WMK's sub-optimal market capitalisation means that the cost of running a listed investment company is relatively high as a percentage 0.58% of the WMK's capital. In FY18, costs associated with operating WMK amounted to 0.58% of WMK's capital. Based on the costs incurred to operate its other unlisted funds, the Manager expects that operating costs for the Fund will be less than 0.3% of the Fund's NAV on an annual basis; and
- (c) the persistent discount to NTA at which WMK Shares have traded in the last 18 months of between 0% and 17%.

The Independent Directors believe that the Scheme provides a solution to each of these issues and accordingly is in the best interests of WMK Shareholders.

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B. The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of WMK Shareholders

WMK appointed BDO to prepare an Independent Expert's Report providing an opinion as to whether the Scheme is in the best interests of WMK Shareholders.

The Independent Expert concluded that the Scheme is fair and reasonable and therefore in the best interests of WMK Shareholders, in the absence of a superior proposal.

The reasons why the Independent Expert reached this conclusion are set out in the Independent Expert's Report, a copy of which is included in Annexure A. WMK Shareholders should carefully review the Independent Expert's Report in its entirety.

C. Scheme Participants will be able to manage their investment by requesting the withdrawal of their Units on the Initial Withdrawal Date and otherwise on monthly Withdrawal Dates

Trading in WMK shares has been relatively illiquid since WMK listed on ASX on 16 July 2013. This illiquidity has limited WMK Shareholders' ability to manage their investment in respect of acquisitions and disposals of WMK shares on-market. Subject to implementation of the Scheme, WMK Shareholders will have the ability to apply to withdraw the Units that they hold in the Fund on a monthly basis at NAV (net of Withdrawal Costs). It is currently intended, subject to the provisions of the Constitution that these withdrawals are or will be accepted by the Responsible Entity on the Initial Withdrawal Date (in which case no Withdrawal Costs will be applicable) and for the foreseeable future (however estimated transaction costs of 0.3% with respect to the buy/sell spread in terms of the sale of assets to effect an ordinary monthly withdrawal will apply).

Scheme Participants who wish to withdraw any of the Units they receive under the Scheme on the Initial Withdrawal Date should complete the withdrawal form attached to the PDS. It should be noted that there are limitations on the ability for Unitholders to withdraw their Units, see section 6.9, the PDS and the Fund Constitution.

D. Scheme Participants will be able to exit their investment at NAV

The ability for WMK Shareholders to withdraw their Units at NAV provides a mechanism for those WMK Shareholders to exit their investment at or around NTA as opposed to a discount to the NTA they would have received if they attempted to sell their WMK Shares on ASX prior to announcement of the Scheme on 20 December 2018.

E. The costs of operating as an unlisted registered managed investment scheme are expected to be lower than operating as a listed investment company on ASX

As investors in the Fund, WMK Shareholders will not be subjected to the costs associated with the operation of a listed investment company. These include, among other costs and fees, ASX listing fees, Directors' fees, fees paid to the company secretary of WMK, and the costs associated with satisfying WMK's periodic financial reporting obligations. See sections 7.6 and 7.7 for further details.

F. The price of Fund Units will no longer be subject directly to exogenous market forces such as momentum and broader investor sentiment applicable to the share market generally

A central objective of WMK's investment strategy is to provide returns that are uncorrelated with the broader share market. Structuring the Fund as an unlisted unit trust will ensure that exogenous market forces such as momentum and broader investor sentiment applicable to the share market generally does not act to dilute the correlation benefits that the Fund is designed to offer. It should be noted that the price of Units will be impacted by the value of the Fund's underlying listed investments (which are expected to fluctuate in value over time).

G. Different governance structure

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The governance structure of the Fund will be different to that of WMK. The Responsible Entity will have a compliance committee with a majority of independent members as opposed to a board of independent directors. The Responsible Entity and the Fund will in addition be subject to the regulatory and compliance obligations of an Australian Financial Services Licensee and a registered managed investment scheme respectively.

3.4. Reasons you may want to vote against the Scheme

The Independent Directors strongly believe that the reasons to vote in favour of the Scheme outweigh the reasons you may want to vote against the Scheme, and each Independent Director recommends all WMK Shareholders vote in favour of the Scheme, in the absence of a superior proposal. However, the Independent Directors believe that WMK Shareholders should take into consideration these factors when deciding whether or not to vote in favour of the Scheme.

A. You may disagree with the Independent Directors' recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests

Notwithstanding the unanimous recommendation of the Independent Directors and the determination of the Independent Expert, you may believe that the Scheme is not in your best interests.

There is no obligation to follow the recommendation of the Independent Directors or to agree with the opinion of the Independent Expert.

B. Risks of the Scheme for Scheme Participants

There are a number of risks that may result from implementation of the Scheme. Further information about the risks is set out in section 4 of this Scheme Booklet.

C. You may prefer to hold listed investments

As investors in a publicly listed company, some WMK Shareholders may prefer to hold securities listed on ASX in preference to holding units in an unlisted trust. There may also be additional administrative and compliance requirements in managing an investment in a unit trust that do not apply to investors buying and selling shares on the market via a broker.

D. You may prefer a company structure to a trust structure

In respect of distributions that are made from the Fund, some investors may prefer a corporate structure which allows for the payment of franked dividends as opposed to distributions of a unit trust, which are taxed in the hands of unit holders.

E. Risks of a large number of withdrawal requests

The ability of Scheme Participants and Unitholders to withdraw from the Fund creates a risk that the Fund has insufficient scale (an aggregate NAV of less than \$30 million) to carry out its investment strategy or maintain an MER acceptable to investors.

F. The Scheme is an unnecessary expense

Shareholders may deem that the restructure being effected by the Scheme is unnecessary and an unwarranted expense.

G. The tax consequence of the Scheme may not suit your financial position

Implementation of the Scheme may trigger taxation consequence for WMK Shareholders. A general guide to the taxation implications of the Scheme is set out in section 9.2. This guide is expressed in general terms only and WMK Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

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3.5. Other Relevant Considerations

A. The Scheme may be implemented even if you vote against the Scheme or you do not vote at all

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the WMK Shareholders at the Scheme Meeting and by the Court. If this occurs, you will keep your WMK Shares and you will receive the Scheme Consideration even though you did not vote, or voted against, the Scheme.

B. No superior proposal has emerged

As at the date of this Scheme Booklet, no superior proposal has been received by WMK. The Independent Directors will keep you informed of any material developments between the date of this Scheme Booklet and the Scheme Meeting which may affect the Independent Directors' belief that the Scheme is in the best interests of WMK Shareholders (other than the Responsible Entity on behalf of the Fund and its Related Bodies Corporate). Any announcements will be made on the ASX company announcements platform.

C. Independent Directors believe that the Scheme is the best means of addressing the matters set out in section 3.3A

Prior to announcement of the Scheme the Directors considered a range of alternative transaction structures to address the matters set out in section 3.3A, namely:

- (a) the relative illiquidity of WMK shares;
- (b) WMK's sub-optimal market capitalisation; and
- (c) the persistent discount to NTA at which WMK Shares have traded in the last 18 months.

An alternative transaction structure considered by the Directors included a liquidation of the WMK Portfolio and voluntary liquidation of WMK.

While both a voluntary liquidation and the Scheme involved a disposal of WMK Shares (from an Australian tax perspective) and required the liquidation of the WMK Portfolio, a WMK Shareholder approved voluntary liquidation of WMK was considered more expensive for WMK Shareholders and likely to result in a dispute with the Manager as to the remaining fees which may have otherwise been payable under the WMK Management Agreement (which has approximately 4.5 years remaining and is not terminable other than for cause).

D. Management of the Fund

Watermark Funds Management Pty Limited (ACN 106 302 505) will be appointed as the investment manager of the Fund (**Manager**). The Manager intends to employ an investment strategy that retains all the benefits of WMK's current investment strategy, namely the provision of a hedged exposure to the Australian share market; an ability to generate fund returns that are uncorrelated with the underlying share market; and greater flexibility to preserve capital when risks in the share market are elevated. It should be noted that the price of Units will be impacted by the value of the Fund's underlying listed investments (which are expected to fluctuate in value over time). In addition, the investment strategy of the Fund will provide the Manager with the flexibility to take some net exposure to the share market, where it identifies a particularly compelling opportunity to do so. In this way, the Manager will target a higher return from the new investment strategy than it does for WMK. Further details of the proposed investment strategy of the Fund are set out in section 5.2 of the PDS.

E. Taxation

If the Scheme is implemented, it may result in taxation implications for WMK Shareholders.

These implications will differ depending on the individual circumstances of each WMK Shareholder.

Based on the information reviewed to date we have not identified any material tax impost arising for WMK that would erode the value of the NTA position of WMK's underlying assets as a result of implementing the Scheme.

A general outline of the potential Australian tax implications of the Scheme for WMK Shareholders is set out in section 9.2.

F. No direct transaction costs for Scheme Participants

No brokerage, stamp duty or Issue Costs will be paid by Scheme Participants on the issue of the Fund Units. Scheme Participants (other than Ineligible Foreign Shareholders) can participate in the expected future growth of the Fund without having to pay brokerage costs, stamp duty or Issue Costs.

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4. RISK FACTORS

This section 4 describes what the Independent Directors believe to be the principle risks associated with the Scheme. You should note that this section is not an exhaustive list of the risks associated with the Scheme and it should be considered in conjunction with other information disclosed in this Scheme Booklet.

You should carefully consider these risks in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding how to vote.

4.1. Risk factors faced by the Fund

A. Withdrawal / liquidity risk

In the absence of an established market or shortage of buyers for certain investments, the Fund may not be liquid from time to time. This means there is a risk an investor will have difficulty withdrawing its investment. As detailed in section 5.5 of the PDS the Responsible Entity and the Manager expect that the Fund, if required, will be able to realise at least 80% of the Fund's assets, at the value ascribed to those assets in the most recent calculation of NAV, within 10 Business Days.

While the Responsible Entity generally strives to make proceeds from an investor's withdrawal request available as soon as practicable from when the Responsible Entity has processed the request, in certain circumstances, the Responsible Entity may not be able to meet or may delay responding to withdrawal requests when received (see section 6 of the PDS for further details).

For all other risks faced by the Fund (including the risks on the Fund's investment strategy) please refer to section 6 of the PDS.

B. Counterparty risk

As set out in section 6 of the PDS, the Fund uses the service of a prime broker to facilitate the lending of securities to short-sell. Until the Fund returns a borrowed security, it will be required to maintain assets with the prime broker as collateral. As such, the Fund may be exposed to certain risks in respect of that collateral including that the Fund:

- (a) will be required to post initial margin/collateral to the counterparty in the form of cash. The Fund will need to have sufficient liquid assets to satisfy this obligation;
- (b) may from time to time, if the value of short positions are devalued, be required to post variation margin/collateral with the counterparty on an ongoing basis. The Fund will need to have sufficient liquid assets to satisfy such calls, and in the event it fails to do so, the counterparty may have a right to terminate such arrangements; and
- (c) may be subject to the credit risk of the counterparty. In the event the counterparty becomes insolvent at a time it holds margin/collateral posted with it by the Fund, the Fund will be an unsecured creditor and will rank behind secured creditors. In the event of insolvency of a custodian or the prime broker, the Fund may not be able to recover the entire value of the relevant securities.

These risks may impact the ability of the Responsible Entity to satisfy withdrawal requests following the Initial Withdrawal Date.

C. Relaxed net equity exposure limit risk

The Fund will have a relaxed net equity exposure limit when compared to the net equity exposure limit applicable to the WMK Portfolio. The purpose of this change is to better enable the Manager to better manage the Fund's net equity exposure. However WMK Shareholders should note that a higher net equity exposure limit could lead to a greater volatility of returns. A higher limit could potentially also result in the Manager adjusting the net equity exposure in a way that is detrimental to Fund performance.

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4.2. Risk factors specific to the Scheme

A. Conditions not met

The Scheme is subject to a number of Scheme Conditions which are summarised in section 10.11 of this Scheme Booklet and set out in full in clause 3 of the Scheme Implementation Deed. At the date of this Scheme Booklet, WMK is not aware of any circumstances which would cause the Scheme Conditions not to be satisfied or (if applicable) waived. However, there is a possibility that one or more of the Scheme Conditions will not be met or waived and the Scheme will not proceed as a result.

If the Scheme is not implemented, Transaction Costs in connection with the Scheme of approximately \$315,000 (excluding GST) will be met by WMK.

B. Integration risks and realisation of synergies

The Scheme may deliver cost savings in operating synergies following its implementation. However, it is possible that the integration of WMK and the Fund will be more difficult or take more time than currently anticipated, and could delay the realisation of synergy benefits expected to result from the Scheme. The accounting and administrative costs are fixed, and are not expected to increase.

C. Scale risk

The ultimate size of the Fund Portfolio will depend on a range of factors including:

- (a) implementation of the WGF Scheme (noting that the Scheme and the WGF are not inter-conditional); and
- (b) the number of requests for withdrawal that occur on the Initial Withdrawal Date and over time (noting that under the Fund Constitution Unitholders can make monthly withdrawal requests).

Should the Fund Portfolio ultimately have a NAV of less than \$30 million (either as a result of the WGF Scheme not being implemented and/or there being a large number of withdrawal requests either on the Initial Withdrawal Date or going forward, this may impact the Manager's ability to meet the Fund's objectives set out in the PDS or maintain an MER acceptable to investors.

In the event that the aggregate NAV of the Fund is less than \$30 million, the Manager would consider the Fund's ongoing viability as an investment vehicle. In this context the Manager may seek to secure additional external investment in the Fund or otherwise determine that it is in the best interests of Unitholders of the Fund that the Fund's investment activities cease and capital returned to Unitholders.

5. INFORMATION ON WMK

5.1. Background

WMK 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 WMK's capital. WMK'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.

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

WMK's primary investment goal is the identification of mispriced securities, for example 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 WMK's investments if securities were to fall in value. WMK will profit to the extent that the long portfolio of investments outperforms the short portfolio of borrowed securities that have been sold.

5.2. WMK's current investment strategy

WMK employs an equity market neutral investment strategy with an objective of delivering attractive risk-adjusted returns, with little or no net exposure to the share market. In retaining a fully hedged exposure at all times, the returns from WMK's investment portfolio are expected to be uncorrelated with the underlying share market. It should be noted that the price of Units will be impacted by the value of the Fund's underlying listed investments as they fluctuate in value over time.

5.3. WMK Portfolio

As at 31 December 2018, the WMK Portfolio was comprised of 108 actively managed long and short positions in Australian and international shares, as well as cash holdings. The gross value of long positions was 58.7% of the WMK Portfolio, while the short portfolio had a gross value equivalent to -59.8% of the WMK Portfolio. WMK's gross exposure to shares (longs plus shorts) was 118.5%. WMK also retained cash holdings at that date equivalent to 101.1% of the WMK Portfolio.

Under the Scheme Implementation Deed, the Manager has undertaken to liquidate the WMK Portfolio so that, at the Calculation Date, the WMK Assets will be entirely comprised of cash.

5.4. Directors

The Directors of WMK, as at the date of this Scheme Booklet are set out below:

Matthew Kidman (Independent Chairman)	Matthew Kidman has 20 years experience in the finance industry. He spent four years as a 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
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	<p>roles since then have 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.</p> <p>Matthew is currently a director of Incubator Capital Ltd and Sandon Capital Investments Ltd. He is also founder of funds management group Centennial Asset Management, WAM Capital Pty Limited, WAM Research Pty Limited, WAM Active Limited, financial planning group Centrepoint Alliance Limited and Incubator Capital Limited.</p> <p>Matthew holds a Bachelor of Economics and Bachelor of Laws degree and a Graduate Diploma in Applied Finance, all from Macquarie University.</p>
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<p>Justin Braitling (Non-Independent Director)</p>	<p>Justin has over 25 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.</p> <p>Justin is the founder and sole director of the Manager, Watermark Funds Management Pty Ltd. He has been a director of Australian Leaders Fund Limited (ALF) since October 2003 and became Chairman in February 2007. Justin is also a director of Watermark Global Leaders Fund Limited.</p> <p>Justin holds a Bachelor of Economics (Hons) degree from Macquarie University.</p>
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<p>John Abernethy (Independent Director)</p>	<p>John Abernethy has over 35 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.</p> <p>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.</p> <p>John is the Chairman of Clime Capital Limited. He is a Director of Clime Investment Management Limited, Jasco Holdings Limited, WAM Research Limited, Australian Leaders Fund Ltd and Watermark Global Leaders Fund Limited.</p>
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<p>Robert Ferguson (Independent Director)</p>	<p>Rob Ferguson's career spans over 30 years in research, finance, investment management and property. Rob commenced employment in 1971 with Bankers Trust</p>
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	<p>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 SmartWard Holdings Pty Ltd.</p> <p>Rob holds a Bachelor of Economics (Hons) from the University of Sydney.</p>
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<p>Stephen Van Eyk (Independent Director)</p>	<p>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.</p>
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5.5. The Manager

The Manager is an active investor in Australian listed securities. Established in 2003 by Justin Braitling, the Manager employs a team of experienced investment professionals based in Sydney.

The Manager is a specialist long/short investor, offering a suite of listed and unlisted hedge fund products to institutional and retail investors. As at the date of this booklet, the Manager has funds under management in excess of \$670 million, invested exclusively in long/short and market neutral investment strategies.

5.6. WMK Management Agreement

A. Powers of the Manager

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

Subject to the obligation to liquidate the WMK Portfolio to meet WMK's operating costs, dividend payments, capital returns, buybacks, or other distributions, the Manager has absolute and unfettered discretion to manage the WMK Portfolio and to do all things considered necessary or desirable in relation to the WMK 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 withdrawn 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 withdrawal or repayment and to invest any of those monies in other investments;
- retain or sell any shares, debentures or other property received by WMK 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.

B. Valuations

The Manager must arrange for calculation of the value of the WMK Portfolio at least monthly or at such more frequent times as may be agreed between the Manager and WMK. All costs incurred in arranging this calculation are to be paid by WMK. To assist with the reconciliation of all valuations, WMK is expected to enter into a separate agreement with White Outsourcing Pty Ltd pursuant to which White Outsourcing will provide administrative support services including reconciliation services.

C. Management Fee

In return for the performance of its duties as Manager of the WMK Portfolio, the Manager is entitled to be paid monthly a management fee equal to 1.0% (plus GST) per annum of the value of the WMK Portfolio (payable monthly in arrears and calculated on the last Business Day of each month) (**Management Fee**).

The Management Fee is to be paid to the Manager irrespective of the performance of WMK. The Management Fee would increase if the value of the WMK Portfolio increases, and would decrease if the value of the WMK Portfolio decreases, over the period.

D. 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 WMK Portfolio exceeds the return of the Reserve Bank of Australia's cash rate over that period (**Performance Fee**).

No Performance Fee is payable in respect of any performance period where the WMK Portfolio has decreased in value over that period. If the WMK Portfolio underperforms the benchmark over a financial year, that underperformance does carry forward to the calculation of the Performance Fee in the following financial year.

E. Expenses

WMK is liable for and, if required by the Manager, must pay out of the WMK Portfolio (or if paid by the Manager reimburse the Manager out of the WMK Portfolio) all fees, costs and expenses when properly incurred in connection with the investment and management of the WMK Portfolio, the acquisition, disposal or maintenance or any investment or performance of the Manager's obligations under the WMK Management Agreement.

F. Term of the WMK Management Agreement

The term of the WMK Management Agreement is 10 years unless terminated earlier in accordance with that Agreement. As at the date of this Scheme Booklet the WMK Management Agreement has a remaining term of approximately 4.5 years.

The WMK Management Agreement gives WMK certain termination rights including if the Manager becomes insolvent or breaches its obligations under the WMK 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.

The Manager is entitled to terminate the WMK Management Agreement on 6 months' notice at any time after the 5 year anniversary of the WMK Management Agreement.

ASX has granted WMK a waiver to extend the initial 5 year term to 10 years (with automatic extensions of one year periods unless terminated earlier in accordance with the WMK Management Agreement).

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5.7. WMK capital structure and ownership

A. Substantial shareholders

Top 20 Shareholders of WMK as at 1 February 2019

No	Holder of security	Number of WMK Shares held	%
1.	J P MORGAN NOMINEES AUSTRALIA	2,089,923	2.567%
2.	HSBC CUSTODY NOMINEES	1,861,588	2.287%
3.	MR ROBERT FERGUSON &	1,000,000	1.228%
4.	GRAHAM EVANS INVESTMENTS PTY	750,000	0.921%
5.	ZANACORP FINANCIAL GROUP	650,000	0.798%
6.	BNP PARIBAS NOMINEES PTY LTD	630,594	0.775%
7.	MR STEPHEN RICHARD BROWN	625,000	0.768%
8.	BNP PARIBAS NOMS PTY LTD	564,324	0.693%
9.	SADLER MANAGEMENT PTY LTD	500,000	0.614%
10.	FIRST COVENANT PTY LTD	500,000	0.614%
11.	ELIZA BRAITLING FOUNDATION PTY	438,000	0.538%
12.	MR JOSEPH ZANCA &	435,000	0.534%
13.	OWEN INVESTMENT CO PTY LIMITED	402,897	0.495%
14.	HUW INVESTMENT CO PTY LIMITED	402,895	0.495%
15.	BRYN INVESTMENT CO PTY LIMITED	402,895	0.495%
16.	HORTON PTY LTD	394,563	0.485%
17.	NETWEALTH INVESTMENTS LIMITED	390,740	0.480%
18.	HSBC CUSTODY NOMINEES	335,000	0.412%
19.	MR NEIL JAMES RICHARDSON &	318,316	0.391%
20.	REP SUPER PTY LTD	304,244	0.374%
Total Top 20		12,995,979	15.965%

5.8. WMK Directors' intentions

If the Scheme becomes Effective, from the Implementation Date WMK will:

- be a wholly owned subsidiary of the Manager;
- have no assets other than the Retention Amount (\$100,000) and the Deferred Tax Asset; and
- have liabilities estimated at \$100,000.

Accordingly:

- all investment and other business operations of WMK will be discontinued on the Implementation Date;
- the Retention Amount will be applied in satisfaction of the liabilities of WMK; and
- given WMK does not currently have any employees or fixed assets, there is no requirement for statements regarding the future employment of any person in relation to WMK and/or the redeployment of any fixed assets.

Following the Implementation Date it is expected that all Independent Directors will resign and be replaced by nominees of the Manager, noting that consistent with the Corporations Act WMK, is required as a Public Company to have not less than three directors.

It is expected that as soon as practicable following the Implementation Date WMK will be either put into voluntary liquidation or deregistered.

If the Scheme is not implemented, the Independent Directors would then consider alternatives, which may include the continuation of WMK's operations in their current form, other restructuring and capital management initiatives, or a wind-up of WMK.

5.9. Transaction Costs

The Transaction Costs associated with the Scheme, including all costs associated with implementing the Scheme (including advisers expenses, legal expenses, counsel fees and fees of the Independent Expert), is expected to be approximately \$315,000 and are to be borne by WMK.

The payment of Transaction Costs that remain outstanding following the Implementation Date will be satisfied using the Retention Amount following successful implementation of the Scheme.

5.10. Financial overview of WMK

A. WMK's historical financial information:

(a) Statement of Financial Position

Statement of Comprehensive Financial Position as at:

	June 30 2018 (\$)	AUD December 31 2018 (\$)
ASSETS		
Current assets		
Cash and cash equivalents	73,480,754	70,968,036
Trade and other receivables	5,343,214	830,576
Financial assets at fair value through profit or loss	74,758,692	41,503,834
Current Tax Assets		626,354
Other Tax Assets		42,617
Total current assets	153,582,660	113,971,417
Non-current assets		
Deferred tax assets	2,514,868	3,765,888
Total non-current assets	2,514,868	3,765,888
Total assets	156,097,528	117,737,305
LIABILITIES		
Current liabilities		
Trade and other payables	4,520,455	490,461
Derivative financial instruments	38,800	-
Financial liabilities at fair value through profit or loss	70,221,048	42,247,747
Current tax liabilities	-	-
Total current liabilities	74,780,303	42,738,208
Non-current liabilities		

Deferred tax liabilities	11,840	2,223
Total non-current liabilities	11,840	2,223
Total liabilities	74,792,143	42,740,431
	81,305,385	74,996,874

EQUITY

	84,475,177	81,931,296
Profits reserve	61,392	345,210
Accumulated losses	-3,231,184	-7,279,632
Total equity	81,305,385	74,996,874

(b) Statement of Financial Performance

Watermark Market Neutral Fund Limited
Statement of Financial Performance
1 July 2017 to 30 June 2018 (FY18 Annual Report)

Revenue from ordinary activities	Down	57.24%	from	\$10,717,857	to	\$4,583,013
		318.76				
Profit/ (loss) before tax for the year	Down	%	from	\$1,407,849	to	(\$3,079,800)
Profit/ (loss) from ordinary activities after tax attributable to members	Down	232.02	from	\$1,554,483	to	(\$2,052,202)

(c) Statement of Cash Flows

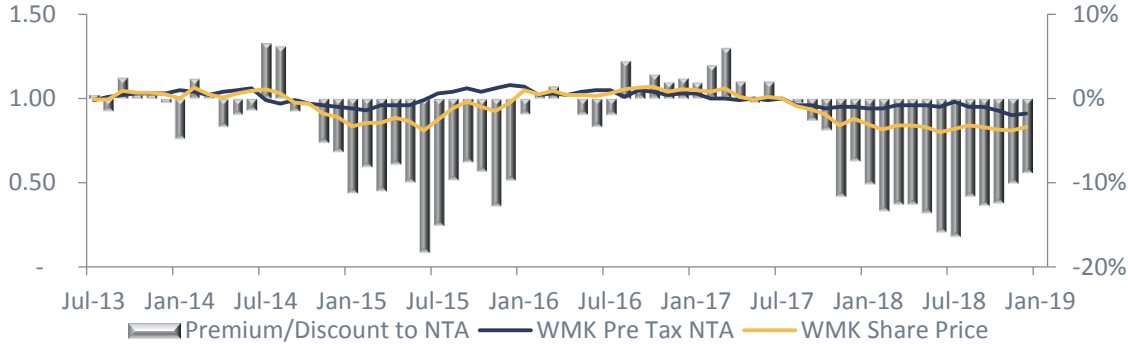
Statement of Comprehensive Income for Period Ending:

	AUD	
	June 30 2018 FYTD	December 31 2018 HYTD
Investment income from ordinary activities		
Net (losses)/gains on investments	-102,435	-2,178,811
Dividends	2,018,688	704,523
Interest	2,349,041	1,002,600
Trust distributions	317,116	50,032
Other income	603	-
		-175,817
	4,583,013	-597,473
Expenses		
Management fees	-838,928	-390,424
Performance fees	-	
Brokerage expense	-955,658	-371,780
Short dividend expense	-3,193,050	-1,308,341
Interest expense	-1,621,384	-612,012
Stock loan fees	-463,033	-186,958
Accounting fees	-100,385	-47,421
Share registry fees	-59,654	-26,234
Directors' fees	-130,000	-65,000
ASX fees	-54,397	-31,181
Audit fees	-61,830	-38,732

Imputation credits	-54,684	-96,827
Other expenses	-129,810	
	-7,662,813	-3,175,000
(Loss)/profit before income tax	-3,079,800	-3,772,473
Income tax benefit	1,027,598	1,260,637
(Loss)/profit for the year	-2,052,202	-2,511,836
Other comprehensive (loss)/income for the year, net of tax	-	-
Total comprehensive (loss)/income for the year	-2,052,202	-2,511,836
	Cents	Cents
Earnings per share for (loss)/profit attributable to the ordinary equity holders of WMK:		
Basic (loss)/earnings per share	-2.37	-6.94
Diluted (loss)/earnings per share	-2.37	-6.94

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5.11. WMK’s recent share price performance

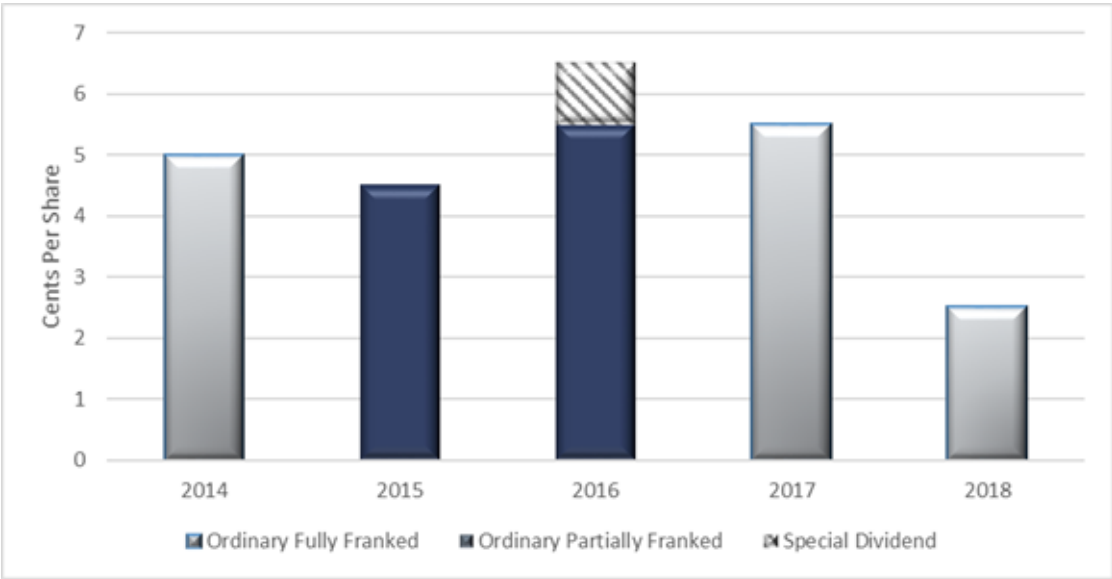


5.12. Profit reserve and franking credits

As at 31 December 2018, WMK’s profits reserve held \$345,210 down from \$2,954,036 as at 30 June 2017.

Having paid a final dividend in respect of the financial year ended 30 June 2018 (in September 2018), the franking credit account based on a tax rate of 30% is \$1,233,037 as at 31 December 2018. It is expected that the Directors will declare a fully-franked dividend of 0.42 cents per share on the Effective Date to be satisfied by the distribution of the Scheme Consideration. See section 10 for further details.

5.13. WMK’s dividend history



5.14. WMK’s Deferred Tax Assets

As at 31 December 2018, WMK had booked and recognised an overall deferred tax asset of \$3,765,888 (**Deferred Tax Asset**). This Deferred Tax Asset is comprised mainly of income tax losses incurred in prior financial years. Provided WMK meets the relevant tax loss recoupment test, these income tax losses may be carried forward to later income tax years and recouped against future taxable income. The value of the deferred tax asset on these income tax losses is contingent on future taxable profits being available, against which the prior years’ income tax losses may be recouped.

Post-implementation of the Scheme, it is expected WMK’s prior year income tax losses will not be available for recoupment given the likely and expected failure of the loss recoupment tests under the Australian income tax law. See section 9 for further information regarding these income tax losses.

See section 5.8 for the WMK Directors’ intentions in respect of the Deferred Tax Asset.

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In light of the details of the Scheme announced on 20 December 2018, WMK's auditor recommended that the value of WMK's deferred tax assets on its carried forward income tax losses be written down in the half-year accounts to 31 December 2018.

On 12 February 2019 WMK announced that in light of the Scheme and the remote prospects of WMK generating sufficient profits to utilise the Deferred Tax Asset, the value of the Deferred Tax Asset had been written down to zero.

5.15. Further information

WMK is subject to regular reporting and disclosure obligations under the ASX Listing Rules and as a "disclosing entity" under the Corporations Act. These require WMK to announce information that would have a material effect on the price of WMK Shares as soon as it becomes aware of that information, subject to exceptions for certain confidential information.

WMK's recent announcements are available from its website at <http://wfunds.com.au/fund/watermark-market-neutral-fund-ltd/> or from the ASX website www.asx.com.au. WMK will continue to make public announcements as required on these websites after the date of this Scheme Booklet.

WMK is required to prepare and lodge with ASIC and ASX both annual and half year financial statements accompanied by a statement and report from the Directors and an audit or review report. WMK also lodges quarterly activity reports with ASX.

Copies of these and other documents lodged with ASIC and ASX may be obtained from or inspected at an ASIC office and are accessible from ASX's website at www.asx.com.au. Copies of these documents will also be made available free of charge on a request in writing at any time before the Scheme Meeting to WMK's Company Secretary at Level 23 Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000.

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6. INFORMATION ON THE WATERMARK ABSOLUTE RETURN FUND

Information concerning the Fund is set out in the PDS which is in Annexure G to this Scheme Booklet. The PDS will be issued by the Responsible Entity. The Responsible Entity and its officers and advisers do not assume any liability for the accuracy and completeness of the Fund Information contained in the PDS.

The purpose of this section 6 is to draw the WMK Shareholders' attention to specific sections of the PDS.

WMK Shareholders should read the PDS in full.

6.1. Background of the Fund

See section 5 of the PDS.

6.2. Investment philosophy

See section 5.2 of the PDS.

6.3. Investment Strategy

The Manager intends to employ an investment strategy that is similar to that currently employed for WMK, subject to certain minor changes (including a relaxed net exposure limit).

WMK employs a market neutral investment approach which:

- uses short selling to hedge the Portfolio's net exposure (longs minus shorts) to the share market;
- uses shorts as a form of leverage, where the gross value (longs plus shorts) of the portfolio is greater than the value of WMK's capital;
- limits the Fund's net exposure to $\pm 10\%$ of WMK's capital, but which is typically zero;
- has objectives of delivering positive rates of return through an investment cycle, with relatively low volatility;
- focuses on the Australian share market; and
- returns from a market neutral strategy are expected to be uncorrelated with the performance of the share market.

The Fund will employ a long/short (variable beta) strategy. A variable beta strategy is similar to a market neutral strategy in that:

- short selling is used to hedge the Fund's net exposure to the share market;
- shorts are used as a form of leverage, where the gross value (longs plus shorts) of the portfolio is greater than the value of the Fund's capital;
- it will typically retain a net exposure to the share market that is less than 50% of the Fund's capital;
- it has the dual objectives of positive absolute returns, in excess of the benchmark with a focus on capital preservation;
- focuses on the Australian share market; and
- it is designed to deliver returns with a low correlation to the performance of the share market.

See section 5.2 of the PDS for further information on the Fund's investment strategy.

The Fund's investment strategy differs from WMK in that:

- the net exposure of the Fund may vary, up to $\pm 100\%$ of the Fund's capital, but typically less than 50%; and
- it will target a higher return than WMK.

6.4. Portfolio Construction

See section 5.2 of the PDS.

6.5. Investment Guidelines

See section 5.2 of the PDS.

6.6. Responsible Entity

Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975), a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), which is a public company listed on the Australian Securities Exchange (ASX: EQT), is the Fund's responsible entity.

6.7. Investment Manager

The Responsible Entity will appoint the Manager as the investment manager of the Fund.

6.8. Fees payable by Fund to the Responsible Entity and the Manager

See section 9 of the PDS.

6.9. Withdrawals

Unitholders may seek to withdraw their Units by completing the withdrawal form attached to the PDS specifying the number of Units to be withdrawn. The Responsible Entity is not bound to comply with a withdrawal request. In certain circumstances the Responsible Entity may suspend or delay withdrawals, including circumstances where the Fund's remaining investments are illiquid.

No withdrawal fees are payable by the Unitholder in the context of satisfying a withdrawal request however estimated transaction costs of 0.3% with respect to the buy/sell spread in terms of the sale of assets to effect a withdrawal will apply. See section 9 of the PDS.

The Responsible Entity will satisfy all valid withdrawal requests made by the Initial Withdrawal Date (including requests by the Manager with respect to Ineligible Foreign Shareholders) and has agreed not to apply a buy/sell spread.

6.10. Fund Management Agreement

The Responsible Entity will appoint the Manager as the manager of the Fund under the Fund Management Agreement. This agreement gives the Manager broad powers to implement the investment strategy of the Fund detailed in section 5.2 of the PDS.

Shareholders should note that under the Fund Management Agreement the Manager and the Responsible Entity have agreed that the Manager will reimburse the Fund to the extent that the expense recovery exceeds 0.3% of the aggregate NAV of the Fund. This means that the management fees (which are fixed at 1%) and expense recovery are capped at 1.3% of the aggregate NAV of the Fund with respect to the Fund as a result of this arrangement. Therefore the MER of the Fund will be capped at 1.3% of the aggregate NAV of the Fund.

The Fund Management Agreement is terminable for any reason on 30 Business Day's written notice by the Responsible Entity for any reason.

The WMK Management Agreement is for a fixed term of 10 years of which it has approximately 4.5 years remaining and is not terminable by WMK other than for cause. See section 5.6 for further detail regarding the WMK Management Agreement.

6.11. Minimum initial investment and the Scheme

The minimum initial investment of \$50,000 referred in section 7 of the PDS does not apply to the Scheme.

6.12. Distribution policy

See section 7 of the PDS.

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6.13. No other material information

Except as disclosed elsewhere in this Scheme Booklet or the PDS, there is no other information that is material to the making of a decision in relation to the Scheme that is within the knowledge of the Responsible Entity, as at the date of this Scheme Booklet, which has not previously been disclosed to WMK Shareholders.

7. PROFILE OF THE FUND

7.1. Intentions for the Fund

The Fund is intended to provide investors with exposure to a long/short (variable beta) investment strategy. The Fund's objective is to deliver positive absolute returns in excess of the benchmark described the PDS, with a focus on capital preservation (see section 5 of the PDS for further information).

The Fund will be managed in accordance with the Manager's well-established investment process, using detailed fundamental analysis of companies and industries to identify mispriced securities. The Fund's Portfolio will be comprised principally of long and short positions in Australian listed securities and cash.

7.2. Employees

Neither the Fund nor WMK have any employees.

7.3. Prospects of the Fund

The Manager expects that after initial withdrawals under the Withdrawal Facility have been processed for investors seeking to liquidate their holding, the Fund will re-establish a long/short portfolio with the remaining assets and manage that portfolio in accordance with the investment process set out in section 5 of the PDS.

7.4. WGF Scheme

On 20 December 2018, Watermark Global Leaders Fund Limited, a listed investment company on ASX also managed by the Manager announced that it would seek to transfer all of its assets to the Fund by way of a scheme of arrangement under Part 5.1 of the Corporations Act in the same manner as the Scheme.

The WGF Scheme, subject to the approvals set out in the WGF scheme booklet, including the approval of WGF shareholders and the Court, is due for implementation on 23 April 2019. Assuming the WGF Scheme is implemented prior to the Implementation Date the Fund will contain all of the assets of WGF (which will be comprised of cash). The WGF shareholders will also be unitholders of the Fund.

7.5. Unaudited Pro forma financial information

WMK's last published audited statement of financial position on 31 December 2018 showed that WMK held net assets on its balance sheet of \$74,996,874 (see section 5.10).

The Fund's NAV on the Implementation Date will be impacted by:

- the financial performance of the WMK Portfolio in the period between 1 January 2019 and the date by which the Manager has liquidated the portfolio (expected to be prior to 28 February 2019). For the purposes of this analysis, WMK assumes that there will be no change in the market value of WMK's investments;
- the expenses incurred in the ordinary operation of WMK between 1 January 2019 and the Calculation Date;
- payment of costs incurred for the Scheme up to the Calculation Date;
- any write down in the value of the Deferred Tax Assets on the balance sheet as at 31 December 2018 (see section 5.14 for details on treatment of the Deferred Tax Assets); and

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- the costs incurred to liquidate the WMK Portfolio.

Applying the above adjustments to the 31 December 2018 Statement of Financial Position:

		Pre Adjustments (\$)	Post Adjustments (\$)
ASSETS			
Current assets			
Cash and cash equivalents		70,968,036	70,968,036
Trade and other receivables	Note 1	830,576	724,073
Financial assets at fair value through profit or loss		41,503,834	41,503,834
Current tax assets		626,354	626,354
Other current assets		42,617	42,617
Total current assets		113,971,417	113,864,914
Non-current assets			
Deferred tax assets	Note 2	3,765,888	0
Total non-current assets		3,765,888	0
Total assets		117,737,305	113,864,914
LIABILITIES			
Current liabilities			
Trade and other payables		490,461	490,461
Derivative financial instruments		-	-
Financial liabilities at fair value through profit or loss		42,247,747	42,247,747
Portfolio selling costs	Note 3		251,255
Ordinary Expenses	Note 4		338,496
Scheme Costs	Note 5		285,000
Retention Amount	Note 6		99,808
Total current liabilities		42,738,208	43,712,767
Non-current liabilities			
Deferred tax liabilities		2,223	2,223
Total non-current liabilities		2,223	2,223
Total liabilities		42,740,431	43,714,990
Net assets		74,996,874	70,149,924

Note 1: Adjustment of \$106,503 from 31 December 2018 NTA for withholding taxes receivable on foreign income that are considered to be unrecoverable.

Note 2: See section 5.14 for the accounting treatment of the Deferred Tax Assets post-implementation of the Scheme. Movement in WMK's accumulated loss position arises from the write down of the Deferred Tax Assets.

Note 3: Assumed to be 0.3% of the market value of investments

Note 4: WMK would ordinarily incur the following operating expenses in the period from 1 January 2019 to the Calculation Date:

Item	Expense	Notes
Insurance	\$105,000	Insurance costs relate to a contractual obligation to provide run-off cover after Scheme Implementation and may vary
Management Fees	\$156,134	The Manager has agreed to waive fees after Calculation Date
Directors fees	\$2,7949	
Admin	\$17,320	
Share Registry	\$6,450	
Audit & Tax	\$18,419	Ordinary monthly tax expense plus audit fees for 1HFY19
Other Expenses	\$7,224	Company Secretary & ASX Fees

Note 5: Scheme costs incurred prior to Calculation Date:

Item	Expense
IER	\$60,000
Legal Fees	\$200,000
Tax Advice	\$10,000
Filing Fees	\$15,000

Note 6: Subsequent Liabilities. Retention Amount provides for liabilities incurred by WMK after the Calculation Date

Item	Expense	Notes
Directors fees	\$7,908	Assumes all external Directors step down on Implementation date (see section 5.8)
Admin	\$4,900	Up to Implementation Date
Registry	\$42,000	Scheme-related printing and meeting costs
Legal	\$30,000	
Liquidation	\$6,000	Funding for de-registration or liquidation (see section 5.8)
Other Expenses	\$9,000	Company secretary, ASX fees

Once the Scheme has been implemented, Unitholders will be given an opportunity to redeem their investments on the Initial Withdrawal Date. The quantum of withdrawals will determine the NAV of the Fund after the Initial Withdrawal Date.

Estimated NAV of the Fund under various redemption scenarios:

Scenario	Fund NAV
Zero redemptions on Initial Withdrawal Date	\$70,779,125
25% of Units redeemed on Initial Withdrawal Date	\$53,084,343
50% of Units redeemed on Initial Withdrawal Date	\$35,389,562

Investors should note that the Fund's aggregate NAV is reduced to less than \$30 million this may impact the ability of the Fund to meet the Fund's objectives or maintain an MER acceptable to investors.

Applying similar adjustments to the pro forma statement of financial position of WGF at 31 December 2018, the estimated value of assets to be transferred to the Fund as at the WGF Scheme's implementation date (expected to be 23 April 2019) under the WGF Scheme is \$72,854,394.

The combined assets of both Schemes would leave the Fund with an estimated NAV of \$143,633,519.

The estimated NAV of the Fund assuming both Schemes are implemented under various withdrawal scenarios under the Withdrawal Facility:

Scenario	Fund NAV
Zero redemptions on Initial Withdrawal Date	\$143,633,519
25% of Units withdrawn on Initial Withdrawal Date	\$108,178,565
50% of Units withdrawn on Initial Withdrawal Date	\$71,816,760

7.6. Comparison of Fees

Pursuant with the WMK Management Agreement the Manager is entitled to an annual management fee of 1.0% of the value of WMK's Portfolio plus GST, payable monthly in arrears, calculated on the last Business Day of each month.

Pursuant to the Fund Management Agreement the Manager is entitled to an annual management Fee of 1.0% of the aggregate NAV of the Fund plus GST, payable monthly in arrears, calculated on the last Business Day (as defined in the relevant management agreement) of each month. Shareholders should note that under the Fund Management Agreement the Manager and the Responsible Entity have agreed that the Manager will reimburse the Fund to the extent that the expense recovery exceeds 0.3% of the aggregate NAV of the Fund. This means that the management fees (which are fixed at 1%) and expense recovery are capped at 1.3% of the aggregate NAV of the Fund with respect to the Fund as a result of this arrangement. Therefore the MER of the Fund will be capped at 1.3% of the aggregate NAV of the Fund.

Subject to the Scheme becoming Effective, it is proposed that the Manager will waive any management fees payable by WMK to the Manager under the WMK Management Agreement between the Calculation Date and the Implementation Date.

A comparison of the annual management fee to which the Manager is entitled is as followed:

Entity	Annual management fee
WMK - pre-implementation of the Scheme (based on the value of the WMK Portfolio value as at December 31 2018)	\$749,989
WMK - post implementation of the Scheme	\$0
Watermark Absolute Return Fund - post-implementation of the WMK Scheme	\$707,791

7.7. Comparison of MER

The relative MER of WMK in FY2018 and the estimated MER of the Fund are set out below, to assist in the comparison, example portfolio sizes of \$30 million, \$70 million and \$140 million have been included, these portfolio sizes are illustrative only.

Expenses	WMK FY18	Fund (\$140m)	Fund (\$70m)	Fund (\$30m)
Management Fee	\$838,928	\$1,400,000	\$700,000	\$300,000
Responsible Entity Fees ¹	-	\$63,000	\$50,000	\$50,000
Directors Fees	\$130,000	-	-	-
Directors Insurance	\$24,393	-	-	-
Company Secretary	\$20,093	-	-	-
Audit Fees	\$47,255	\$18,500	\$18,500	\$18,500
Tax Fees	\$14,575	\$10,000	\$10,000	\$10,000
ASX Fees	\$45,389			
CHESS Fees	\$9,008			
Fund Administration ²	\$100,385	\$111,000	\$110,000	\$93,600
Unit Registry ³	-	\$60,000	\$60,000	\$30,000
Share Registry	\$59,653	-	-	-
Investor Relations	\$25,883	-	-	-
		-	-	-
TOTAL	\$1,315,562	\$1,662,500	\$948,500	\$502,100
MER	1.62%	1.19%	1.36% (capped at 1.3%)⁴	1.67% (capped at 1.3%)⁵

Notes

1. The Responsible Entity Fees are charged at a minimum amount of \$50,000 or on a basis point scale based on aggregate funds under management for all of the funds managed by the Manager for which the Responsible Entity is responsible entity/trustee (5.5bps at funds under management less than \$250 million and 4.5bps at funds under management of greater than \$250 million). The Manager currently has another fund for which the Responsible Entity is responsible entity/trustee with funds under management of approximately \$160 million.

2. Fund Administration costs are comprised of fixed and variable costs. Estimates for Fund Admin are based on a service level agreement for the Fund between the Link Fund Solutions and the Manager.

3. Unit Registry Fees are based on charges per holder and transactional fees for various registry functions. These are best estimates based on the Manager's other unlisted Fund (Watermark Market Neutral Trust) and an assumed reduction in Unitholders with respect to the Fund size of \$30 million.

4. & 5. Shareholders should note that under the Fund Management Agreement the Manager and the Responsible Entity have agreed that the Manager will reimburse the Fund to the extent that the expense recovery exceeds 0.3% of the aggregate NAV of the Fund. This means that the management fees (which are fixed at 1%) and expense recovery are capped at 1.3% of the aggregate NAV of the Fund with respect to the Fund as a result of this

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arrangement. Therefore the MER of the Fund will be capped at 1.3% of the aggregate NAV of the Fund.

8. INFORMATION ABOUT THE WATERMARK ABSOLUTE RETURN FUND UNITS

This section provides you with information about the Fund Units.

8.1. Fund Units

This section summarises the key provisions of the Fund's Constitution in relation to rights attaching to the Fund Units, and which will apply to the Fund Units. This summary does not purport to be exhaustive or constitute a definitive statement of the rights and liabilities attaching to the Fund Units.

Full details of the rights attaching to the Fund Units are in the Fund Constitution set out in Annexure H in this Scheme Booklet, which can also be obtained through ASIC or from the Responsible Entity.

8.2. Comparison of rights attaching to shares and units

Below is a comparison, by way of summary, of rights and liabilities of Unitholders and Shareholders. These rights are found under the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules, the Fund Constitution (in the case of Unitholders), the WMK Constitution (in the case of Shareholders) and the PDS. This comparison does not purport to be exhaustive or constitute a definitive statement of all the differences between, or the rights and liabilities attaching to, Units and Shares.

	Shares	Units
Source of rights	Shareholder rights are found under the WMK Constitution and the Corporations Act. The WMK Constitution is also subject to the ASX Listing Rules and the ASX Settlement Operating Rules.	Unitholder rights are found under the Fund Constitution dated 18 January 2019 (as amended and varied from time to time) and the Corporations Act.
Voting	<p>Resolutions are decided by a show of hands unless a poll is demanded.</p> <p>At a general meeting, every WMK Shareholder has one vote on a show of hands. On a poll, every WMK Shareholder has one vote for each WMK Share held (subject to the Share being fully paid).</p> <p>A WMK Shareholder may vote in person, by proxy, or by attorney and, in the case of a corporation, by representative.</p>	<p>Every resolution at a meeting of Unitholders is decided on a show of hands, unless a poll is demanded.</p> <p>At a general meeting, each Unitholder is entitled to one vote on a show of hands and, on a poll, one vote per dollar value of the person's interest in the Fund.</p> <p>A Unitholder may vote in person or by proxy and in the case of a body corporate, by authorised representative.</p>
General Meeting	<p>Each WMK Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of WMK.</p> <p>The Corporations Act requires that WMK hold an annual general meeting at least once in a</p>	<p>Each Unitholder is entitled to receive notice of, and to attend and vote at, general meetings of the Fund.</p> <p>There is no requirement under the Corporations Act or the Fund Constitution for the Fund to hold</p>

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	calendar year and within five months after the end of its financial year.	annual general meetings of Unitholders.
Dividend / Distributions	The Directors may determine, declare or procure the payment of a dividend as and when permitted by the Corporations Act. Dividends will be paid in proportion to the amounts paid on the WMK Shares, subject to any rights or restrictions attached to any WMK Shares.	The Responsible Entity may elect to distribute to Unitholders any amount (capital or income in nature) pro rata to the number of Units held. Distributions will be paid pro rata to the number of Units held.
Issue of further Shares / Units	Subject to the Corporations Act and the ASX Listing Rules, the Directors may issue or allot further WMK Shares or any other form of security in WMK, or grant options over unissued shares in WMK, on such terms and conditions as they think fit.	Subject to Corporations Act, the Responsible Entity may issue Units or grant options to subscribe to Units only in accordance with the provisions of the Fund Constitution. The Fund Constitution contains provisions, consistent with the Corporations Act, that regulate the price at which a Unit may be issued.
Transfer of Shares / Units	<p>Shareholders may transfer Shares by a proper transfer effected in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules or as otherwise permitted by the Corporations Act, or as the Directors may otherwise approve.</p> <p>In the limited circumstances permitted under the ASX Listing Rules, WMK may require a holding lock to be applied to specified CHES approved securities or decline to register a transfer of WMK Shares when the transfer is not in registrable form.</p> <p>The Directors may decline to register a transfer of WMK shares which are not CHES approved securities if the ASX Listing Rules provide or would require that registration of the transfer may or should be refused.</p> <p>If the Board declines to register a transfer of WMK Shares, WMK must give the holder of those WMK Shares, or the party lodging the transfer, written notice within 5 business days of the refusal and</p>	<p>Unitholders may only transfer Units by a proper transfer effected in accordance with the provisions of the Fund Constitution.</p> <p>The Responsible Entity may refuse to record any transfer of Units without giving reason for the refusal.</p> <p>Unitholders may also request the withdrawal of their Units prior to the Initial Withdrawal Date or monthly thereafter by completing the withdrawal form attached to the PDS.</p>

	the reason for refusal.	
Winding up	Subject to any special or preferential rights and to any restrictions attaching to any WMK Shares or classes of WMK Shares, WMK Shareholders will be entitled in a winding up to share in any surplus assets of WMK in proportion to the WMK Shares held by them, less any amounts which remain unpaid on these shares at the time of distribution.	The Responsible Entity may, in accordance with the provisions of the Fund Constitution, terminate the Fund in circumstances contemplated by the Corporations Act. On termination, the Responsible Entity will realise all Fund property, pay all liabilities of the Fund and distribute any net proceeds to Unitholders pro rata to the number of Units held.
Nature of Governing Body	The Board is the governing body of WMK. The Directors are subject to duties of good faith, care and diligence which are set out in Part 2D.1 of the Corporations Act.	The Responsible Entity must, in accordance with the Corporations Act, be a public company that holds an Australian Financial Service Licence authorising it to operate a managed investment scheme. The Responsible Entity must act in accordance with the Fund's Constitution and Part 5C.2 of the Corporations Act.
Directors	<p>The minimum number of Directors of WMK is three and the maximum is to be fixed by the Directors but may not be more than 10 unless WMK Shareholders pass a resolution in general meeting varying that number. The WMK Constitution and ASX Listing Rules provide for periodic compulsory retirement of Directors.</p> <p>Subject to the requirements of the Corporations Act, retiring Directors are eligible for re-election.</p>	The Responsible Entity may be replaced as responsible entity of the Fund by an ordinary resolution of Unitholders in accordance with section 601FM of the Corporations Act. Unitholders have no power to appoint or vote on the appointment of directors of the Responsible Entity.
Indemnity	<p>WMK, to the extent permitted by law, indemnifies each Director or other officer of WMK (and any person who has previously served in any such capacity) against any liabilities for costs and charges and expenses incurred by the person as an officer of WMK or a related body corporate of WMK.</p> <p>The indemnity includes, to the extent permitted by law, liability for legal costs incurred in defending proceedings in which judgment is given in favour of the</p>	The Responsible Entity is entitled to be indemnified out of the Fund property for any liability incurred by it in properly performing its duties, or exercising any of its powers in the proper performance of its duties. The Responsible Entity is not required to do anything for which it does not have a full right of indemnity out of the Fund property available for that purpose. The Fund Constitution limits the Responsible Entity's liability in contract, tort or

	director or officer of WMK or in which the director or officer of WMK is acquitted on a full indemnity basis.	otherwise to Unitholders for any loss suffered in any way relating to the Fund except to the extent that the Corporations Act imposes such liability.
Amendment	The WMK Constitution can only be amended by a special resolution passed by at least three quarters of the eligible votes cast by Shareholders present and voting at a general meeting of WMK. At least 28 days' written notice specifying the intention to amend the WMK Constitution by special resolution must be given.	Subject to the Corporations Act, the Responsible Entity may by supplemental deed, make any amendment to the Fund Constitution. The Corporations Act provides that the Responsible Entity must seek the Unitholders' approval, by special resolution, if a proposed amendment would adversely affect Unitholders' rights.
Dividend / Distribution re-investment plan	The Directors may implement a dividend reinvestment plan on the terms they think fit.	The Responsible Entity may offer a distribution reinvestment facility on the terms that it thinks fit.

9. TAXATION CONSIDERATIONS

This section provides a general overview of the Australian income tax, goods and services tax and stamp duty consequences for you if the Scheme proceeds.

The overview provided in this section does not take into account your specific circumstances and is not intended to be exhaustive, or a substitute for, or to constitute, specific taxation advice.

This section is based on Australian income tax legislation, public taxation rulings, determinations and administrative practice as at the date of this Scheme Booklet.

The application of the taxation legislation may vary according to your individual circumstances. As such, you are advised to obtain professional taxation advice that takes into account your specific circumstances before deciding how to vote in relation to the Scheme.

9.1. Introduction

The Scheme will, if implemented, result in the disposal by WMK Shareholders of their WMK Shares to the Fund for Australian income tax purposes.

9.2. Income tax implications for New Zealand tax residents

The summary below does not consider or comment upon either the Australian income tax implications for New Zealand tax resident investors, or the New Zealand income tax implications for New Zealand tax resident investors. If you are an investor that falls into one of these categories, we strongly recommend you seek professional advice on the relevant income tax implications of the Scheme.

9.3. Australian income tax implications

The following summary of income taxation matters is a general guide and does not constitute Australian income tax advice. It provides a summary of some of the Australian income tax implications of the Scheme applicable to Australian tax resident investors of WMK that hold their investment on capital account for Australian income tax purposes. This section therefore does not consider investors who either hold their Units as trading stock or on revenue account, are not subject to Australian income tax, or are subject to the Taxation of Financial Arrangements rules under the Australian income tax law.

The summary is based on the Australian income tax law applicable as at the date of this WMK Scheme Booklet. The Australian income tax law is subject to change, and the associated income tax treatment applicable to particular investors may differ.

We therefore strongly recommend that each investor seeks professional advice on the Australian income taxation implications of the Scheme.

Liquidating WMK's Portfolio prior to implementation of the Scheme

The realisation or disposal of WMK's assets to cash will result in an assessable gain or deductible loss for WMK, depending on the difference between the proceeds received and the asset's original cost. It is expected WMK will be fully liquidated into cash prior to the Scheme's implementation.

Dividends from WMK

To the extent WMK is not prevented from paying a dividend to WMK Shareholders under the Australian corporations law, WMK should be able to attach franking credits (up to the maximum amount permitted under the Australian income tax law) to any franked dividends paid to WMK Shareholders.

Generally, dividend income and franking credits received by WMK Shareholders should be included in each WMK Shareholder's assessable income for their Australian income tax return.

Certain additional requirements, including the 45-day holding period rule will need to be satisfied for WMK Shareholders to obtain franking credits in relation to dividends. The WMK Shareholder's individual circumstances (and that of WMK) will be relevant to determining whether or not the WMK Shareholder is entitled to any franking credits in respect of their share of the franked dividend (if any) from WMK. We recommend that you contact your tax adviser to consider your personal circumstances. To the extent certain Australian tax resident WMK Shareholders' income tax liability is able to be reduced to nil by franking credits received from WMK, the unapplied or excess franking credits may be refundable to them (e.g. for individuals and complying superannuation funds).

Capital Reduction

The return of capital by WMK (i.e. the *in-specie* distribution of the Units from the Fund to Scheme Shareholders) should reduce the WMK Shareholder's capital gains tax (CGT) cost base of their WMK shares.

To the extent the return of capital amount exceeds the WMK Shareholder's CGT cost base of their WMK shares, the CGT cost base is reduced to nil and the 'excess' will result in a capital gain to the WMK Shareholder. Broadly, for eligible WMK Shareholders in this situation, such as individuals, trusts, and complying superannuation funds, the CGT discount rules may apply to reduce the discount capital gain arising (after first applying any available current and prior year capital losses) provided they have held their WMK shares for greater than 12 months.

For Units received by WMK Shareholders under the Scheme, the CGT cost base of these Units should be equal to the Scheme Shareholder's capital reduction entitlement.

Cancellation of WMK Shares

The proposed cancellation of the shares in WMK will have CGT implications, which may result in a capital gain or a capital loss for each WMK Shareholder. The CGT outcome will be dependent on each WMK Shareholder's CGT cost base (in the case of a capital gain) or CGT reduced cost base (in the case of a capital loss) of their WMK Shares, which will be impacted by the return of capital above. For eligible WMK Shareholders, the CGT discount may be available to the extent of any discount capital gain arising.

In earlier financial years, WMK recognised a deferred tax asset in its audited financial statements in respect of income tax losses carried forward for potential recoupment in later income tax years. Post-implementation of the Scheme, it is expected any prior year carried forward income tax losses would not be available for recoupment given the expected failure of the loss recoupment tests under Australian income tax laws. In these circumstances, it is also expected that the associated deferred tax asset on these income tax losses would be de-recognised in WMK's financial accounts.

Australian income tax status of the Fund

For information regarding the Australian income tax treatment of the Fund, please refer to section 10 in the PDS issued concurrently with this Scheme Booklet.

Australian income tax treatment for Australian tax resident unitholders of the Fund

For further information regarding the income tax treatment for Australian tax resident Unitholders of the Fund in relation to:

- the distributions received from the Fund; and
- the sale or redemption of Units by Unitholders,

please refer to section 10 in the PDS issued concurrently with this WMK Scheme Booklet. Section 10 of the PDS includes a general summary of some of the Australian taxation issues associated with making an investment in the Fund.

As the information contained in the PDS (and this WMK Scheme Booklet) is summary and general in nature, it is recommended investors seek independent professional advice, specific to their own particular circumstances, of the Australian taxation implications of investing in the Fund.

10. IMPLEMENTATION OF THE SCHEME

If the Scheme becomes Effective, each Scheme Participant will be entitled to the Scheme Consideration. This section describes the implementation of the Scheme.

10.1. People who are affected by the Scheme

If the Scheme becomes Effective, it will bind all WMK Shareholders, including those who voted against the Scheme and those who did not vote.

10.2. Effect of the Scheme becoming Effective

If the Scheme becomes Effective:

- the WMK Assets (which excludes the Retention Amount and the Deferred Tax Assets) will be transferred from WMK to the Fund;
- Fund Units will be issued to WMK Shareholders;
- all WMK Shares will be cancelled;
- WMK will be removed from the official list of ASX, and WMK Shares will cease to be quoted by ASX; and
- WMK will become a wholly owned subsidiary of the Manager.

10.3. Payment of Scheme Consideration

The Calculation Date will be 5.00pm on 25 March 2019 or such other time and date as WMK and the Responsible Entity agree in writing.

On the Implementation Date, the Fund will issue to each Scheme Participant the Scheme Consideration.

Once the Capital Reduction is complete, the WMK Shares will be cancelled in accordance with the Corporations Act.

10.4. If the Scheme does not proceed

In the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of WMK Shareholders, the Independent Directors intend to vote (or procure the voting) of all their WMK Shares in favour of the Scheme Resolution and recommend all WMK Shareholders also vote in favour of the Scheme Resolution.

However, if the Scheme is not implemented:

- WMK Shareholders will retain their direct interests in WMK Shares and continue to collectively control WMK;
- the benefits of the Scheme will not be realised;
- WMK would remain an independent listed investment company;
- WMK will continue to operate under the WMK Directors and be managed by the Manager;

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- the rights of WMK Shareholders will remain unchanged; and
- the Transaction Costs of \$315,000 (excluding GST) in connection with the Scheme will be borne by WMK.

The Independent Directors would then consider alternatives, including continuing WMK in its current form.

10.5. Capital Reduction

The distribution of the Scheme Consideration to Scheme Participants will be effected by way of the Capital Reduction. The Capital Reduction is an equal capital reduction pursuant to section 256B(1) of the Corporations Act. As a part of the Capital Reduction all of the WMK Shares will be cancelled. WMK Shareholders will have the opportunity to vote on the Scheme and the Capital Reduction at two separate meetings.

The Capital Reduction requires separate WMK Shareholder approval, and is a necessary step in the process of giving effect to the Scheme (in addition to the Scheme itself). The Capital Reduction is a return of capital on your WMK Shares that will apply equally across the WMK Shares and be comprised of a fully-franked dividend and capital return. As such, if the Capital Reduction is approved, WMK will cancel all WMK Shares and the Scheme Participants (excluding Ineligible Foreign Shareholders) will receive the Scheme Consideration.

The Capital Reduction needs only to be approved by simple majority of the votes cast on the Capital Reduction Resolution at the General Meeting. The notice of meeting for the General Meeting is included at Annexure F of this Scheme Booklet.

10.6. Issue of fully paid ordinary share to the Manager

Immediately following completion of the Capital Reduction WMK will issue a single fully paid ordinary share with an issue price of \$1.00 to the Manager. As a result of this share issue WMK will become a wholly owned subsidiary of the Manager from the Implementation Date.

10.7. Effect of the Capital Reduction on WMK's ability to pay its creditors

The Board does not consider that the Capital Reduction will materially prejudice WMK's ability to pay its creditors.

It is intended that, at the Calculation Date, WMK, will have no actual liabilities other than those liabilities that are to be paid out of the Retention Amount. As at the date of this Scheme Booklet the Directors are not aware of any actual liability of WMK that will not either be satisfied:

- prior to the Calculation Date; or
- following the Implementation Date out of the Retention Amount.

10.8. Steps in implementing the Scheme

WMK and the Responsible Entity have executed the Scheme Implementation Deed under which WMK agreed to propose the Scheme to WMK Shareholders. A copy of the Scheme Implementation Deed and Scheme is reproduced in Annexure B and C of this Scheme Booklet respectively.

The Responsible Entity on behalf of the Fund has executed the Deed Poll in favour of Scheme Participants under which the Responsible Entity on behalf of the Fund covenants to perform certain obligations imposed on it under the Scheme Implementation Deed and the Scheme,

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including providing to each Scheme Participant the Scheme Consideration to which the Scheme Participant is entitled under the terms of the Scheme. A copy of the Deed Poll is set out in Schedule 3 of the Scheme Implementation Deed, which is reproduced in Annexure B to this Scheme Booklet.

The Court has ordered that WMK convene the Scheme Meeting scheduled to be held at 12.30 pm (Sydney time) on 8 April 2019 at Dexus Place, Level 15, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000 for the purpose of WMK Shareholders voting on the Scheme Resolution.

The order of the Court to convene the Scheme Meeting is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

10.9. Scheme Resolution

At 12.30 pm on 8 April 2019, WMK Shareholders are scheduled to vote at the Scheme Meeting on the following Scheme Resolution:

“That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Watermark Market Neutral Fund Limited and the holders of its fully paid ordinary shares, as contained in and more particularly described in the scheme booklet of which the notice convening this meeting forms part, is approved, is agreed to (with or without modification by the Federal Court of Australia).”

If:

- the Scheme Resolution is approved by the requisite majorities at the Scheme Meeting; and
- the Scheme Conditions (other than approval of the Court) have each been satisfied or, if applicable, waived in accordance with the Scheme Implementation Deed,

then WMK will apply to the Court for orders approving the Scheme. It is expected that the Court hearing to approve the Scheme will be held on 10 April 2019, being the Second Court Date.

10.10. Effect of Court approval

Each WMK Shareholder has the right to appear at Court at the application by WMK for orders approving the Scheme. The Court has an overriding discretion whether or not to approve the Scheme, even if the Scheme is approved by the requisite majorities at the Scheme Meeting.

If Court orders approving the Scheme are obtained, WMK and the Responsible Entity have agreed that they will take, or procure the taking of, the steps required for the Scheme to be implemented, including:

- WMK will lodge with ASIC an office copy of the Court orders approving the Scheme under section 411(10) of the Corporations Act. The Scheme will become Effective on the date on which an office copy of the Court orders is lodged with ASIC. It is expected that this will occur on or about 11 April 2019.
- Once the Scheme becomes Effective:
 - (i) no dealings in WMK Shares will be permitted after the Effective Date,

although the process to register dealings that occurred on or before the Effective Date will continue until the Record Date, which is anticipated to be 7.30pm on 16 April 2019;

- (ii) WMK and the Responsible Entity will become bound to implement the Scheme in accordance with the terms of the Scheme Implementation Deed, the Scheme and the Deed Poll; and
- (iii) Scheme Participants will be bound by, and have the benefit under, the Scheme.

10.11. Scheme Conditions

If the Scheme Conditions referred to below are not satisfied or, where applicable, waived in accordance with the Scheme Implementation Deed, the Scheme will not become Effective. Implementation of the Scheme is subject to the satisfaction or waiver of a number of conditions precedents including:

- (a) **Scheme Meeting approval:** WMK Shareholders agree to the Scheme at the Scheme Meeting by the requisite majorities under the Corporations Act;
- (b) **Capital Reduction approval:** WMK Shareholders approve the Capital Reduction by the requisite majority under the Corporations Act;
- (c) **Court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (d) **Restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or government agency or other material legal restraint or prohibition preventing the Scheme from being implemented is in effect at 8.00am on the Second Court Date;
- (e) **No breach of WMK warranty:** the Responsible Entity is satisfied that none of the WMK warranties is or has become false, misleading or incorrect in a material respect before 8.00am on the Second Court Date;
- (f) **No breach of Responsible Entity warranty:** WMK is satisfied that none of the Responsible Entity warranties is or has become false, misleading or incorrect in a material respect before 8.00am on the Second Court Date; and
- (g) **Independent Expert:** the Independent Expert issues a report which concludes that the Scheme is in the best interests of WMK Shareholders before the time when the Scheme Booklet is registered with ASIC, and the Independent Expert has not publicly withdrawn or qualified this conclusion before 8.00am on the Second Court Date.

10.12. Status of Scheme Conditions

As at the date of this Scheme Booklet, WMK and the Responsible Entity are not aware of any circumstances which would cause the Scheme Conditions not to be satisfied or (if applicable) waived. An update of the status of the Scheme Conditions will be provided at the Scheme Meeting.

10.13. Warranties by Scheme Participants

The Scheme provides that each Scheme Participant is deemed to have warranted to the Responsible Entity that they agree and acknowledge that the Scheme binds WMK and all

Scheme Shareholders (including those who do not attend the Scheme Meeting or those who do not vote, or vote against this Scheme, at the Scheme Meeting).

10.14 Termination of the Scheme

The Scheme Implementation Deed can be terminated by either WMK or the Responsible Entity if a Scheme Condition is not satisfied by the end date of 30 June 2019 or at anytime prior to the Effective Date where the other party is in material breach of the agreement and/or a Court or Government Agency has taken action to restrain or prohibit the Scheme.

As at the date of this Scheme Booklet, WMK and the Responsible Entity are not aware of any reason that the Scheme Implementation Deed would be terminated. These termination rights are set out in full in clause 9 of the Scheme Implementation Deed.

By way of summary, the Scheme Implementation Deed can be terminated by either WMK or the Responsible Entity if:

- either party is in material breach of the Scheme Implementation Deed;
- the terminating party has given written notice to the other at any time before 5.00pm on the day before the Second Court Date, setting out the relevant circumstances and stating an intention to terminate; and
- the relevant circumstances continue to exist 10 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date) from the time the notice is given.

WMK may terminate the Scheme Implementation Deed if:

- at any time before 8.00am on the Second Court Date, a majority of the Independent Directors have changed, withdrawn or modified their recommendation that WMK Shareholders vote in favour of the Scheme at the Scheme Meeting; or
- the Independent Expert concludes that the Scheme is not in the best interests of WMK Shareholders, or adversely changes its previously given opinion in the Independent Expert's Report (or any update or variation to that report) that the Scheme is in the best interests of WMK Shareholders.

The Scheme Implementation Deed may also be terminated if:

- a Scheme Condition is not satisfied or has become incapable of being satisfied; and
- WMK and the Responsible Entity are unable to reach agreement about the Scheme Condition under clause 3.4(a) of the Scheme Implementation Deed within 5 Business Days.

The Scheme Implementation Deed may also be terminated if mutually agreed to in writing by WMK and the Responsible Entity.

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10.15. Determination of Scheme Participants

A. Dealings on or before the Record Date

For the purpose of calculating entitlements under the Scheme, any dealing in WMK Shares will only be recognised if:

- in the case of dealings of the type to be effected by CHESS, the transferee is registered in the Share Register as the holder of the relevant WMK Shares on the Record Date; and
- in all other cases, registrable transfer or transmission applications or valid requests in respect of other alterations in respect of those dealings are received on or before the Record Date at the Registry.

B. Dealings after the Record Date

For the purposes of determining the entitlement to Scheme Consideration, WMK will, until the Scheme Consideration has been provided, maintain the Share Register in its form as at the Record Date. The Share Register in this form will solely determine entitlements to the Scheme Consideration. From the Record Date:

- all statements of holding in respect of WMK Shares cease to have effect as documents of title in respect of such WMK Shares; and
- each entry on the Share Register will cease to be of any effect except as evidence of entitlement to Scheme Consideration in respect of the WMK Shares relating to that entry.

10.16. Delisting WMK

On a date after the Implementation Date, WMK will apply:

- for termination of the official quotation of WMK Shares on ASX; and
- to have itself removed from the official list of ASX.

11. ADDITIONAL INFORMATION

This section 11 provides you with additional information required for the purposes of section 412(1) of the Corporations Act.

11.1. Equity interests of WMK Directors

As at the date of this Scheme Booklet, the Directors held the following equity interests in WMK:

Director	Position	Balance at 1 September 2017	Acquisitions/ Options Exercised	Disposals	Balance at 31 August 2018
Matthew Kidman	Chairman	64,563	-	-	64,563
Justin Braitling	Non-Independent Director	713,001	500,000	-	1,213,001
Robert Ferguson	Independent Director	1,000,000	-	-	1,000,000
Stephen Van Eyk	Independent Director	164,505	60,240	-	224,745
John Abernethy	Independent Director	30,000	-	-	30,000
		1,972,069	560,240	-	2,532,309

11.2. Equity interests of WMK Directors of the Responsible Entity

Nil.

11.3. Equity interests of WMK Directors in the Fund

Nil.

11.4. Agreements or arrangements with WMK Directors

It should be noted that Justin Braitling is a director of the Manager and will indirectly benefit from fees paid by the Fund to the Manager under the Fund Management Agreement. For further information regarding fees payable to the Manager under the Fund Management Agreement see section 9 of the PDS.

As set out in section 10.2 following Implementation Date WMK will be a wholly owned subsidiary of the Manager.

11.5. Other benefits to WMK Directors

In respect of the Financial Year ending 30 June 2018, the Directors received the following remuneration:

Name	Short-term employee benefits Salary and fees	Post-employment benefits Superannuation	Total
Matthew Kidman	\$ 27,397	\$ 2,603	\$ 30,000
John Abernethy	\$ 27,397	\$ 2,603	\$ 30,000
Stephen Van Eyk	\$ 27,397	\$ 2,603	\$ 30,000

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Robert Ferguson	27,397	2,603	30,000
Justin Braitling	9,132	868	10,000
Total key management personnel compensation	118,720	11,280	130,000

11.6. Material changes to the financial position of WMK

To the knowledge of the Directors, the financial position of WMK has not materially changed since 30 June 2018, as reported in WMK's annual report for the year ended 30 June 2018, other than:

- the accumulation of profits in the ordinary course of trading;
- as disclosed to ASX by WMK; or
- as disclosed in this Scheme Booklet.

A copy of the WMK annual report for the financial year ending 30 June 2018 is available on WMK's website at <http://www.wfunds.com.au/fund/watermark-market-neutral-fund-ltd/>.

11.7. Material agreements for the WMK

See section 5.6 for a full summary of the WMK Management Agreement.

11.8. Scheme Transaction Costs

The Transaction Costs of the Scheme are estimated to be approximately \$315,000 (excluding GST). All such Transaction Costs are to be paid by WMK.

11.9. Lodgement of this Scheme Booklet

This Scheme Booklet was given to ASIC on 11 February 2019 in accordance with section 411(2)(b) of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

11.10. Consents and disclaimers of advisers

Each of the parties named in this section 11 as consenting parties:

- has given and has not, before lodgement of this Scheme Booklet with ASIC, withdrawn its written consent to be named in this Scheme Booklet in the form and context in which it is named;
- has given and has not, before the lodgement of this Scheme Booklet with ASIC, withdrawn its written consent to the inclusion of their respective statements and reports (where applicable) noted next to their names in this section 10.9, and the references to those statements and reports in the form and context in which they are included in this Scheme Booklet;
- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet other than those statements referred to in this section 11.10 in respect of that person's name (and as consented to by that person); and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for any statements in or omissions from this Scheme Booklet, other than a reference to its names and the statements (if any) included in this Scheme Booklet with the consent of that party as specified in this section 11.

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Role	Consenting Party	Statements
Acquiring entity	Equity Trustees Limited as responsible entity of the Fund	Responsible Entity Information
Manager	Watermark Funds Management Pty Limited	Fund Information
Registry	Boardroom Pty Limited	
Australian legal adviser	KardosScanlan Pty Limited	
Australian taxation adviser	Pitcher Partners	Australian taxation considerations in section 9.
Independent Expert	BDO Corporate Finance (East Coast) Pty Limited	Independent Expert's Report in Annexure A and to the references to the Independent Expert's Report in this Scheme Booklet.

11.11. Disclosure of fees and benefits received by certain persons

No amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given for services provided by any person referred to in section 11.10 in connection with the formation or promotion of WMK or the offer of the Fund Units under the Scheme.

The persons named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet are those persons listed in section 11.10.

11.12. Documents available

An electronic version of this Scheme Booklet including the Independent Expert's Report and the Scheme Implementation Deed can be viewed and downloaded online at WMK's website www.wfunds.com.au/fund/watermark-market-neutral-fund-ltd and on ASX's website at www.asx.com.au. Further information about the Fund is available at www.wfunds.com.au/fund/watermark-market-neutral-fund-ltd.

11.13. No Unacceptable Circumstances

The WMK Directors believe that the Scheme does not involve any circumstances in relation to the affairs of WMK that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

11.14. Other material information

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme being information that is within the knowledge of any of the Directors, or any director of any related body corporate of WMK, which has not previously been disclosed to WMK Shareholders.

11.15. Directors intentions

For information regarding the intentions of the WMK Directors in relation to WMK and the WMK Assets see section 5.8.

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11.16. Supplementary information

WMK will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Effective Date:

- a material statement in this Scheme Booklet is or becomes false or misleading;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, WMK may circulate and publish any supplementary document by:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to WMK Shareholders at their address shown on the Share Register; or
- posting the supplementary document on WMK's website,

as WMK, in its absolute discretion, considers appropriate.

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12. GLOSSARY OF TERMS

12.1. Definitions

In this Scheme Booklet (including the annexures), unless the context requires otherwise:

ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market operated by it.
ASX Listing Rules	means the listing rules of ASX.
ASX Settlement Operating Rules	means the settlement operating rules of ASX.
Australian Accounting Standards	means the accounting standards promulgated by the Australian Accounting Standards Board.
BDO	means BDO Corporate Finance (East Coast) Pty Ltd (ACN 050 038 170), being the Independent Expert as defined in this Scheme Booklet.
Board	means the board of WMK.
Business Day	means a weekday on which trading banks are open for business in Sydney, Australia, excluding any Saturday, Sunday or public holiday.
Capital Reduction	means, subject to WMK Shareholder approval under section 256C(1) of the Corporations Act, the capital reduction to be undertaken as part of the Scheme pursuant to section 256B(1) of the Corporations Act.
Capital Reduction Resolution	means the resolution to approve the Capital Reduction to be put to WMK Shareholders at the General Meeting.
Calculation Date	means 25 March 2019.
Chairman	means the chairman of WMK, Matthew Kidman..
CHES	means the Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement Pty Ltd (ACN 008 504 532).
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	means the <i>Corporations Regulations 2001</i> (Cth).
Court	means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by WMK and the Fund.
Deed Poll	means the deed poll by the Responsible Entity on behalf of the Fund in favour of the Scheme Participants attached as Annexure D.
Deferred Tax Assets	means the deferred tax asset recognised by WMK as referred to at section 5.14.
Directors	means the directors of WMK.
Effective	means, when used in relation to this Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.
Effective Date	means the date on which the Scheme becomes Effective.
Explanatory Statement	means the statement pursuant to section 412 of the Corporations Act which has been, or will be, registered by ASIC in relation to this Scheme, included in this Scheme Booklet.
Fund	means the Watermark Absolute Return Fund (ARSN 631 094 534).
Fund Administrator	means Link Fund Solutions (ACN 114 914 215).

Fund Constitution	means the constitution of the Fund as amended by the Responsible Entity from time to time included at Annexure H.
Fund Information	means information regarding the Fund including as set out in sections 6 and 0 of this Scheme Booklet along with the PDS.
Fund Management Agreement	means the investment management agreement to be entered into between the Responsible Entity on behalf of the Fund and the Manager.
Fund Portfolio	means the Fund's portfolio of investments.
Fund Units or Units	means units in the Fund.
General Meeting	means the meeting of WMK Shareholders to be convened to vote on the Capital Reduction Resolution to carry into effect the matters set out in the Scheme Booklet.
Government Agency	means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state.
Implementation Date	means the fifth Business Day after the Record Date or such other date as WMK and the Fund agree in writing.
Implementation NAV	means "NAV" as that term is defined in the Scheme Implementation Deed.
Implementation NTA	means "NTA" as that term is defined in the Scheme Implementation Deed.
Independent Directors	means Matthew Kidman, John Abernethy, Stephen Van Eyk and Robert Ferguson.
Independent Expert	means BDO Corporate Finance (East Coast) Pty Ltd (ACN 050 038 170).
Independent Expert's Report	means the report prepared by the Independent Expert, providing an opinion as to whether the Scheme is in the best interests of WMK Shareholders, included in Annexure A.
Ineligible Foreign Shareholder	means a Scheme Participant whose address on WMK's share register as at the Record Date is a place outside Australia and its external territories and New Zealand, unless WMK and the Responsible Entity on behalf of the Fund agree in writing that it is lawful and not unduly onerous or impracticable to issue that Scheme Participant with the Fund Units when the Scheme becomes Effective.
Initial Withdrawal Date	means 30 April 2019.
Investment Entity	has the meaning given in the ASX Listing Rules.
Issue Costs	means "transaction costs" as that term is defined in the Fund Constitution with respect to the issue of Units.
Link Fund Solutions Manager	Link Fund Solutions Pty Limited (ACN 114 914 215).
Manager	means Watermark Funds Management Pty Limited (ACN 106 302 505).
MER	means management expense ratio.
NAV	has the meaning given to Net Asset Value in the Watermark Absolute Return Fund Constitution.
Nominee	means the agent appointed by the Responsible Entity to be issued with, and to withdraw, the Units in the Watermark Absolute Return Fund that would have otherwise been issued to Ineligible Foreign Shareholders in relation to the Scheme.
NTA	means pre tax net tangible assets calculated in accordance with the Corporations Act, Australian Accounting Standards

(including the Australian Accounting Interpretations), the Corporations Regulations and consistent with the requirements of the ASX Listing Rules for an Investment Entity, rounded to the nearest one hundredth of a cent.

PDS	Product Disclosure Statement of the Fund included as Annexure G to this Scheme Booklet.
Proprietary Company	has the meaning given in the Corporations Act.
Proxy Form	means the personalised form for appointing a proxy accompanying this Scheme Booklet.
Pitcher Partners	means PPNSW Services Pty Limited.
Public Company	has the meaning given in the Corporations Act.
Record Date	means 7.00pm (Sydney time) on the fifth Business Day after the Effective Date.
Registry	means Boardroom Pty Limited (ACN 003 209 836).
Related Bodies Corporate	means has the meaning given in the Corporations Act.
Responsible Entity	means Equity Trustees Limited (ACN 004 031 298).
Responsible Entity Information	means information about the Responsible Entity set out in the Important Notices section, and sections 1.4, 3.3, 4.2 and 6 of this Scheme Booklet along with the PDS but excluding the Fund Information.
Retention Amount	means \$100,000.
Scheme	means the scheme of arrangement under Part 5.1 of the Corporations Act between WMK and the Scheme Participants, the form of which is attached as Annexure C, subject to any alterations or conditions made or required by the Court under the Corporations Act.
Scheme Booklet	means this document.
Scheme Conditions	means the conditions precedent summarised in section 10.11 of this Scheme Booklet and set out in clause 3.1 of the Scheme Implementation Deed.
Scheme Consideration	has the meaning given in the Scheme Implementation Deed.
Scheme Implementation Deed	means the Scheme Implementation Deed between WMK and the Responsible Entity on behalf of the Fund dated 4 February 2019, and set out in Annexure B.
Scheme Meeting	means the meeting of WMK Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.
Scheme Participant	means each WMK Shareholder (other than the Responsible Entity on behalf of the Fund) as at the Record Date.
Scheme Resolution	means the resolution that WMK Shareholders are asked to vote on at the Scheme Meeting, as set out in section 10.9 of the Scheme Booklet.
Scheme Share	means a WMK Share held by a Scheme Participant as at the Record Date.
Second Court Date	means the first day on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Scheme is heard.
Share Register	means the register of members of WMK.
Shareholder Information Line	means: <ul style="list-style-type: none"> • (02) 9252 0225 (in Australia); or • +61 2 9252 0225 (outside Australia), Monday to Friday between 8.30am and 7.00pm (Sydney time).
Transaction Costs	means the costs and expenses associated with the Scheme including all costs associated with implementing the Scheme

(including advisers expenses, legal expenses, counsel fees and fees of the Independent Expert).

Unitholders	means holders of Units from time to time.
WGF	means Watermark Global Leaders Fund Limited (ACN 614 536 560).
WGF Scheme	means a scheme conducted contemporaneously with the Scheme by WGF and its shareholders.
Withdrawal Costs	means "transaction costs" as that term is defined in the Fund Constitution with respect to withdrawals of Units.
Withdrawal Facility	means the facility described in clause 5.1 of the Scheme included with the Scheme Implementation Deed.
WMK	means Watermark Market Neutral Fund Limited (ABN 45 163 980 498).
WMK Administrator	means Link Fund Solutions.
WMK Assets	has the meaning given in the Scheme.
WMK Constitution	means the constitution of WMK.
WMK Directors	means the board of directors of WMK.
WMK Information	means the information regarding WMK prepared by WMK for inclusion in this Scheme Booklet, being all the contents of the Scheme Booklet other than the Responsible Entity Information, the Fund Information, the Independent Expert's Report, the PDS and any information regarding tax considerations as set out in section 9 of this Scheme Booklet.
WMK Management Agreement	means the Investment Management Agreement between WMK and the Manager dated 7 June 2013.
WMK NTA	has the meaning given in the Scheme Implementation Deed.
WMK Portfolio	means WMK's portfolio of investments.
WMK Share	means a fully paid ordinary share in the capital of WMK.
WMK Shareholder	means a person who is registered in the Share Register as the holder of a WMK Share.

12.2. Interpretation

In this Scheme Booklet (including the annexures) unless the context otherwise requires:

- (a) a number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet;
- (b) except where otherwise stated, all references to times in this Scheme Booklet are references to Sydney time;
- (c) all references to "\$", "dollar" and "cent" are references to Australian currency, unless stated otherwise;
- (d) words and phrases not otherwise defined in this Scheme Booklet (excluding the annexures) have the same meaning (if any) as is given to them by the Corporations Act;
- (e) the singular includes the plural and vice versa. A reference to a person includes a reference to a corporation;
- (f) headings are for ease of reference only and do not affect the interpretation of this Scheme Booklet; and
- (g) a reference to a section is to a section in this Scheme Booklet unless stated otherwise.

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ANNEXURE A - INDEPENDENT EXPERT'S REPORT

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INDEPENDENT EXPERT'S REPORT
Watermark Market Neutral Fund Limited

In relation to the proposed restructuring
via Scheme of Arrangement with the
Watermark Absolute Return Fund

26 February 2019



FINANCIAL SERVICES GUIDE

This Financial Services Guide (“FSG”) helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd (“BDO, we, us, our”).

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us \$45,000 (excluding GST) for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

REFERRALS

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

ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

COMPLAINTS RESOLUTION

Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOS”). FOS is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of FOS (Member Number 11843).

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
MELBOURNE VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 639

COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - cf.ecp@bdo.com.au.

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The Directors
Watermark Market Neutral Fund Ltd
Level 23 Governor Phillip Tower
1 Farrer Place
SYDNEY NSW 2000

26 February 2019

Dear Directors

PROPOSED RESTRUCTURING VIA SCHEME OF ARRANGEMENT WITH THE WATERMARK ABSOLUTE RETURN FUND

INTRODUCTION

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (“**BDO**”, “**we**”, “**us**” or “**our**”) has been engaged by the Directors (“**Directors**”) of Watermark Market Neutral Fund Limited (“**WMK**” or “**the Company**”) to prepare an independent expert’s report (“**Report**” or “**IER**”), setting out our opinion as to whether the proposed scheme of arrangement, pursuant to which WMK’s assets (excluding a retention amount and WMK’s deferred tax assets) will be transferred to an unlisted registered unit trust titled Watermark Absolute Return Fund (the “**Fund**”), is fair and reasonable and as a result in the best interests of a person registered in the share register of WMK as a holder of a fully paid ordinary share in the capital of WMK (“**WMK Shares**”) (“**WMK Shareholders**”), in the absence of a superior offer (“**Proposed Scheme**”).

WMK is listed on the Australian Securities Exchange (“**ASX**”) and is a listed investment company (“**LIC**”) that employs an equity market neutral investment strategy.

On 20 December 2018, WMK announced its intention to implement a scheme of arrangement in conjunction with Watermark Funds Management Pty Ltd (“**WFM**” or the “**Manager**”) and Equity Trustees Limited, the appointed Responsible Entity (“**RE**”). As a result of the Proposed Scheme, WMK’s assets (excluding a retention amount and WMK’s deferred tax assets) will be transferred to, and acquired by, the Fund.

The Proposed Scheme will involve:

- the RE issuing units in the Fund;
- WMK reducing its share capital to zero and all WMK shares being cancelled by way of a capital reduction;
- WMK distributing the units to WMK Shareholders, by way of an in-specie distribution to WMK Shareholders (in part in satisfaction of any declared dividend and in part by way of a capital reduction);
- WMK transferring its assets to the Fund; and
- the Manager being issued a single fully paid ordinary share immediately following the capital reduction so that WMK becomes a wholly owned subsidiary of the Manager.

The retention amount equates to \$100,000 and is required to be retained by WMK in order to satisfy the payment of the transaction costs associated with the Proposed Scheme and other liabilities with respect to the operation of WMK following the implementation date (“**Retention Amount**”).

On 5 February 2019, WMK announced that it had executed a Scheme Implementation Deed (“**SID**”) in relation to the Proposed Scheme.

Further details of the Proposed Scheme are provided in the scheme booklet that has been prepared for WMK Shareholders by the Directors (“**Scheme Booklet**”).

The Proposed Scheme is being conducted contemporaneously with another scheme being carried out by Watermark Global Leaders Fund Limited (“**WGF**”), which is also managed by the Manager (“**WGF Scheme**”). Under the WGF Scheme, it is proposed that all the assets of WGF (less a retention amount and WGF’s deferred tax assets) are transferred to the Fund.

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All dollar amounts are in Australian dollars (“A\$” or “AUD”) unless otherwise indicated.

PURPOSE OF REPORT

The Directors have engaged us to prepare a Report in relation to the Proposed Scheme to satisfy the requirements of:

- Corporations Act 2001 (Cth) (“Corporations Act” or the “Act”), specifically Section 411.
- Australian Securities and Investments Commission’s (“ASIC”) Regulatory Guide 60 ‘Schemes of Arrangement’ (“RG 60”).

The regulatory requirements relevant to this IER are summarised below.

Section 411 of the Corporations Act and RG 60

The Proposed Scheme is to be implemented pursuant to section 411 of the Corporations Act and RG 60. Part 3 of Schedule 8 to the Act prescribes the information to be sent to Shareholders in relation to schemes of arrangement pursuant to section 411 of the Act.

In terms of the provisions of RG 60.74 as well as paragraph 8303 of Schedule 8 of the Act, the Scheme Booklet is to be accompanied by an independent expert report in a situation where any party to the scheme of arrangement has a prescribed shareholding in the company, or where there are common directors in the entities involved in the scheme of arrangement.

The Fund does not hold any shares in WMK and there are no common directors, hence an independent expert’s report is not specifically required in relation to the Proposed Scheme. However, the directors of WMK have requested that BDO prepare this Report as if it were an independent expert’s report pursuant to section 411 of the Act, and to provide an opinion as to whether the directors of WMK are justified in recommending the Proposed Scheme in the absence of a superior proposal.

APPROACH

In preparing our IER, we have considered the requirements of:

- ASIC Regulatory Guide 111 Content of expert reports (“RG 111”); and
- ASIC Regulatory Guide 112 Independence of experts (“RG 112”).

RG 111 establishes guidelines in respect of independent expert reports under the Act. This regulatory guide provides guidance as to what matters an independent expert should consider to assist shareholders to make informed decisions about transactions.

RG 111 states that there should be a separate assessment of fairness and reasonableness. RG 111 indicates that an independent expert would be able to conclude that the scheme of arrangement was in the best interests of the shareholders if they consider a proposal is “fair and reasonable.” Further, RG 111 states that even if a proposal was “not fair but reasonable”, the expert may conclude that the scheme of arrangement is in the best interests of shareholders should there be sufficient reasons for shareholders to vote in favour of the scheme of arrangement in the absence of a higher offer.

Fairness

RG 111.11 indicates that an offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length; and
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

Based on our interpretation of RG111.11, we have compared:

- The fair market value (“FMV”) of a WMK Share pre-transaction on a control basis (being the value of the securities the subject of the offer, per RG 111.11); and
- The FMV of the number of units in the Fund that WMK Shareholders receive for every WMK Share held (“Scheme Consideration”).

We have considered the FMV of the Scheme Consideration, being the number of units in the Fund WMK Shareholders receive for every WMK Share held, by having regard to the following two scenarios:

- 1) the value of the Scheme Consideration in the event that WMK Shareholders approve the Proposed Scheme however WGF shareholders do not approve the WGF Scheme (“Scenario 1”); and
- 2) the value of the Scheme Consideration in the event that WMK Shareholders approve the Proposed Scheme and WGF shareholders also approve the WGF Scheme (“Scenario 2”).

Reasonableness

In accordance with paragraph 60 of RG 111, an offer is ‘reasonable’ if it is ‘fair’. It might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes there are sufficient reasons to accept the offer.

When deciding whether an offer is ‘reasonable’, factors an expert might consider include:

- the financial situation and solvency of the entity;
- the alternative options available to the entity;
- the entity’s bargaining position;
- whether there is selective treatment of any shareholder; and
- any special value of the transaction to the purchaser.

SUMMARY OF OPINION

We have concluded that the Proposed Scheme is fair and reasonable and as a result is in the best interest of the WMK Shareholders at the time of writing this Report.

A summary of our analysis in forming the above opinion is provided below. This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

In undertaking our assessment of fairness, we have had regard to the ASIC RG 111.

The Proposed Scheme will be fair if the Scheme Consideration is equal to or greater than the FMV of a WMK Share prior to announcement of the Proposed Scheme, on a controlling interest basis.

We have assessed the FMV of a WMK Share, on a control basis, pre-implementation of the Proposed Scheme and the Scheme Consideration using the net asset value method (“NAV”) and quoted market price (“QMP”) method.

We have valued the Scheme Consideration under two scenarios, being:

- 1) under Scenario 1, it is assumed that WMK Shareholders approve the Proposed Scheme, and WGF shareholders do not approve the WGF Scheme; and
- 2) under Scenario 2, it is assumed that both WMK Shareholders and WGF shareholders approve the WMK Scheme and WGF Scheme, respectively.

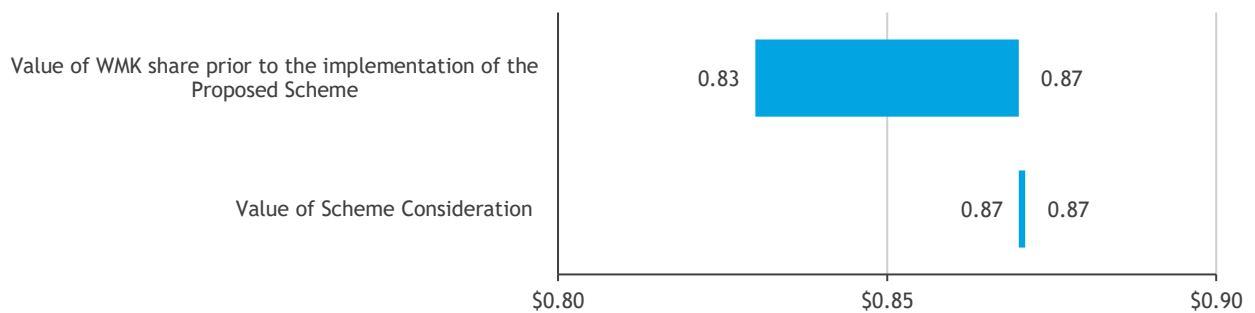
WMK Shareholders have no control over which scenario will eventuate. As such, we have assessed both scenarios and concluded on the most unfavourable scenario in our conclusion on fairness. We note both Scheme Consideration values result in the same outcome for Shareholders.

Table 1: Valuation summary

Prior to the implementation of the Proposed Scheme	Low \$	High \$
Value of a WMK share prior to the Proposed Scheme, on a control basis	0.83	0.87
Value of the Scheme Consideration	0.87	0.87

Source: BDO analysis

Figure 1: Graphical summary of fairness assessment



Source: BDO analysis

Based on the above, the value of the Scheme Consideration overlaps the upper end of the value of a WMK share prior to the implementation of the Proposed Scheme. As such, the Proposed Scheme is fair for WMK Shareholders.

We note our conclusion is based on the valuation date of 31 December 2018 (“Valuation Date”). However, the indicative calculation date as per the SID is 18 March 2019. For the purposes of our valuation, we have adopted 31 December 2018 as the calculation date as it is the latest available information at the date of this Report. We note however, that any significant movements in either WMK or WGF may alter our conclusion.

Reasonableness conclusion

In accordance with RG 111, an offer is reasonable if it is fair. On this basis, the Proposed Scheme is reasonable to WMK Shareholders.

We have set out below a summary of reasonableness factors we consider relevant in assisting the WMK Shareholders in deciding whether or not to vote in favour of the Proposed Scheme.

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Table 2: Summary of factors considered in the reasonableness assessment

Advantages	
The Proposed Scheme is fair	Our analysis concludes that the Proposed Scheme is fair to Shareholders. RG 111 states that an offer is reasonable if it is fair.
Possible increase in size and scale	If WMK Shareholders approve the Proposed Scheme, and WGF shareholders also approve the WGF Scheme, it will effectively be a merger between WMK and WGF. Initially after the transaction, the NTA will increase from WMK's reported pre-tax NTA at 31 December 2018 of c.\$74.3m to a pro-forma NTA of c.\$143.8m under Scenario 2 following the Proposed Scheme.
Reduced management costs	If the Proposed Scheme is approved, management forecast that there will be a reduction in the management expense ratio ("MER"). The MER is the ratio of the management and operating costs, as a percentage of the net asset value.
Ability to redeem units at NTA value via the withdrawal facility	If the Proposed Scheme is approved, WMK Shareholders will receive units in the Fund. The Fund will have a liquidity facility whereby unitholders will be able to withdraw their units for their NTA value (less any transaction costs, which are expected to be 0.3% of the NTA). We note that any withdrawals (including withdrawals for foreign shareholders) that occur immediately after the Proposed Scheme will not attract any transaction costs.
Ability of unitholders to remove the Manager	<p>Currently, WMK has a management agreement that expires in June 2023. If the Manager was to be replaced, compensation may need to be paid to the Manager.</p> <p>Moving from a LIC to an unlisted management scheme gives members greater power to remove the Manager through the requisition of a meeting to remove the RE under s601FM of the Act.</p> <p>The new management agreement is terminable by the RE for any reason on 30 business days' notice.</p>

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Disadvantages	
No longer a listed investment	WMK is currently listed on the ASX. If the Proposed Scheme is approved, WMK Shareholders will receive units in an unlisted trust which are not tradable on an exchange such as the ASX.
Uncertainty as to whether Shareholders will form a single entity or join a merged entity	At the date of the Scheme Meeting, it will not be known whether or not the WGF shareholders have approved the WGF Scheme. It will be uncertain as to whether WMK Shareholders are voting to receive units in the Fund that will have the assets of just WMK, or WMK and WGF.
Loss of control	If both the Proposed Scheme and the WGF Scheme are approved, the Fund will initially have an increased level of net assets. However, each shareholder will have a reduced percentage interest in the net assets. As each shareholder has a reduced percentage interest in the Fund, they have less control compared to WMK as a standalone entity.
Change from LIC to an unlisted trust	<p>If the Proposed Scheme is approved, WMK Shareholders will hold units in an unlisted trust, and will no longer hold shares in a listed company.</p> <p>There may be additional administrative and compliance requirements in managing an investment in a unit trust that do not apply to investors buying and selling shares on market and via a broker.</p>
Tax consequences for investors	If the Proposed Scheme is approved, WMK Shareholders will receive new units in the Fund. The units will be distributed in-specie to WMK Shareholders, in part by way of fully-franked dividend and in part by way of a capital return. There may be various tax consequences associated with this, however Shareholders should seek independent income tax advice in relation to the tax consequences of the Proposed Scheme.
Potential loss of tax losses and franking credits	<p>WMK currently has c.\$3.77m tax losses and c.\$1.03m franking credits on a cash basis. Some (but not all) of the franking credits will be used to pay an in specie franked dividend.</p> <p>If the Proposed Scheme is approved, WMK Shareholders will no longer have access to the tax losses and remaining franking credits. However, we note that the franking credits and tax losses can only be utilised if WMK generates a profit.</p>

Table 3: Other considerations

Other considerations	
Base management fee	The base management fee payable by WMK to WFM is the same. There will be no change in base management fees payable as a result of the Proposed Scheme.
Performance fee	The performance fee payable to WFM will be 20.5% per annum (including GST and net of RITC) of the increase in NAV which exceeds the benchmark, being the RBA cash rate, subject to a high watermark. This is consistent with WMK's current performance fee.
Change in strategy	Following implementation of the Proposed Scheme, the strategy of the Fund will change (when compared to WMK's current strategy) as detailed at Section 11.3.4.
Alternatives considered	<p>We have considered the scenario where WMK returns the NTA directly to shareholders as a franked dividend and a capital return. Under this scenario the tax consequences are the same as the Proposed Scheme (i.e. tax may be payable on the franked dividend and the capital return).</p> <p>However, the manager agreement expires in June 2023. Under the agreement the manager may be able to claim a compensation payment for termination of c.\$3.2m.</p> <p>The possibility of a claim by the Manager is a material disadvantage of returning NTA to WMK Shareholders directly.</p>

OTHER MATTERS

Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDO has not considered the effect of the Proposed Scheme on the particular circumstances of individual WMK Shareholders. Some individual WMK Shareholders may place a different emphasis on various aspects of the Proposed Scheme from that adopted in this IER. Accordingly, individual WMK Shareholders may reach different conclusions as to whether or not the Proposed Scheme is fair and reasonable and in the best interests in their individual circumstances.

The decision of an individual WMK Shareholder in relation to the Proposed Scheme may be influenced by their particular circumstances and accordingly WMK Shareholders are advised to seek their own independent advice.

Approval or rejection of the Proposed Scheme is a matter for individual WMK Shareholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. WMK Shareholders should carefully consider the Scheme Booklet. WMK Shareholders who are in doubt as to the action they should take in relation to the Proposed Scheme should consult their professional adviser. Capitalised terms used in this Report have the meanings set out in the glossary.

General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated by those persons affected by the Proposed Scheme. In preparing the IER we considered ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the past, between BDO East Coast Partnership or BDO and any of the parties to the Proposed Scheme;
- the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;

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- we have been appointed as independent expert for the purposes of providing an IER in relation to the Proposed Scheme for the Directors;
- that we have relied on information provided by the Directors and management of WMK (“Management”) and that we have not carried out any form of audit or independent verification of the information; and
- that we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

Current market conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in light of material information existing at the valuation date that subsequently becomes known to us.

Glossary

Capitalised terms used in this IER have the meanings set out in the glossary. A glossary of terms used throughout this IER is set out Appendix 4.

Sources of information

Appendix 1 to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by WMK.

Under the terms of our engagement, WMK agreed to indemnify the partners, directors and staff (as appropriate) of BDO East Coast Partnership and BDO and their associated entities, against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by WMK which is false or misleading or omits any material particulars, or arising from failure to supply relevant information.

Limitations

This IER has been prepared at the request of the Directors for the sole benefit of the Directors and WMK Shareholders to assist them in their decision to approve or reject the Proposed Scheme. This IER is to accompany the Scheme Booklet to be sent to WMK Shareholders to consider the Proposed Scheme and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and WMK Shareholders without our written consent. We accept no responsibility to any person other than the Directors and WMK Shareholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of the IER with the Scheme Booklet. Apart from this IER, we are not responsible for the contents of the Scheme Booklet or any other document associated with the Proposed Scheme. We acknowledge that this IER may be lodged with regulatory authorities, including ASIC.

Summary

This summary should be read in conjunction with the attached IER that sets out in full, the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

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Financial Service Guide

BDO holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully

BDO CORPORATE FINANCE (EAST COAST) PTY LTD



David McCourt
Director



Sebastian Stevens
Director

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1. PURPOSE AND BACKGROUND

1.1. Purpose

We have been appointed by the Directors to prepare an IER setting out our opinion as to whether the Proposed Scheme is fair and reasonable and therefore in the best interests of the WMK Shareholders, in the absence of a superior proposal.

This IER is to accompany the Scheme Booklet to be provided to WMK Shareholders. It has been prepared to assist and enable WMK Shareholders to assess the Proposed Scheme and to decide whether to approve the Proposed Scheme.

A summary of the background to the terms of the Proposed Scheme is set out below.

1.2. Proposed Scheme

On 20 December 2018, WMK announced its intention to implement a scheme of arrangement in conjunction with WFM and the RE. As a result of the Proposed Scheme, WMK's assets (less the Retention Amount and WMK's deferred tax assets) will be transferred to, and acquired by, the Fund.

The Proposed Scheme will involve:

- the RE issuing units in the Fund;
- WMK reducing its share capital to zero and all WMK shares being cancelled by way of a capital reduction;
- WMK distributing the units to WMK Shareholders, by way of an in-specie distribution to WMK Shareholders (in part in satisfaction of any declared dividend and in part by way of a capital reduction);
- WMK transferring its assets to the Fund; and
- the Manager being issued a single fully paid ordinary share immediately following the capital reduction so that WMK becomes a wholly owned subsidiary of the Manager.

On 5 February 2019, WMK announced that it had executed a SID in relation to the Proposed Scheme.

As per the Scheme Booklet, it is expected the Manager will liquidate WMK's portfolio prior to 28 February 2019 and prior to implementation of the Proposed Scheme. The Manager will not charge a management fee from the period from the calculation date to the implementation date if the Proposed Scheme is implemented.

Further details of the Proposed Scheme are provided in the Scheme Booklet.

The Proposed Scheme is being conducted contemporaneously with the WGF Scheme. Under the WGF Scheme, it is proposed that all the assets of WGF (less a retention amount and WGF's deferred tax assets) are transferred to the Fund.

The Directors' rationale in pursuing the Proposed Scheme was based on the following three key factors:

- the WMK portfolio has a sub-optimal value of approximately \$70m and has failed to achieve its goal of growing to a market capitalisation in excess of \$100m. As a result, WMK's shares are thinly traded and relatively illiquid;
- the sub-optimal value of the WMK portfolio means the costs of running the LIC are relatively high in consideration of the value of the WMK portfolio; and
- the persistent discount to net tangible assets ("NTA") at which WMK shares have traded in the last 18 months of between 0% and 17%.

1.3. Conditions precedent

The Proposed Scheme is subject to a number of conditions precedents including, but not limited to:

- WMK Shareholders approving the Proposed Scheme and the associated capital reduction;
- the Court approving the Proposed Scheme;
- no breach of WMK and RE warranty;
- the Independent Expert issuing a report which concludes that the Proposed Scheme is in the best interests of WMK Shareholders.

Further details of the conditions precedent are disclosed in Section 10.11 of the Scheme Booklet.

2. SCOPE AND LIMITATIONS

2.1. Scope

The scope of the procedures we undertook in forming our opinion on whether the Proposed Scheme is fair and reasonable and in the best interest of WMK Shareholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

Our assessment involved determining the “FMV” of various securities, assets and liabilities. For the purposes of our opinion, the term “FMV” is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm’s length.

2.2. Summary of regulatory requirements

The Directors have engaged us to prepare an IER in relation to the Proposed Scheme to satisfy the requirements of:

- Section 411 of the Act.
- RG 60 ‘Schemes of Arrangement’.

The regulatory requirements relevant to this IER are summarised below.

2.2.1. Section 411 of the Act and RG 60

The Proposed Scheme is to be implemented pursuant to section 411 of the Corporations Act and RG 60. Part 3 of Schedule 8 to the Act prescribes the information to be sent to Shareholders in relation to schemes of arrangement pursuant to section 411 of the Act.

In terms of the provisions of RG 60.74 as well as paragraph 8303 of Schedule 8 of the Act, the Scheme Booklet is to be accompanied by an independent expert report in a situation where any party to the scheme of arrangement has a prescribed shareholding in the company, or where there are common directors in the entities involved in the scheme of arrangement.

The New Trust does not hold any shares in WMK and there are no common directors, hence an independent expert’s report is not specifically required in relation to the Proposed Scheme. However, the directors of WMK have requested that BDO prepare this Report as if it were an independent expert’s report pursuant to section 411 of the Act, and to provide an opinion as to whether the directors of WMK are justified in recommending the Proposed Scheme in the absence of a superior proposal.

Accordingly, the Directors have requested that BDO prepare this IER to accompany the Scheme Booklet required to be provided to the WMK Shareholders to enable them to assess the Proposed Scheme and to decide whether to approve the Proposed Scheme.

2.3. Basis of assessment

In determining whether the Proposed Scheme is fair and reasonable and in the best interest to WMK Shareholders we have had regard to:

- RG 111 ‘Content of expert reports’
- RG 112 ‘Independence of experts’

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- Is the offer ‘fair’?
- Is it ‘reasonable’?

RG 111 indicates that an independent expert would be able to conclude that the scheme of arrangement was in the best interests of the shareholders if they consider a proposal is “fair and reasonable”. Further, RG 111 states

that even if a proposal was “not fair but reasonable”, the expert may conclude that the scheme of arrangement is in the best interests of shareholders should there be sufficient reasons for shareholders to vote in favour of the scheme of arrangement in the absence of a higher offer.

The terms fair and reasonable are regarded as separate elements and are not regarded as a compound phrase.

2.3.1. Fairness

RG 111.11 indicates that an offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer.

The value of the securities the subject of the offer is determined assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

The Proposed Scheme will be fair if the Scheme Consideration, being the number of units in the Fund WMK Shareholders receive for every WMK Share held, is equal to or greater than the value of the securities the subject of the Proposed Scheme, being one WMK Share prior to the Proposed Scheme on a control basis.

2.3.2. Reasonableness

In accordance with paragraph 12 of RG 111, an offer is ‘reasonable’ if it is ‘fair’. An offer could be considered ‘reasonable’ if there are valid reasons to approve it (in the absence of any higher bid before the close of the offer), notwithstanding that it may not be regarded as ‘fair’.

RG 111.13 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer, including:

- the bidder’s pre-existing voting power in securities in the target;
- other significant security holding blocks in the target;
- the liquidity of the market in the target’s securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target, etc;
- the likely market price if the offer is unsuccessful; and
- the value to an alternative bidder and likelihood of an alternative offer being made.

2.3.3. General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Proposed Scheme. In preparing the IER we considered the necessary legal requirements and guidance of the Act, ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO East Coast Partnership or BDO and any of the parties to the Proposed Scheme;
- the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- we have been appointed as independent expert for the purposes of providing an IER for the Scheme Booklet;
- that we have relied on information provided by the Directors and Management of WMK and that we have not carried out any form of audit or independent verification of the information provided; and

- that we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

2.4. Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the FMV. This premium represents the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of FMV as it relates to the individual circumstances of special purchasers.

2.5. Reliance on information

This IER is based upon financial and other information provided by the Directors, Management and other representatives of WMK. We have also been provided with information directly by representatives of WMK. We have considered and relied upon this information. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Scheme is fair and reasonable and in the best interest of WMK Shareholders in the absence of a superior proposal.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of our engagement, WMK has agreed to indemnify BDO and BDO East Coast Partnership, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

2.6. Limitations

We acknowledge that this IER may be lodged by the Directors with regulatory and statutory bodies and will be included in the Scheme Booklet to be sent to the WMK Shareholders. The Directors acknowledges that our IER has been prepared solely for the purposes noted in the Scheme Booklet and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, as to the form and context in which it may appear.

It was not our role to undertake, and we have not undertaken any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities in respect of WMK. We understand that the Directors have been advised by legal, accounting, tax and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors or their advisors.

We note that the IER does not deal with the individual investment circumstances of WMK Shareholders and no opinion has been provided in relation to same. Some individual WMK Shareholders may place a different emphasis on various aspects of the Proposed Scheme from that adopted in our IER. Accordingly, individuals may reach different conclusions on whether or not the Proposed Scheme is fair and reasonable and in their best interests. An

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individual WMK Shareholder's decision in relation to the Proposed Scheme may be influenced by their particular circumstances and, therefore, WMK Shareholders are advised to seek their own independent advice.

Apart from the IER, we are not responsible for the contents of the Scheme Booklet or any other document. We have provided consent for inclusion of the IER in the Scheme Booklet. Our consent and the Scheme Booklet acknowledge that we have not been involved with the issue of the Scheme Booklet and that we accept no responsibility for the Scheme Booklet apart from the IER.

2.7. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER including:

- assumptions outlined in the valuation sections;
- that matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- information sent out in relation to the Proposed Scheme to WMK Shareholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects;
- publicly available information relied on by us is accurate, complete and not misleading;
- if the Proposed Scheme is implemented, that it will be implemented in accordance with the stated terms;
- the legal mechanisms to implement the Proposed Scheme are correct and effective; and
- there are no undue changes to the terms and conditions of the Proposed Scheme or material issues unknown to us.

3. PROFILE OF WMK

3.1. Overview

WMK is an investment company listed on the ASX which invests in Australian equity markets. The Company was established in 2013 and had c.\$70.7m funds under management as at 31 December 2018. The Company employs an equity market neutral fund strategy, meaning returns are derived from the difference in performance between a long and a short portfolio of shares.

The current board of directors and senior management of WMK are:

- Mr Matthew Kidman - Chairman;
- Mr Justin Braitling - Executive Director;
- Mr John Abernethy - Non-Executive Director;
- Mr Stephen Van Eyk - Non-Executive Director;
- Mr Robert Ferguson, Non-Executive Director; and
- Mr Mark Licciardo, Company Secretary.

On 21 January 2019, WFM announced that it would be withdrawing from investments in global equities, bringing the focus for WMK's investments exclusively back to the Australian share market. As a result, WFM began liquidating its international exposures and noted it would be concentrating on two core strategies in Australian shares, equity long/short and market neutral.

3.1.1. WFM management agreement

WFM is a Director-associated fund management business and has been appointed to manage the investment portfolio of WMK. The Manager is paid a management fee of 1.00% per annum (plus GST) on the net value of the portfolio, which amounted to c.\$839k in FY18. In addition, WFM is paid a performance fee being 20.5% (inclusive of GST and net of RITC) of:

- where the level of the Reserve Bank of Australia's ("RBA") cash-rate has increased over that year, the amount of the increase in the value of the portfolio exceeds this increase; or
- where the RBA's cash-rate has decreased over that year, the amount of the increase in the value of the portfolio.

No performance fee is payable with respect to any performance period where the portfolio has decreased in value over that period. On 19 May 2015, WMK announced that if the portfolio underperformed the benchmark over a financial year, that underperformance is to be recouped before any entitled performance fee can be accrued.

No performance fees were paid to WFM in FY18 (c.\$164k was paid in FY17).

Following implementation of the Proposed Scheme, the RE will appoint WFM as Manager, which will operate under an amended long/short mandate focusing on Australian shares. However, until the Proposed Scheme is approved, WFM will continue to manage the Company's portfolio in accordance with its existing investment mandate.

3.1.2. Investment portfolio

As at 31 December 2018, WMK's portfolio had long and short positions in 105 companies across sectors including, but not limited to, Financials, Materials, Industrials and Consumer Discretionary.

The top ten holdings of WMK's long portfolio as at 31 December 2018 are shown below.

Table 4: WMK top ten long positions as at 31 December 2018

Security	Percentage of long portfolio
Commonwealth Bank of Australia	8.3%
Scentre Group	6.8%
Aurelia Metals Limited	3.8%
Downer EDI Limited	3.5%
Insurance Australia Group Limited	3.5%
Tabcorp Holdings Limited	3.4%

Security	Percentage of long portfolio
Sonic Healthcare Limited	3.4%
CSL Limited	3.3%
AusNet Services Limited	2.9%
Wesfarmers Limited	2.9%
Total	42.0%

Source: Information provided by WMK Management

3.1.3. Investment performance

Over the year ended 30 June 2018 (“FY18”), the Company’s portfolio fell by 2.2% and reported an after-tax loss of c.\$2.1m. The negative performance issues for the fund were largely attributable to the international portfolio. As such, the Manager responded to these issues with a number of changes. Firstly, WFM reduced international exposure to 20% by cutting the international balance sheet for WMK in half. Secondly, the investment team was reorganised with duties separated between international and domestic investments.

3.2. Historical statement of profit or loss and other comprehensive income

The audited income statements for the financial years ended 30 June 2017 (“FY17”) and FY18 are set out below.

Table 5: Historical statement of profit or loss and other comprehensive income

\$'000s	Audited FY17	Audited FY18
Investment income from ordinary activities		
Net (losses)/gains on investments	5,687	(102)
Dividends	2,438	2,019
Interest	2,432	2,349
Trust distributions	161	317
Other income	-	1
Total income	10,718	4,583
Expenses		
Management fees	(921)	(839)
Performance fees	(164)	-
Brokerage expense	(1,288)	(956)
Short dividend expense	(3,837)	(3,193)
Interest expense	(1,748)	(1,621)
Stock loan fees	(736)	(463)
Accounting fees	(116)	(100)
Share registry fees	(68)	(60)
Directors' fees	(130)	(130)
ASX fees	(54)	(54)
Audit fees	(41)	(62)
Imputation credits	(99)	(55)
Other expenses	(106)	(130)
Total expenses	(9,310)	(7,663)
(Loss)/profit before income tax	1,408	(3,080)
Income tax (expense)/benefit	147	1,028
(Loss)/profit for the year	1,554	(2,052)
Other comprehensive (loss)/income for the year, net of tax	-	-
Total comprehensive (loss)/income for the year	1,554	(2,052)

Source: Audited financial statements of WMK for FY17 and FY18

3.3. Historical statement of financial position

The audited statements of financial position of WMK as at 30 June 2017 and 30 June 2018 and management accounts as at 31 December 2018 are set out below.

Table 6: Historical statement of financial position

\$'000s	Audited as at 30-Jun-17	Audited as at 30-Jun-18	Mgmt accts as at 31-Dec-18
Cash and cash equivalents	80,021	73,481	70,968
Financial assets at fair value through profit or loss	115,206	74,759	41,504
Trade and other receivables	11,169	5,343	298
Current tax assets	-	-	160
Prepayments	24	-	43
Total current assets	206,421	153,583	112,972
Deferred tax assets	1,425	2,515	3,259
Total non-current assets	1,425	2,515	3,259
Total assets	207,847	156,098	116,231
Financial liabilities at fair value through profit or loss	113,181	70,221	42,248
Trade and other payables	5,916	4,520	118
Derivative financial instruments	-	39	-
Current tax liabilities	1	-	(626)
Total current liabilities	119,097	74,780	41,739
Deferred tax liabilities	41	12	(505)
Total non-current liabilities	41	12	(505)
Total liabilities	119,139	74,792	41,234
Net assets	88,708	81,305	74,997
EQUITY			
Issued capital	86,782	84,475	83,322
Profits reserve	2,954	61	345
Accumulated losses	(1,028)	(3,231)	(8,671)
Total equity	88,708	81,305	74,997

Source: Audited financial statements of WMK for FY17 and FY18, and management accounts for the six-months ended 31 December 2018

We note the following regarding WMK's historical statement of financial position:

- Financial assets at fair value through profit or loss decreased from c.\$115.2m at 30 June 2017 to c.\$74.8m at 30 June 2018. This was largely due to the Manager responding to poor performance of WMK's international portfolio by cutting the international balance sheet for WMK in half, and therefore reducing international exposure to 20% as a share of the total portfolio. As a result, there was a corresponding decrease in financial liabilities (shorted stocks) from c.\$113.2m at 30 June 2017 to c.\$70.2m at 30 June 2018.
- Trade and other receivables decreased from c.\$11.2 million at 30 June 2017 to c.\$5.3m at 30 June 2018. This can be largely attributed to a decrease in unsettled trades, from c.\$10.8m at 30 June 2017 to c.\$4.4m at 30 June 2018. Trade and other receivables of \$298k at 31 December 2018 comprise c.\$142k related to bank interest receivable, c.\$99k of unsettled trades and c.\$57k of dividends receivable.

- On 12 February 2019, WMK announced that the deferred tax assets will be written down to zero as a result of the Proposed Scheme. We have analysed the potential value of deferred tax assets in sections 6, 8 and 9 of this report.
- As a result of WMK's ongoing buyback programmes, issued capital decreased from c.\$86.8m at 30 June 2017 to c.\$84.5m and c.\$83.3m at 30 June 2018 and 31 December 2018, respectively.

3.4. Capital structure

The share structure of WMK at 31 December 2018 is outlined below.

Table 7: WMK's ordinary shares on issue

	Number of securities
Fully Paid Ordinary Shares	81,402,701
Total Securities	81,402,701

Source: WMK share registry

3.5. Ownership

As at 31 December 2018, WMK had c.81.4m fully paid ordinary shares on issue. The top 20 shareholders collectively own c.16.0% of the equity interest in WMK.

The top 20 WMK Shareholders as at 31 December 2018 are shown below.

Table 8: WMK top 20 shareholders

Rank	Shareholder	Current shares	% of total shares
1	JP Morgan Nominees Australia	2,089,923	2.6%
2	HSBC Custody Nominees	1,861,588	2.3%
3	Mr Robert Ferguson	1,000,000	1.2%
4	Graham Evans Investments Pty	750,000	0.9%
5	Zanacorp Financial Group	650,000	0.8%
6	BNP Paribas Nominees Pty Ltd	630,594	0.8%
7	Mr Stephen Richard Brown	625,000	0.8%
8	BNP Paribas Noms Pty Ltd	564,324	0.7%
9	Sadler Management Pty Ltd	500,000	0.6%
10	First Covenant Pty Ltd	500,000	0.6%
11	Eliza Braitling Foundation Pty Ltd	438,000	0.5%
12	Mr Joseph Zanca	435,000	0.5%
13	Owen Investment Co Pty Limited	402,897	0.5%
14	Huw Investment Co Pty Limited	402,895	0.5%
15	Bryn Investment Co Pty Limited	402,895	0.5%
16	Horton Pty Ltd	394,563	0.5%
17	Netwealth Investments Limited	390,740	0.5%
18	HSBC Custody Nominees	335,000	0.4%
19	Mr Neil James Richardson	318,316	0.4%
20	Rep Super Pty Ltd	304,244	0.4%
	Total top 20	12,995,979	16.0%

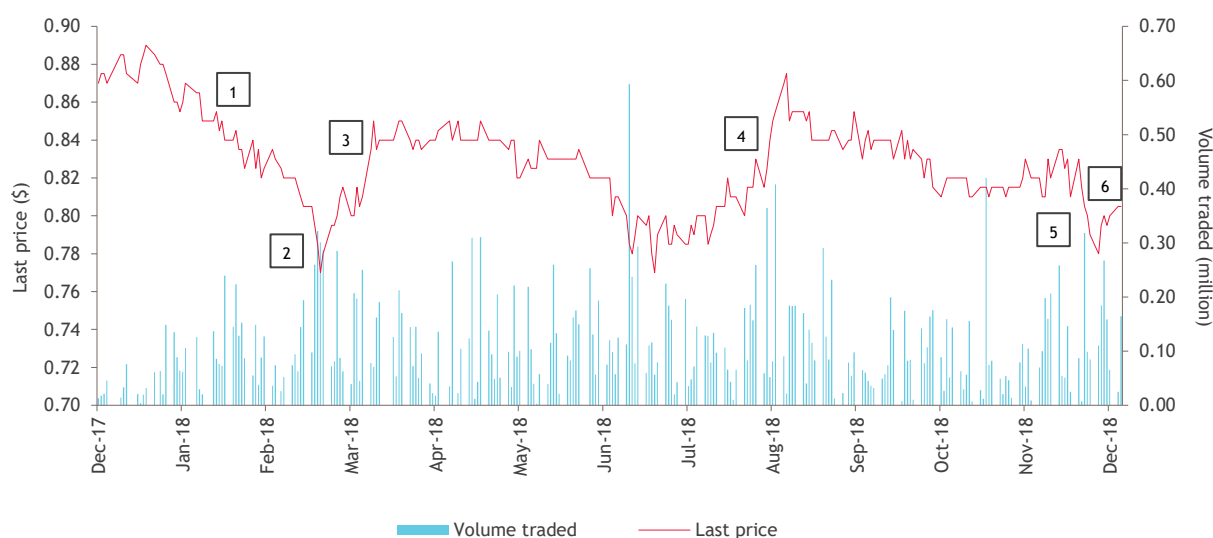
Source: WMK Management

3.6. Historical share trading analysis

WMK's share price movements for the 12 months to 18 December 2018 are shown below. WMK entered into a trading halt on 19 December 2018 prior to the announcement of the Proposed Scheme.

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Figure 2: Daily closing share price and trading volume (19 December 2017 to 18 December 2018)



Source: Capital IQ

We note the following key movements from the chart above:

1. On 15 February 2018, an additional 12 month on-market share buy-back program was announced by the Company effective on the same date. At 20 December 2018, approximately 5.7 million shares had been bought back by the Company.
2. WMK's share price decreased to \$0.77 on 9 March 2018 (c.11% fall compared to the beginning of January 2018) due in part to falls in the Asian and United States markets.
3. Throughout April 2018, the Non-Independent Director Mr. Justin Braitling made several on market trades, acquiring c.464,000 shares.
4. On 6 August 2018, WMK announced a 2.92% increase in portfolio value for the month of July 2018.
5. On 5 December 2018, WMK released its investment update as at November 2018, reporting a decrease in the portfolio by 2.77% for the month.
6. On 20 December 2018, WMK announced the proposed a restructuring of the Company to become an unlisted registered unit trust.

3.6.1. Volume weighted average price

WMK's volume weighted average price ("VWAP") over the 12-month period preceding the announcement of the Proposed Scheme (announced on 20 December 2018) is set out in the table below. We note WMK entered a trading halt on 19 December 2018.

Table 9: WMK's VWAP analysis (to 18 December 2018)

Period	Price (Low) \$	Price (High) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
1 day	0.80	0.81	0.80	0.13	0.16	0.2%
1 week	0.78	0.81	0.80	0.54	0.68	0.8%
1 month	0.78	0.84	0.81	2.29	2.84	3.5%
3 months	0.78	0.85	0.82	5.24	6.41	7.8%
6 months	0.77	0.88	0.82	12.01	14.70	17.7%
12 months	0.76	0.89	0.82	22.65	27.53	32.6%

Source: Capital IQ, BDO analysis

We note the following with respect to the VWAP analysis displayed above:

- The 3 to 12-month VWAP of WMK are relatively stable at \$0.80 to \$0.82 per share.
- The price of WMK Shares over the 12-month period preceding the Proposed Scheme ranged from \$0.76 to \$0.89.
- Over the 12-month period immediately preceding the Proposed Scheme, the cumulative value of WMK Shares traded was \$22.65m. WMK is considered to have relatively low levels of liquidity, with the 12-month volume traded equivalent to 32.6% of total issued capital.

4. PROFILE OF THE FUND

4.1. Overview

The Watermark Absolute Return Fund (the Fund) was established for the purposes of the Proposed Scheme.

The Fund will employ a long/short (variable beta) strategy, compared to WMK's current market neutral investment approach. A variable beta strategy is similar to a market neutral strategy in a number of ways, which are detailed further in the Scheme Booklet.

The Fund's investment strategy differs from WMK in that:

- the net exposure of the Fund may vary, up to +/- 100% of the Fund's capital, but typically less than 50%; and
- it will target a higher return than WMK.

4.2. Investment guidelines

The Fund will hold both a long and a short portfolio as part of its strategy. The Fund will be diversified across sectors and industries, typically holding between 40 - 80 positions in each portfolio. Whilst the fund will be focussed on ASX securities, it has the capacity to hold up to 20% of its gross exposure in international securities.

Key details surrounding the Fund's investment guidelines are set out below.

Table 10: the Fund's investment guidelines

Asset class	Allocation range
Securities listed on the ASX	Up to 400% of the Fund's capital but typically between 150-300%
Securities listed on any other licensed securities market with regulation and disclosure requirements comparable to the ASX	Up to but typically less than, 20% of the value of each of the long and short portfolios
Listed warrants and options	Up to 200% of the Fund's capital but typically zero
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	Up to 100% of the Fund's capital but typically zero
Cash or cash equivalents	Up to 110% of the Fund's capital
Debentures, unsecured notes and bonds of a corporation or government of at least an investment grade credit rating	Up to 150% of the Fund's capital but typically zero
Units or interests in cash management trusts	Up to 110% of the Fund's capital
Any other financial products which Watermark may use in the management of the Fund's portfolio in accordance with its Australian financial services licence	Up to 200% of the Fund's capital but typically zero
Exchange traded derivatives, such as Share Price Index Futures	Up to 100% of the Fund's capital but typically zero
OTC derivatives, such as Interest Rate or Foreign Exchange Swaps	Up to 50% of the Fund's Capital but typically zero

Source: Watermark Absolute Return Fund PDS

4.3. WFM management agreement

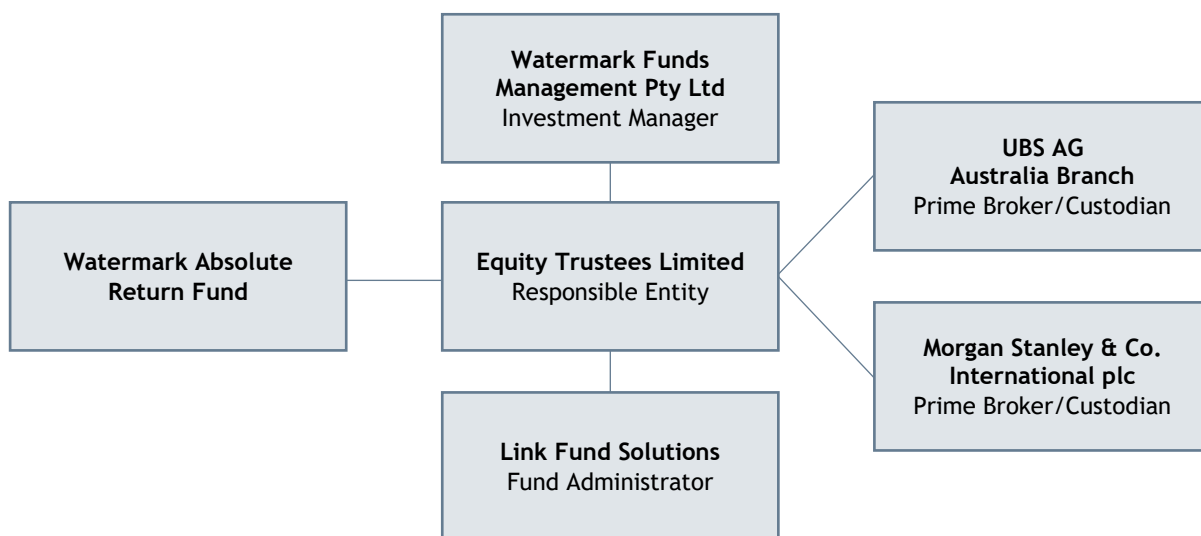
Equity Trustees Limited, as RE of the Fund, has appointed WFM as the Investment Manager of the Fund. The management costs are 1.00% per annum of the NAV of the Fund, and a performance fee of 20.5% per annum (including goods and services tax, net of reduced input tax credit) of the increase in NAV which exceeds the benchmark, subject to a high-watermark.

Under s601FM of the Act, members will be have the power to remove the Manager through the requisition of a meeting to remove the RE. The management agreement is terminable by the RE for any reason on 30 business days' notice.

4.4. Fund structure

The Fund is an unlisted Australian unit trust registered under the Corporations Act as a managed investment scheme. The Fund's structure is set out below.

Figure 3: Structure of the Fund



Source: Watermark Absolute Return Fund PDS

4.5. Pro-forma position of the Fund

The Proposed Scheme is being conducted contemporaneously with another scheme being carried out by WGF. At the date of the Scheme Meeting, there is uncertainty as to the outcome of the WGF Scheme. Therefore, we set out the pro-forma position of the Fund under two scenarios:

- 1) Scenario 1 - WMK Shareholders approve the Proposed Scheme and the WGF shareholders do not approve the WGF Scheme;
- 2) Scenario 2 - Both the Proposed Scheme and the WGF Scheme are approved.

Set out below is the pro-forma position of the Fund under each scenario.

Table 11: Pro-forma position of the Fund under Scenario 1

	Reference	\$'000
WMK NAV at 31 December 2018	Section 3.3.	74,997
Less: Investment portfolio realisation costs	1	(251)
Less: Deferred tax assets	2	(3,259)
Less: Deferred tax liability (debit balance)	3	(505)
Less: Transaction costs	4	(315)
Fund pre-tax NTA at 31 December 2018		70,667

Source: WMK Management, BDO analysis

1. Investment portfolio realisation costs

In assessing the pro-forma position of the Fund under Scenario 1, we have taken into consideration costs incurred on the realisation of the investment portfolio which relate to the exit fees payable in order to liquidate the WMK's current investments. Management have estimated the investment portfolio realisation costs at 0.3% of market value of the portfolio as at 31 December 2018, amounting to c.\$251k.

2. Deferred tax assets

Deferred tax assets will not be transferred to the Fund and will remain with WMK. WMK will be 100% owned by the Manager.

3. Deferred tax liability

As at 31 December 2018, WMK's deferred tax liability had a debit balance of c.\$505k. Following transfer of assets to the Fund, it is unlikely this amounts will be realised. As such, we have excluded this balance from the assets to be transferred to the Fund.

4. Transaction costs

In order to implement the Proposed Scheme, WMK has incurred certain corporate advisory, legal and other related costs which have been considered in calculating the NAV of WMK. As outlined in the Scheme Booklet, the transaction costs associated with the Proposed Scheme is expected to be approximately \$315k and will be borne by WMK. The payment of these transaction costs will be satisfied in part using the Retention Amount following successful implementation of the Proposed Scheme.

Table 12: Pro-forma position of the Fund under Scenario 2

	Note	WMK \$'000	WGF \$'000	Total \$'000
NAV at 31 December 2018		74,997	75,917	150,914
Less: Investment portfolio realisation costs	1	(251)	(16)	(267)
Less: Deferred tax assets	2	(3,259)	(2,615)	(5,874)
Less: Deferred deferred tax liability (debit balance)	3	(505)	-	(505)
Less: Transaction costs	4	(315)	(165)	(480)
Fund pre-tax NTA at 31 December 2018		70,667	73,121	143,788

Source: WMK and WGF Management, BDO analysis

1. Investment portfolio realisation costs

In assessing the pro-forma position of the Fund under Scenario 1, we have taken into consideration costs incurred on the realisation of the investment portfolio which relate to the exit fees payable in order to liquidate the WMK and WGF's current investments. Management have estimated the investment portfolio realisation costs at 0.3% of market value for each of WMK and WGF. This equates to realisation costs of c.\$251k and c.\$16k for WMK and WGF, respectively.

2. Deferred tax assets

Deferred tax assets will not be transferred to the Fund and will remain with WMK and WGF. WMK and WGF will be 100% owned by the Manager. As such, we have attributed no value to the deferred tax assets for both WMK and WGF.

3. Deferred tax liability

As at 31 December 2018, WMK's deferred tax liabilities had a debit balance of c.\$505k. Following transfer of assets to the Fund, it is unlikely this amounts will be realised. As such, we have excluded this balance from the assets to be transferred to the Fund.

4. Transaction costs

In order to implement the Proposed Scheme, WMK and WGF have incurred certain corporate advisory, legal and other related costs which have been taken into consideration in calculating the NAV of the Fund. As outlined in the Scheme Booklet, the transaction costs associated with the Proposed Scheme and the WGF Scheme is expected to be c.\$315k and c.\$165k for WMK and WGF, respectively, and will be borne by the companies. We note that in the case of WGF, the first \$150k of transaction costs are to be borne by the Manager (i.e. total transaction costs are c.\$315k, with the total amount to be paid by WGF being \$165k). The payment of these transaction costs will be satisfied in part using WMK and WGF's respective retention amounts following successful implementation of the Proposed Scheme and the WGF Scheme.

5. FAIRNESS ASSESSMENT AND VALUATION METHODOLOGY

5.1. Fairness assessment overview

The Proposed Scheme is fair if the FMV of the Scheme Consideration, being the number of units in the Fund WMK Shareholders receive for every WMK Share held, is equal to or greater than the FMV of a WMK Share pre-transaction on a control basis.

Accordingly, we have undertaken an assessment of the value of a WMK Share prior to the Proposed Scheme on a control basis, and an assessment of the Scheme Consideration. We have utilised a calculation date of 31 December 2018 for the purposes of our valuation.

The valuation methods commonly used for the above analyses are considered below.

5.2. Valuation methods

Details of common methodologies for valuing businesses and assets are included at Appendix 2. The principal methodologies which can be used are as follows:

- Discount cash flow (“DCF”);
- Capitalisation of future maintainable earnings (“COE”);
- Net asset value (“NAV”); and
- Quoted market price basis (“QMP”).

Set out below is a discussion of the valuation methods we consider appropriate for the purposes of undertaking our fairness assessment.

5.3. Selected valuation method for WMK

In accordance with RG 111.15, we have considered the FMV of WMK on the basis of “a knowledgeable and willing, but not anxious, seller that is able to consider alternative options to the bid”. This approach does not take into account the particular circumstances of any specific transaction, and therefore we have not considered whether there is any premium in value attached to the strategic benefits or gains from synergies that may be inherent in an acquisition by a specific party, e.g. an industry competitor or supplier.

In our assessment of the value of WMK, we have chosen to employ the following methodologies:

- the NAV method, which estimates the market value of a company by separately valuing each asset and liability of the company and then aggregating their fair market values. We have utilised the orderly realisation of assets method as the basis for our NAV. Using this methodology, the value of the net assets of the company is adjusted for the time, cost and taxation consequences of realising the company’s assets; and
- QMP method, which represents the value that a WMK Shareholder can receive for a share if sold on the market.

We have chosen these methodologies for the following reasons:

- the QMP basis is a relevant methodology to consider because WMK shares are listed on the ASX and this reflects the value that a WMK Shareholder will receive for a share sold on market. This means that there is a regulated and observable market where WMK shares can be traded. However, in order for the QMP to be considered appropriate, the Company’s shares should be liquid and the market should be fully informed of the Company’s activities;
- NAV is generally considered the most appropriate method when a significant portion of a company’s comprise liquid assets or other investments including marketable securities, real estate investments and mineral rights. As WMK is a LIC, we consider the NAV methodology to be appropriate;
- We do not consider that we have reasonable grounds to rely on forecast cash flows for WMK and therefore we do not consider the application of the DCF methodology to be appropriate; and
- The FME methodology is most commonly applicable to profitable businesses with steady growth histories and forecasts. We do not consider the FME methodology to be appropriate as WMK’s profitability has been volatile. As such, we do not have a reasonable basis to assess future maintainable earnings of the Company.

5.4. Selected valuation method for the Scheme Consideration

The Scheme Consideration constitutes the number of units in the Fund WMK Shareholders receive for every WMK Share held, however is calculated differently depending on whether Scenario 1 or Scenario 2 occurs.

5.4.1. Scenario 1

Under Scenario 1, we assume the Proposed Scheme is approved and the WGF Scheme is not approved.

We have performed our analysis of the Scheme Consideration under Scenario 1 using the following three steps:

- 1) determining the value of the Fund, assuming WMK's assets are transferred to the Fund;
- 2) determining the number of units in the Fund to be issued to each WMK Shareholder, utilising the calculation of Scheme Consideration as noted in the Scheme Booklet; and
- 3) determining the Scheme Consideration per WMK share held.

5.4.2. Scenario 2

Under Scenario 2, we assume both the Proposed Scheme and the WGF Scheme are approved.

We have performed our analysis of the Scheme Consideration under Scenario 2 using the following three steps:

- 1) determining the value of the Fund, assuming WMK and WGF's assets are transferred to the Fund;
- 2) determining the number of units in the Fund to be issued to each WMK Shareholder, utilising the calculation of Scheme Consideration as noted in the Scheme Booklet; and
- 3) determining the Scheme Consideration per WMK share held.

5.5. Other valuation considerations

5.5.1. Future events

The businesses of WMK and the Fund that we have considered is that which existed as at the date the Proposed Scheme was announced. Growth potential, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of our assessment.

5.5.2. Synergies

The level of synergies that can be derived from a takeover or merger is dependent on the nature of the respective businesses and their geographical and operational overlap.

In relation to the Proposed Scheme, potential synergies may be available across a range of areas, including a reduction in the management expense ratio as a result of the removal of duplicated expenses between the two companies as well as a larger pool of assets to spread the expenses across.

We have not considered special value in forming our opinion. Accordingly, we have not attributed any value to the potential synergies listed above in our valuation approach beyond those generally observed in the market. These synergies have been reflected in the value of WMK prior to the Proposed Scheme via the inclusion of a premium for control.

5.5.3. Premium for control

Investment fundamentals dictate that the value of 100% of an entity is normally greater than the sum of values attributable to the individual shares of that company based on transactions in minority share holdings.

The difference between the value of 100% of a company and the total value of minority share holdings is referred to as a "premium for control" taking into account control and synergistic benefits for the acquirer.

Control of a company by a shareholder gives that shareholder rights to which minority shareholders are not entitled, including control of the company's policies and strategies, and use of cash flows of the company.

A premium for control is applicable when an acquisition would give rise to benefits such as:

- the ability to realise synergistic benefits;
- access to cash flows;
- access to tax benefits; and
- control of the board of directors of the company.

Therefore, a transaction premium would typically include a premium for control as well as potential buyer specific synergies.

The level of premium for control paid in a takeover bid will vary across industries and is dependent upon the specifics of the company being acquired. In arriving at an appropriate premium for control to apply, we note that buyers would generally assess the following considerations:

- level of liquidity in the trade of the target's securities;
- synergistic value;
- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited; and
- ability to integrate the target into the acquirer's business.

An acquirer of the Company could potentially reduce corporate overheads and realise synergies through the integration into their business while, at the same time incurring one-off integration expenses.

In our assessment of an appropriate control premium for WMK, we reviewed Australian LIC acquisitions over the period 2012 to 2018. We note the industry historically lacks an active M&A market. We reviewed the offer premium to the share price one trading day before the offer announcements along with the offer premium to the pre-tax NTA of the target prior to the announcement. The details of the three transactions are set out below. We note one-day prior control premiums are in the range of 0.0% to 15.0%, with an average premium of c. 5.5%, while premiums to NTA average c. 1.0%.

Table 13: Control premiums

Transaction Announce Date	Target	Buyer	Offer Price	Target Share Price	Target NTA	1-Day Premium to Target Share Price	Premium to Target NTA
30/08/2018	Wealth Defender Equities Ltd.	WAM Capital Ltd.	1.00	0.87	0.97	15.1%	3.0%
21/02/2017	Century Australia Investments Ltd.	Century Australia Investments Ltd.	0.94	0.93	0.94	1.2%	0.0%
14/09/2012	WAM Capital Ltd.	Premium Investors Ltd.	1.64	1.64	1.64	0.2%	0.0%
					Maximum	15.1%	3.0%
					Average	5.5%	1.0%
					Median	1.2%	0.0%
					Minimum	0.2%	0.0%

Source: ASX announcements, Capital IQ and BDO analysis

Further, we have reviewed 25 LICs in the Australian market. We have determined the premium for control by comparing the NTA of the LIC to the traded price of the share. NTAs are generally considered controlling values, whilst market traded values are minority values (we note the data above supports our view that the NTA value of a LIC is a controlling value). We note that other factors may contribute to LICs trading below the NTA value such as the cost of funding management expenses.

In addition to the above, we do not believe that there is a significant premium to be paid for control due to the simplicity of recreating portfolios held by LICs as well as the low costs associated with replicating these portfolios.

Table 14: Average Australian LIC premiums/(discounts) to NTA

	FY2017 Premium/(Discount)	FY2018 Premium/(Discount)
Max	24.5%	20.2%
Average	-2.8%	-5.1%
Median	-3.9%	-5.9%
Min	-14.2%	-16.7%

Source: Capital IQ and BDO analysis

Our results indicate that there is a significant spread in relation to discounts and premiums to NTA in the market, with discounts of up to c.16.7% and premiums of up to c.24.5% being noted over the past two years. It can be

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noted however, that the average results of our analysis illustrates an average discount over the last two years of between 2.8% and 5.1% and a median of between 3.9% and 5.9%.

Based on the above, we consider a control premium of between 2% and 5% to be appropriate for WMK. Refer to Appendix 3 for a list of LICs utilised in our analysis.

5.5.4. Valuation in accordance with APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

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6. VALUATION OF WMK

See below for the valuation assessment of WMK based upon the adjusted NAV method and the QMP method.

6.1. FMV of WMK using the NAV method

We have assessed the FMV of WMK on a control basis prior to the Proposed Scheme. We applied adjustments to the NAV, as discussed in more detail below, as the resulting value represents 100% of the equity value of WMK on an orderly realisation of assets method. As such, we have valued WMK on the basis of its estimated realisable value after allowing for realisation expenses and after all liabilities have been extinguished.

Table 15: NAV

\$'000s	Note	Mgmt accts as at 31-Dec-18	Low value	High value
Cash and cash equivalents		70,968	70,968	70,968
Financial assets at fair value through profit or loss		41,504	41,504	41,504
Trade and other receivables		351	351	351
Current tax assets	1	107	107	107
Prepayment		43	43	43
Total current assets		112,972	112,972	112,972
Deferred tax assets	2	3,259	-	3,259
Total non-current assets		3,259	-	3,259
Total assets		116,231	112,972	116,231
Financial liabilities at fair value through profit or loss		42,248	42,248	42,248
Trade and other payables		118	118	118
Current tax liabilities	3	(626)	(626)	(626)
Total current liabilities		41,739	41,739	41,739
Deferred tax liabilities	2	(505)	-	(505)
Total non-current liabilities		(505)	-	(505)
Total liabilities		41,234	41,739	41,234
Net assets		74,997	71,233	74,997
<i>Less: Investment portfolio realisation costs</i>	4		(251)	(251)
<i>Less: Estimated transaction costs</i>	5		(315)	(315)
<i>Less: Manager compensation payment</i>	6		(3,180)	-
Adjusted net assets			67,487	74,431
Number of shares on issue at 31 December 2018	7		81,403	81,403
Value per share (\$)			0.83	0.91

Source: WMK Management, Capital IQ, and BDO analysis

BDO has considered the following in applying the NAV methodology:

1. Current tax asset

Current tax assets of c.\$107k at 30 December 2018 relate to withholding tax receivable. WMK's portfolio will be liquidated in advance of implementation of the Proposed Scheme, and all refunds including the withholding tax will be credited to WMK for transfer to the Fund. As such, we have not adjusted the current tax asset.

2. Deferred tax asset and liability

We note that as we are assessing the valuation of WMK utilising the orderly realisation of assets method, we have removed the value of WMK's deferred tax assets for the low scenario. This is because a deferred tax asset cannot be realised in the absence of taxable profits. As there is uncertainty as to the ability of WMK to generate profits, we have attributed no value to the tax losses in the low scenario. 100% of the value of the tax losses have been included in the high scenario.

WMK's deferred tax liability had a debit balance of c.\$505k at 31 December 2018. As such, we have reduced this value to nil in the low scenario (as it is a negative liability).

3. Current tax liabilities

Current tax liabilities of c.\$626k recorded a debit balance at 31 December 2018, and related to an income tax refund that WMK is entitled to. As this amount is likely to be received by WMK, we have not adjusted for this amount.

4. Investment portfolio realisation costs

In assessing the NAV of WMK we have taken into consideration costs incurred on the realisation of the investment portfolio which relate to the exit fees payable in order to liquidate the WMK's current investments. Management have estimated the investment portfolio realisation costs at 0.3% of market value of the portfolio as at 31 December 2018, amounting to c.\$251k.

5. Estimated transaction costs

In order to implement the Proposed Scheme, WMK has incurred certain corporate advisory, legal and other related costs which BDO has taken into consideration in calculating the NAV of WMK. As outlined in the Scheme Booklet, the transaction costs associated with the Proposed Scheme is expected to be approximately \$315k and will be borne by WMK. These costs will be incurred even if the Proposed Scheme is not approved by WMK Shareholders.

6. Manager compensation payment

Upon an orderly realisation of WMK's assets and the winding up of the Fund, a liability may arise pertaining to the termination of the management agreement with WFM.

Management has advised the term of the WMK management agreement is ten years from the commencement date on 16 July 2013, and due to expire on 26 June 2023. As such, the Manager may seek a claim for unpaid management fees up until that date in the amount of c.\$3.18m.

We have accounted for this potential liability in our low valuation.

7. Shares on issue at 31 December 2018

As at 31 December 2018, WMK had c.81.4m shares on issue.

The above adjustments resulted in an implied NAV valuation range of between c.\$67.5m to c.\$74.4m. This translates to a value per share of \$0.83 to \$0.91.

6.2. FMV of WMK - QMP method

To provide a comparison to the valuation of WMK in Section 7.1, we have also assessed the quoted market price for a WMK share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.69 states that for the quoted market price methodology to be an appropriate methodology, there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- regular trading in a company's securities;
- approximately 1% of a company's securities are traded on a weekly basis;

- the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- there are no significant and unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active'. However, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

Our analysis of the quoted market price of a WMK share is based on pricing prior to the announcement of the Proposed Scheme. This is because the value of a WMK share after the announcement may include the effects of any change in value as a result of the Proposed Scheme itself.

Information on the Proposed Scheme was announced to the market on 20 December 2018, and WMK was in a trading halt on 19 December 2018. Therefore, we have assessed the share price of WMK up to 18 December 2018, being the trading day prior to the trading halt.

Table 16: Share price analysis

Period	Price (Low) \$	Price (High) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
1 day	0.80	0.81	0.80	0.13	0.16	0.2%
1 week	0.78	0.81	0.80	0.54	0.68	0.8%
1 month	0.78	0.84	0.81	2.29	2.84	3.5%
3 months	0.78	0.85	0.82	5.24	6.41	7.8%
6 months	0.77	0.88	0.82	12.01	14.70	17.7%
12 months	0.76	0.89	0.82	22.65	27.53	32.6%

Source: Capital IQ and BDO analysis

We have calculated WMK's VWAP over various periods preceding the Proposed Scheme date, and included a control premium range of 2% to 5%. (Refer to section 5.5.3)

Table 17: QMP approach

Period	Price VWAP \$	2% Control premium \$	5% Control premium \$
1 day	0.80	0.82	0.84
1 week	0.80	0.81	0.84
1 month	0.81	0.82	0.85
3 months	0.82	0.83	0.86
6 months	0.82	0.83	0.86
12 months	0.82	0.84	0.86

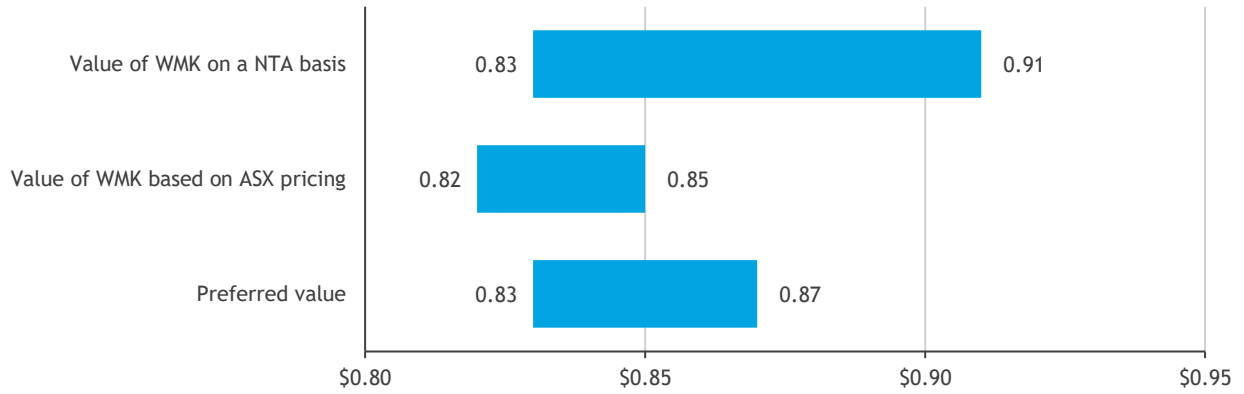
Source: Capital IQ and BDO analysis

Overall, we consider a value of \$0.82 and \$0.85 on a control basis to be an appropriate value for a WMK share.

6.2.1. Conclusion as to the FMV of a WMK share

A summary of our valuation is set out below.

Figure 4: WMK FMV Summary



Source: BDO analysis

We consider a preferred value of \$0.83 to \$0.87 to be appropriate for WMK, on a control basis, prior to the implementation of the Proposed Scheme. We have not included the high end of the NTA valuation in our preferred valuation range, as it includes the full value of the tax assets and does not include any compensation to the Manager if the management agreement with WFM were to be terminated.

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7. VALUATION OF THE SCHEME CONSIDERATION

The Scheme Consideration constitutes the number of units in the Fund WMK Shareholders receive for every WMK Share held, however is calculated differently depending on whether Scenario 1 or Scenario 2 occurs.

Scenario 1 assumes WMK Shareholders approve the Proposed Scheme, however WGF shareholders do not approve the WGF Scheme.

Scenario 2 assumes WMK Shareholders approve the Proposed Scheme, and WGF shareholders also approve the WGF Scheme.

As there is uncertainty as to whether the WGF Scheme will proceed, we have assessed Scenario 1 and Scenario 2 separately. We have assumed a calculation date of 31 December 2018, as this is the latest available.

We have set out our analysis of the Scheme Consideration separately based on Scenario 1 and Scenario 2 as follows.

8. SCENARIO 1 - Only the Proposed Scheme is approved (WGF Scheme is not approved)

Under Scenario 1, the Proposed Scheme is approved and the WGF Scheme is not approved.

We have performed our analysis of the Scheme Consideration under Scenario 1 using the following three steps:

- 1) determining the value of the Fund, assuming WMK's assets are transferred to the Fund;
- 2) determining the number of units in the Fund to be issued to each WMK Shareholder, utilising the calculation of Scheme Consideration as noted in the Scheme Booklet; and
- 3) determining the Scheme Consideration per WMK share held.

8.1. Determining the value of the Fund

Set out below is our valuation of the Fund under Scenario 1, with corresponding notes 1 - 4 also included below.

Table 18: Value of the Fund (Scenario 1)

	Reference	\$'000
WMK NAV at 31 December 2018	Section 3.3.	74,997
<i>Less:</i> Investment portfolio realisation costs	Note 1	(251)
<i>Less:</i> Deferred tax assets	Note 2	(3,259)
<i>Less:</i> Deferred tax liability (debit balance)	Note 3	(505)
<i>Less:</i> Transaction costs (including Retention Amount)	Note 4	(315)
Value of the Fund		70,667

Source: WMK Management, BDO analysis

We have considered the following in assessing the value of the Fund under Scenario 1:

1. Investment portfolio realisation costs

In assessing the pre-tax NTA at 31 December 2018 we have taken into consideration cost incurred on the realisation of the investment portfolio which relate to the exit fees payable in order to liquidate the WMK's current investments. Management have estimated the investment portfolio realisation costs at 0.3% of market value of the portfolio as at 31 December 2018, amounting to c.\$251k.

2. Deferred tax assets

Deferred tax assets will not be transferred to the Fund and will remain with WMK. WMK will be 100% owned by the Manager. As such, we have deducted this amount to calculate the value of the Fund.

3. Deferred tax liability

As at 31 December 2018, WMK's tax liability had a debit balance of c.\$505k. Following transfer of assets to the Fund, it is unlikely this amount will be realised. As such, we have excluded this balance from the assets to be transferred to the Fund.

4. Transaction costs (including Retention Amount)

In order to implement the Proposed Scheme, WMK has incurred certain corporate advisory, legal and other related costs which BDO has taken into consideration in calculating the value of the Fund. As outlined in the Scheme Booklet, the transaction costs associated with the Proposed Scheme is expected to be approximately \$315k and will be borne by WMK. The payment of these transaction costs will be satisfied in part using the Retention Amount (\$100k) following successful implementation of the Proposed Scheme.

Based on the above, the value of the Fund under Scenario 1 is c.\$70.7m.

8.2. Number of units in the Fund to be issued to each WMK Shareholder

Under Scenario 1, the Fund will issue one unit in the Fund for each dollar it receives from WMK.

As set out in Section 8.1, the net assets of the Fund based on 31 December 2018 balances is c.\$70.7m. Therefore, there will be c.70.7m units on issue in the Fund.

Currently, there are c.81.4m WMK shares on issue. Therefore, WMK Shareholders will receive 0.87 units in the Fund per WMK Share held.

Table 19: Merger ratio

Number of units to be issued in the Fund (A)	70,667
WMK Shares on issue (B)	81,403
Merger ratio (A/B)	0.87

Source: WMK Management, BDO analysis

As set out above, the number of units in the Fund to be issued to each WMK Shareholder is 0.87 units per WMK share held.

8.3. Scheme Consideration per WMK Share held

Set out below is the Scheme Consideration per WMK Share held.

Table 20: Scheme Consideration per WMK Share held (Scenario 1)

	Reference	\$'000
Value of the Fund	Section 8.1.	70,667
Number of Fund units to be issued	Section 8.2.	70,667
Value per unit		1.00
Merger ratio	Section 8.2.	0.87
Scheme Consideration per WMK share held		0.87

Source: WMK Management, BDO analysis

As set out above, the Scheme Consideration per WMK share held, on a control basis, is \$0.87. No minority discount has been applied to the Scheme Consideration per WMK share held under Scenario 1, as:

- the same shareholders will own the Fund post implementation as those who currently hold WMK Shares; and
- moving from a LIC to an unlisted trust provides members with greater power to remove the Manager via the ability to requisition a meeting to remove the RE under s601FM of the Corporations Act.

9. SCENARIO 2 - Both the Proposed Scheme and the WGF Scheme is approved

Under Scenario 2, it is assumed both the Proposed Scheme and the WGF Scheme are approved.

We have performed our analysis of the Scheme Consideration under Scenario 2 using the following three steps:

- 1) determining the value of the Fund, assuming both WMK and WGF's assets are transferred to the Fund;
- 2) determining the number of units in the Fund to be issued to WMK and WGF Shareholders, utilising the calculation of Scheme Consideration as noted in the Scheme Booklet; and
- 3) determining the Scheme Consideration per WMK share held.

9.1. Determining the value of the Fund

Set out below is our valuation of the Fund under Scenario 2, with corresponding notes 1 - 4 also set out below.

Table 21: Value of the Fund (Scenario 2)

	Reference	WMK \$'000	WGF \$'000	Total \$'000
NAV at 31 December 2018	Section 3.3.	74,997	75,917	150,914
Less: Investment portfolio realisation costs	Note 1	(251)	(16)	(267)
Less: Deferred tax assets	Note 2	(3,259)	(2,615)	(5,874)
Less: Deferred tax liability (debit balance)	Note 3	(505)	-	(505)
Less: Transaction costs	Note 4	(315)	(165)	(480)
Value of the Fund		70,667	73,121	143,788

Source: WMK and WGF Management, BDO analysis

1. Investment portfolio realisation costs

In assessing the pro-forma position of the Fund under Scenario 2, we have taken into consideration costs incurred on the realisation of the investment portfolio which relate to the exit fees payable in order to liquidate the WMK and WGF's current investment portfolio. Management have estimated the investment portfolio realisation costs at 0.3% of market value for each of WMK and WGF. This equates to realisation costs of c.\$251k and c.\$16k for WMK and WGF, respectively.

2. Deferred tax assets

Deferred tax assets will not be transferred to the Fund and will remain with WMK and WGF. WMK and WGF will be 100% owned by the Manager. As such, we have excluded this balance from the assets to be transferred to the Fund.

3. Deferred tax liability

As at 31 December 2018, WMK's deferred tax liability had a debit balance of c.\$505k. Following transfer of assets to the Fund, it is unlikely this amount will be realised. As such, we have deducted this amount in calculating the value of the Fund.

4. Transaction costs

In order to implement the Proposed Scheme, WMK and WGF have incurred certain corporate advisory, legal and other related costs which BDO has taken into consideration in calculating the NAV of the Fund. As outlined in the Scheme Booklet, the transaction costs associated with the Proposed Scheme and the WGF Scheme is expected to be c.\$315k and c.\$165k for WMK and WGF, respectively, and will be borne by the companies. The payment of these transaction costs will be satisfied in part using WMK and WGF's Retention Amount following successful implementation of the Proposed Scheme and the WGF Scheme.

9.2. Number of units in the Fund

We have assumed that under Scenario 2, WGF assets are transferred to the Fund prior to WMK's assets. We note that the order of the LICs joining the Fund does not change the outcome of our analysis.

In the event that as at the calculation date, which we have assumed to be 31 December 2018, the Fund contains the WGF assets, WMK Shareholders will receive a Scheme Consideration based on a NAV for NTA basis (Scenario 2).

WGF is contributing net assets of c.\$73.1m, and c.73.1m units will be issued to WGF shareholders.

WMK is contributing net assets of c.\$70.7m, and the units to be issued to WMK Shareholders are calculated as follows:

$$SC = (B/A) * D$$

Where:

A = the NAV of the Fund per unit.

B = the NTA of WMK per WMK share.

D = the number WMK shares held by the WMK Shareholder.

SC = the number of Fund units to be issued to each WMK Shareholder (rounded up to the nearest whole unit).

Set out below is a summary of the number of units in the Fund to be issued to each WMK Shareholder.

Table 22: Total number of units in the Fund (Scenario 2)

	Reference	\$'000
A) NAV of the Fund at 31 December 2018 per unit	Note 1	1.00
B) NTA of WMK at 31 December 2018 per WMK Share (control basis)	Note 2	0.87
D) Number of WMK shares held by WMK Shareholders	Note 3	81,403
New units to be issued to WMK Shareholders (B/A) * (D)		70,667
Add: units held by WGF shareholders in the Fund	Note 4	73,121
Total number of units in Fund		143,788

Source: WMK Management, BDO analysis

As set out above, the number of Fund units to be issued to WMK Shareholders is c.143.8m.

1. NAV of the Fund at 31 December 2018 per unit

Under Scenario 2, it is assumed that both the Proposed Scheme and the WGF Scheme are approved. As such, the NAV of the Fund at 31 December 2018 represents the value of WGF, prior to WMK transferring its assets to the Fund.

Under Scenario 2, the Scheme Consideration will be on the basis of a NTA for NAV basis. As such, the NAV per unit will be \$1.00.

2. NTA of WMK at 31 December 2018 per WMK Share

The NTA of WMK to be transferred to the Fund has been calculated in Section 8.1, which is c.\$70.7m. There are c.81.4m shares on issue in WMK. Therefore, the NTA per WMK Share is \$0.87.

3. Shares on issue

As at 31 December 2018, WMK had c.81.4m shares on issue.

4. Units held by WGF shareholders in the Fund

Under Scenario 2, the units on issue in the Fund will be determined through the WGF Scheme being applied under Scenario 1. As at 31 December 2018, WGF's pre-tax NTA was c.\$73.1m. As the number of units are issued on the basis of one Fund unit for each dollar of WGF NTA, the total number of units on issue would be c.73.1m.

9.3. Number of units in the Fund to be issued per WMK share

Currently, there are c.81.4m shares on issue in WMK, as set out in Section 9.2.

As set out in Section 9.2, c.70.7m new units in the Fund will be issued to WMK Shareholders. As such, WMK Shareholders will receive 0.87 units in the Fund for every one WMK share they hold.

This is set out below.

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Table 23: Merger ratio

	\$'000
Number of units to be issued in the Fund (A)	70,667
WMK Shares on issue (B)	81,403
Merger ratio (A/B) (\$)	0.87

Source: WMK Management, BDO analysis

9.4. Scheme Consideration per WMK share held

Set out below is the Scheme Consideration per WMK share held.

Table 24: Scheme Consideration per WMK share held (Scenario 2)

	Note	\$'000
Value of the Fund	Section 9.1.	143,788
Number of Fund units to be issued to WMK Shareholders	Section 9.2.	143,788
Value per unit (\$)		1.00
Merger ratio (#)	Section 9.3.	0.87
Value per unit (control value) (\$)		0.87

Source: WMK Management, BDO analysis

As set out above, the Scheme Consideration per WMK share under Scenario 2 is \$0.87. No minority discount has been applied to the Scheme Consideration per WMK share held under Scenario 1 due to the following:

- restructuring from a LIC to an unlisted trust gives members greater power to remove the Manager (through requisitioning a meeting to remove the RE under s601FM of the Act); and
- the new management agreement is terminable by the RE for any reason on 30 business days' notice. We note voting power and control is less relevant in the context of an externally managed LIC with an entrenched manager.

Currently, WMK Shareholders have limited ability to remove the Manager. The above changes provide WMK Shareholders greater control over the direction of their investment.

10. ASSESSMENT OF FAIRNESS

10.1. Fairness assessment

In undertaking our fairness opinion, we have had regard to ASIC RG 111.

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.
- In relation to the interpretation of RG111.11, ASIC has advised that the appropriate assessment is to compare:
 - The fair market value of a share pre-transaction on a control basis (being the value of the securities the subject of the offer, per RG111.11); and
 - The fair market value of the offer price (Scheme Consideration)

We have valued the Scheme Consideration under two scenarios, being:

- 1) under Scenario 1, it is assumed that WMK Shareholders approve the Proposed Scheme, and WGF shareholders do not approve the WGF Scheme; and
- 2) under Scenario 2, it is assumed that both WMK Shareholders and WGF shareholders approve the WMK Scheme and WGF Scheme, respectively.

WMK Shareholders have no control over which scenario will eventuate. As such, we have assessed both scenarios and concluded on the most unfavourable scenario.

The Scheme will be fair if the Scheme Consideration is equal to or greater than the fair market value of a WMK share prior to announcement of the Proposed Scheme, on a controlling interest basis.

The result of our fairness analysis is summarised below.

Table 25 and 26: Summary of fairness

Prior to the implementation of the Proposed Scheme	Low \$	High \$
Value of a WMK share prior to the Proposed Scheme, on a minority basis	0.83	0.87

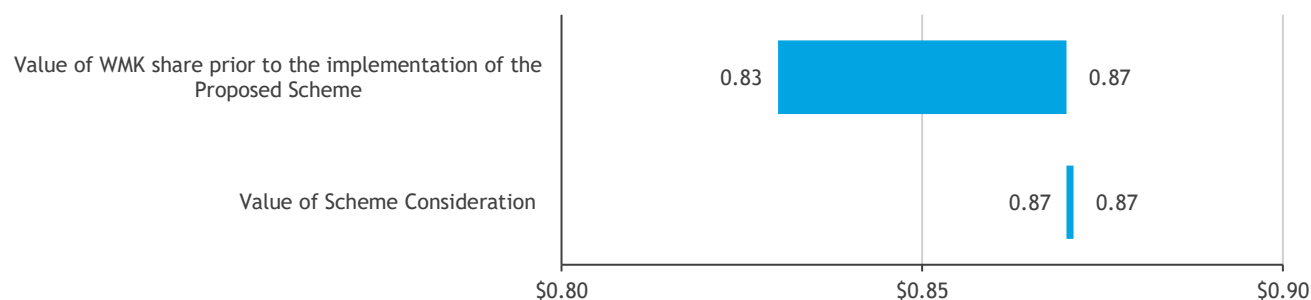
Source: BDO analysis

Value of Scheme Consideration	Low \$	High \$
Scenario 1	0.87	0.87
Scenario 2	0.87	0.87

Source: BDO analysis

As set out above, both scenarios result in the same Scheme Consideration value. As such, both outcomes would have the same effect for Shareholders. As such, our fairness opinion has been formed by considering the value of a WMK share prior to the Proposed Scheme and the value of the Scheme Consideration which is equal for both scenarios.

Figure 5: Graphical summary of fairness assessment



Source: BDO analysis

Based on the above, the value of the Scheme Consideration overlaps the upper end of the value of a WMK share prior to the implementation of the Proposed Scheme. As such, the Proposed Scheme is fair for WMK Shareholders.

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11. ASSESSMENT OF REASONABLENESS

In accordance with RG 111, an offer is reasonable if it is fair. On this basis, the Proposed Scheme is reasonable to WMK Shareholders.

Nevertheless, we have set out below a summary of other factors we consider relevant in assisting the WMK Shareholders in deciding whether or not to vote in favour of the Proposed Scheme.

11.1. Advantages

11.1.1. The Proposed Scheme is fair

Our analysis in Section 10 concludes that the Proposed Scheme is fair to Shareholders. RG 111 states that an offer is reasonable if it is fair.

11.1.2. Possible increase in size and scale

If WMK Shareholders approve the Proposed Scheme, and WGF shareholders also approve the WGF Scheme, it will effectively be a merger between WMK and WGF. Initially after the transaction, the NTA will increase from WMK's reported pre-tax NTA at 31 December 2018 of c.\$74.3m to a pro-forma NTA of c.\$143.8m under Scenario 2 following the Proposed Scheme.

The primary advantage of being a larger investment vehicle is that management expenses are spread across a higher level of funds under management, reducing the management expense ratio. Management expenses are discussed further below.

We note that there is uncertainty as to whether WGF will approve the WGF Scheme. If the WGF Scheme is not approved, the NTA of WMK and the Fund will be materially the same.

We also note that Fund will have a Withdrawal Facility. If security holders in the Fund utilise the Withdrawal Facility, it is possible that the NTA of the Fund will be lower than the current NTA of WMK. If enough security holders utilise the Withdrawal Facility, it is possible that the scale of the Fund may not be sufficient for the Fund to continue operating efficiently as an investment vehicle.

11.1.3. Reduced management costs

If the Scheme is approved, management forecast that there will be a reduction in the management expense ratio (MER). The MER is the ratio of the management and operating costs, as a percentage of the net asset value.

The MER is expected to reduce for two reasons:

- reduced costs of managing an unlisted fund compared to an listed company; and
- economies of scale associated with larger funds.

WMK's MER for the year ended 30 June 2018 was 1.58%

Management have calculated the following MERs if the Proposed Scheme is approved:

- Portfolio value of \$70 million has a forecast MER of 1.24%
- Portfolio value of \$143 million has a forecast MER of 1.16%

Ceteris paribus, the management expense reduction leads to an increase in the profitability of the Scheme compared to WMK in its existing form.

11.1.4. Ability to redeem units at NTA value via the withdrawal facility

The ASX share price at 18 December 2018 was \$0.80, representing a discount of c.12.1% to WMK's pre-tax NTA of \$0.91 reported by WMK at 31 December 2018.

If the Proposed Scheme is approved, WMK shareholders will receive units in the Fund. The Fund will have a liquidity facility whereby unitholders will be able to withdraw their units for their NTA value (less any transaction costs, which are expected to be 0.3% of the NTA). We note that any withdrawals (including withdrawals for foreign shareholders) that occur immediately after the Proposed Scheme will not attract any transaction costs.

We note that in some circumstances (e.g. where the Fund is illiquid), the manager can delay or deny redemption requests.

We also note, that in the absence of new funds being raised by the Fund, withdrawals will reduce the size of the Fund. As the Fund reduces in size, the MER increases for the remaining investors.

Redeeming units at the NTA value of the Fund as opposed to the ASX traded value is an advantage to WMK shareholders.

11.1.5. Ability of unitholders to remove the Manager

Currently, WMK has a management agreement that expires in June 2023. If the Manager was to be replaced, compensation may need to be paid to the Manager.

Moving from a LIC to an unlisted management scheme gives members greater power to remove the Manager through the requisition of a meeting to remove the RE under s601FM of the Act.

The new management agreement is terminable by the RE for any reason on 30 business days' notice.

11.2. Disadvantages

11.2.1. No longer a listed investment

WMK is currently listed on the ASX. If the Proposed Scheme is approved, Shareholders will receive units in an unlisted trust which are not tradable on an exchange.

However, If the Proposed Scheme is approved, WMK Shareholders will receive units in the Fund. The Fund will have a Withdrawal Facility whereby unitholders will be able to withdraw their units for their NTA value (less any transaction costs, which are expected to be 0.3% of the NTA).

We note that in some circumstances (e.g. where the Fund is illiquid), the Manager can delay or deny redemption requests.

Changing from a listed company to an unlisted trust may be a disadvantage for WMK Shareholders.

11.2.2. Uncertainty as to whether WMK Shareholders will form a single entity or join a merged entity

At the date of the Scheme Meeting, it will not be known whether or not the WGF shareholders have approved the WGF Scheme. It will be uncertain as to whether the WMK shareholders are voting to receive units in the Fund that will have the assets of just WMK, or WMK and WGF.

This uncertainty is a disadvantage to WMK Shareholders.

11.2.3. Loss of control

If both the WMK Scheme and the WGF Scheme are approved, the Fund will initially have an increased level of net assets. However, each Shareholder will have a reduced percentage interest in the net assets.

As each shareholder has a reduced percentage interest in the Fund, they have a less control compared to WMK as a standalone entity.

We note that the largest shareholder has less than 3%, and therefore no shareholders currently exert significant influence over WMK.

11.2.4. Change from a LIC to an unlisted trust

If the Scheme is approved, WMK Shareholders will hold units in an unlisted trust, and will no longer hold shares in a listed company.

There may be additional administrative and compliance requirements in managing an investment in a unit trust that do not apply to investors buying and selling shares on market and via a broker.

In respect of distributions that are made from the Fund, some investors may prefer a corporate structure which allows for the payment of franked dividends as opposed to distributions of a unit trust which are taxed in the hands of unitholders.

11.2.5. Tax consequences for investors

As a result of the Proposed Scheme, Shareholders will receive new units in the Fund. The Units will be distributed in-specie to WMK Shareholders, in part by way of fully-franked dividend and in part by way of a capital return.

The franked dividend will be taxable income to the WMK shareholders. The shareholder may be liable to pay income tax on this dividend (e.g. where the tax payers income tax rate is above the corporate rate of tax of 30%).

The Shareholder may also be liable for capital gains tax on the capital return. The capital gain is calculated as the value of the capital return less the shareholder's cost base of the WMK share.

Shareholders should seek independent income tax advice in relation to the tax consequences of the Proposed Scheme.

11.2.6. Potential loss of tax losses and franking credits

WMK currently has c.\$3.77m tax losses and c.\$1.03m franking credits on a cash basis. Some (but not all) of the franking credits will be used to pay an in specie franked dividend.

If the Proposed Scheme is approved, WMK Shareholders will no longer have access to the tax losses and remaining franking credits. However, we note that the franking credits and tax losses can only be utilised if WMK generates a profit.

11.3. Other considerations

11.3.1. Base management fee

The base management fee payable by WMK to WFM is the same. There will be no change in base management fees payable as a result of the Proposed Scheme.

11.3.2. Performance fee

The performance fee payable to WFM will be 20.5% per annum (including GST and net of RITC) of the increase in NAV which exceeds the benchmark, being the RBA cash rate, subject to a high-water mark. The high-water mark means the highest NAV of the Fund at the end of a financial year where a performance fee has been paid, adjusted for applications, redemptions and subsequent distributions. This is consistent with WMK's current performance fee.

11.3.3. Directors' recommendation

The Directors have recommended that WMK Shareholders vote in favour of the Proposed Scheme, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Proposed Scheme is in the best interests of the WMK Shareholders.

11.3.4. Change in strategy

The Fund will employ a long/short (variable beta) strategy, compared to WMK's current market neutral investment approach. A variable beta strategy is similar to a market neutral strategy in a number of ways, which are detailed further in the Scheme Booklet.

The Fund's investment strategy differs from WMK in that:

- the net exposure of the Fund may vary, up to +/- 100% of the Fund's capital, but typically less than 50%; and
- it will target a higher return than WMK.

11.3.5. Alternatives considered

We have considered the scenario where WMK returns the NTA directly to WMK Shareholders as a franked dividend and a capital return. Under this scenario the tax consequences are the same as the Proposed Scheme (i.e. tax may be payable on the franked dividend and the capital return).

However, the manager agreement expires in June 2023. Under the agreement, the Manager may be able to claim a compensation payment for termination of c.\$3.2m.

The possibility of a claim by the manager is a material disadvantage of returning NTA to WMK Shareholders directly.

The Proposed Scheme also allows provides an option for WMK Shareholders who wish to continue with an investment similar to WMK.

11.4. Conclusion on reasonableness

If you wish to continue with your investment, there is no material change in the investment strategy between WMK and the Fund.

The Fund has the advantage of a lower management expense ratio compared to WMK. However, WMK Shareholders may need to pay tax on the in-specie dividend to be paid by WMK and the capital return. WMK Shareholders have the ability to withdraw part (or all) of their investment to fund the tax liability.

If you wish to exit your investment, the Fund will provide a withdrawal facility that will allow security holders to withdraw their funds at NTA (less transaction costs estimated to be 0.3% of the NTA). Currently, WMK Shareholders can only realise the value of the investment by trading on the ASX. The ASX share price at 18 December 2018 was \$0.80, representing a discount of c.12.1% to WMK's pre-tax NTA of \$0.91 reported by WMK at 31 December 2018.

In our opinion, these advantages of the Proposed Scheme outweigh the disadvantages of the Proposed Scheme.

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12. QUALIFICATIONS, DECLARATIONS AND CONSENTS

12.1. Qualifications

BDO is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. BDO provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr David McCourt, B.Bus, CA, is a director of BDO and a CA certified Business Valuations Specialist. Mr McCourt is also a partner of BDO East Coast Partnership. Mr McCourt has been responsible for the preparation of this IER.

Mr McCourt has over 19 years of experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr McCourt is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr Sebastian Stevens, B.Bus, CPA is a Director of BDO. Mr Stevens is also a partner of BDO East Coast Practice.

Mr Stevens is the Director responsible for the review of this IER. Mr Stevens has over 25 years of experience in a number of specialist corporate advisory activities including company valuations advising on independent expert reports, due diligence investigations, preparation and review of business feasibility studies, public company floats, accounting, advising on mergers and acquisitions, preparation of information memoranda and other corporate investigations. Accordingly, Mr Stevens is considered to have the appropriate experience and professional qualifications to provide the advice offered.

12.2. Independence

We are not aware of any matter or circumstance that would preclude us from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

We consider ourselves to be independent in terms of RG 112 Independence of experts, issued by ASIC.

BDO was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for WMK in relation to the Proposed Scheme. Further, BDO has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with WMK or the Fund that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Scheme.

12.3. Disclaimer

This IER has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors and Shareholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and Shareholders without our written consent. We accept no responsibility to any person other than the Directors and Shareholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by the Directors, executives and management of all the entities.

13. APPENDICES

APPENDIX 1: SOURCES OF INFORMATION

In preparing this IER, we had access to and relied upon the following principal sources of information:

1. WMK Scheme Booklet
2. WMK Annual Reports for years ended 30 June 2017 and 30 June 2018
3. Unaudited WMK management accounts for the six months ended 31 December 2018
4. Scheme Implementation Agreement between WMK and the Fund executed on 4 February 2019
5. ASX announcements
6. Discussions with the directors and management of WMK
7. Information sourced from Capital IQ and MergerMarket
8. ASIC guidance notes and regulatory guides as applicable
9. Other generally available public information

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APPENDIX 2: VALUATION METHODS - BUSINESSES AND ASSETS

In conducting our assessment of the FMV of WMK, the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow (“DCF”) method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (“NPV”).

DCF is appropriate where:

- the businesses’ earnings are capable of being forecast for a reasonable period (preferably 5 to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a ‘start up’ or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Earnings Method

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor’s business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net Asset Value

Asset based valuations involve the determination of the FMV of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business Shares or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- **Orderly realisation:** this method estimates FMV by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their FMV;
- **Liquidation:** this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their FMV; or
- **Going concern:** the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The net realisable value of a trading company’s assets will generally provide the lowest possible value for the business. The difference between the value of the company’s identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

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The net realisable value of assets is relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets.

Quoted Market Prices

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
- the market for the company's shares is active and liquid.



APPENDIX 3: Discounts/ Premiums to NTA

Company Name	FY2017			FY2018		
	Share Price	NTA	Premium/(Discount)	Share Price	NTA	Premium/(Discount)
Amcil Limited	0.92	0.95	-3.7%	0.96	1.02	-5.9%
Argo Investments Limited	7.67	7.71	-0.5%	7.97	8.16	-2.3%
Arowana Australasian Value Opportunities Fund Ltd	0.90	1.03	-12.6%	1.18	1.33	-11.3%
Australian Foundation Investment Company Limited	5.81	5.90	-1.4%	6.16	6.27	-1.8%
Australian United Investment Co. Ltd.	8.09	8.57	-5.6%	8.65	9.21	-6.1%
BKI Investment Company Limited	1.62	1.61	0.6%	1.53	1.63	-6.4%
Cadence Capital Limited	1.24	1.24	-0.6%	1.25	1.30	-3.7%
Carlton Investments Limited	31.50	36.65	-14.1%	33.08	37.09	-10.8%
CBG Capital Limited	0.87	0.97	-10.8%	0.89	1.06	-16.1%
Century Australia Investments Limited	0.93	0.94	-1.2%	0.96	1.04	-7.7%
Concentrated Leaders Fund Limited	1.17	1.27	-7.9%	1.24	1.36	-9.2%
Contango Income Generator Limited	0.97	1.01	-4.8%	0.94	0.96	-1.8%
Diversified United Investment Limited	3.72	4.00	-7.0%	4.10	4.47	-8.3%
Djerriwarrh Investments Limited	3.68	3.24	13.6%	3.38	3.31	2.1%
Future Generation Investment Company Limited	1.10	1.14	-3.9%	1.26	1.28	-2.0%
Ironbark Capital Limited	0.50	0.54	-7.1%	0.49	0.54	-8.6%
Milton Corporation Limited	4.51	4.51	0.0%	4.61	4.73	-2.5%
Mirrabooka Investments Limited	2.70	2.39	13.0%	2.69	2.59	3.9%
Monash Absolute Investment Company Limited	0.75	0.87	-14.2%	0.82	0.98	-16.6%
Perpetual Equity Investment Company Limited	1.04	1.10	-5.6%	1.17	1.14	2.6%
WAM Capital Limited	2.39	1.92	24.5%	2.38	1.98	20.2%
WAM Leaders Limited	1.12	1.15	-3.0%	1.15	1.19	-3.4%
Watermark Market Neutral Fund Limited	1.01	1.01	0.0%	0.80	0.96	-16.7%
Westoz Investment Company Limited	0.96	1.06	-9.1%	1.17	1.23	-4.9%
Whitefield Limited	4.54	4.91	-7.5%	4.54	5.01	-9.4%

Source: Capital IQ and BDO analysis

APPENDIX 4: GLOSSARY

Term	Definition
<i>A\$ or AUD</i>	Australian dollars
<i>Act</i>	Corporations Act 2001 (Cth)
<i>APES 225</i>	Accounting Professional & Ethical Standards Board Limited issued professional standard APES 225 on valuation services
<i>ASIC</i>	Australian Securities and Investments Commission
<i>ASX</i>	Australian Securities Exchange
<i>AUD</i>	Australian Dollar
<i>BDO, we, us or our</i>	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
<i>Calculation Date</i>	31 December 2018
<i>COE</i>	Capitalisation of future maintainable earnings method
<i>Corporations Act or Act</i>	Corporations Act 2001 (Cth)
<i>DCF</i>	Discounted cash flow method
<i>Directors</i>	Directors of WMK
<i>EV</i>	Enterprise value
<i>FMV</i>	Fair market value
<i>FOS</i>	Financial Ombudsman Service Limited
<i>FSF</i>	Financial services guide
<i>Fund</i>	The Watermark Absolute Return Fund
<i>FYxx</i>	Financial year ended/ing 30 June 20xx
<i>LIC</i>	Listed investment company
<i>Management</i>	Management of WMK
<i>MER</i>	Management expense ratio
<i>NAV</i>	Net asset value
<i>NPAT</i>	Net profit after tax
<i>NTA</i>	Net tangible assets
<i>Proposed Scheme</i>	Proposed restructuring via Scheme of Arrangement with the Watermark Absolute Return Fund
<i>QMP</i>	Quoted market price
<i>RBA</i>	Reserve Bank of Australia
<i>RE</i>	Responsible Entity
<i>Report or IER</i>	Independent expert's report
<i>Retention Amount</i>	An amount of \$100,000 required to be retained by WMK in order to satisfy the payment of the transaction costs associated with the Proposed Scheme and other liabilities with respect to the operation of WMK following the implementation date
<i>RG 60</i>	ASIC Regulatory Guide 60: Schemes of arrangement
<i>RG 111</i>	ASIC Regulatory Guide 111: Content of expert reports
<i>RG 112</i>	ASIC Regulatory Guide 112: Independence of experts
<i>Scenario 1</i>	The value of the Scheme Consideration in the event that WMK Shareholders approve the Proposed Scheme however WGF shareholders do not approve the WGF Scheme
<i>Scenario 2</i>	The value of the Scheme Consideration in the event that WMK Shareholders approve the Proposed Scheme and WGF shareholders also approve the WGF Scheme
<i>Scheme Booklet</i>	WMK's scheme booklet in relation to the Proposed Scheme, on or about the date of this Report
<i>Scheme Consideration</i>	The FMV of the number of units in the Fund that WMK Shareholders receive for every WMK Share held
<i>Shareholders</i>	An individual who owns an interest in WMK
<i>SID</i>	Scheme Implementation Deed

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Term	Definition
<i>Valuation Date</i>	31 December 2018
<i>VWAP</i>	Volume weighted average price
<i>WFM</i>	Watermark Funds Management Pty Ltd
<i>WGF</i>	Watermark Global Leaders Fund Limited
<i>WGF Scheme</i>	Another scheme of arrangement being conducted contemporaneously with the Proposed Scheme by WGF which is also managed by WFM
<i>WMK</i>	Watermark Market Neutral Fund Limited
<i>WMK Shareholder</i>	A person registered in the share register of WMK as a holder of a fully paid ordinary share in the capital of WMK
<i>WMK Shares</i>	Fully paid ordinary share in the capital of WMK
<i>YTD</i>	Year-to-date

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ANNEXURE B – SCHEME IMPLEMENTATION DEED

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Scheme Implementation Deed

Watermark Market Neutral Fund Limited

(ACN 163 980 498)

Equity Trustees Limited

(ACN 004 031 298)

as trustee for the **Watermark Absolute Return Fund** (ARSN 631 094 534)

Watermark Funds Management Pty Limited

(ACN 106 302 505)



KARDOS • SCANLAN

CORPORATE LAWYERS

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THIS SCHEME IMPLEMENTATION DEED is made on

4 February

2019

BETWEEN **Watermark Market Neutral Fund Limited** (ACN 163 980 498) of Level 23, Governor Phillip Tower, 1 Farrer Place, Sydney, NSW, 2000 (**WMK**);

AND **Equity Trustees Limited** (ACN 004 031 298) as trustee of the Watermark Absolute Return Fund (ARSN 631 094 534) of Level 1, 575 Bourke Street, Melbourne, VIC, 3000 (**Responsible Entity**);

AND **Watermark Funds Management Pty Limited** (ACN 106 302 505) of Level 23, Governor Phillip Tower, 1 Farrer Place, Sydney, NSW, 2000 (**Manager**).

RECITALS

- A WMK and the Responsible Entity have agreed that Watermark Absolute Return Fund will acquire the assets of WMK by means of a scheme of arrangement under Part 5.1 of the Corporations Act between WMK and the WMK Shareholders.
- B The Scheme will involve the issue of Watermark Absolute Return Fund Units to WMK Shareholders as a capital reduction by WMK.
- C WMK and the Responsible Entity have agreed to implement the scheme of arrangement on the terms of this Deed.
- D The Manager has agreed to assist WMK and the Responsible Entity with the preparation of the Scheme Booklet and otherwise assist with the implementation of the Scheme.

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATION

1.1. Definitions

In this Deed:

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market operated by it.

Australian Accounting Standards means the accounting standards promulgated by the Australian Accounting Standards Board.

Business Day means a weekday on which trading banks are open for business in Sydney, Australia, excluding any Saturday, Sunday or public holiday.

Calculation Date means 10 Business Days prior to the Scheme Meeting or such other time and date as WMK, the Manager and the Responsible Entity agree in writing.

Capital Reduction means the reduction in the capital of WMK by the Capital Reduction Amount under section 256B of the Corporations Act to be applied equally against each Scheme Share on issue as at the Record Date in accordance with the terms of the Capital Reduction Resolution.

Capital Reduction Resolution means the ordinary resolution concerning the Capital Reduction to be considered by Scheme Shareholders at the General Meeting in the form set out in the notice of general meeting contained in Annexure E of the Scheme Booklet.

Competing Transaction means any proposal by a Third Party in relation to a transaction or arrangement under which if the transaction or arrangement is completed:

- (a) a person would acquire (whether directly or indirectly) or become the holder of, or otherwise have a right to acquire or have an economic interest in, all or substantially all of the business conducted by WMK, or the assets of WMK;
- (b) a person would acquire (whether directly or indirectly) Control of WMK;
- (c) a person would acquire a relevant interest in, or voting power of, 50% or more of the WMK Shares;
- (d) a person would otherwise acquire, or merge or amalgamate with, WMK; or
- (e) WMK would be required to abandon or otherwise fail to proceed with the Transaction.

Completion means completion of the Transaction.

Completion Net Assets means the post-tax net assets of WMK as at the Calculation Date calculated in accordance with the Corporations Act, Australian Accounting Standards (including the Australian Accounting Interpretations), and the Corporations Regulations and excluding deferred tax assets (if any).

Condition Precedent means a condition precedent set out in Clause 3.1.

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporation Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act as WMK and the Responsible Entity agree on in writing.

Distribution means the:

- (a) equal reduction of capital of WMK by the Return of Capital Amount to be implemented in accordance with section 256B of the Corporations Act; and
- (b) declaration and payment of the Dividend Amount,

to be effected by the issue by direction of the Units to WMK Shareholders.

Distribution Amount means an amount equal to the Completion Net Assets less the Retention Amount.

Dividend Amount means the amount of the dividend (if any) which is declared and paid under Clause 4.9(a) as determined by the Directors.

Director means a director of WMK from time to time.

Deed Poll means the deed poll to be granted by the Responsible Entity in substantially the form set out in Schedule 3.

Effective means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 30 June 2019.

Existing IMA means the investment management agreement between WMK and the Manager dated June 2013.

Explanatory Statement means the statement pursuant to section 412 of the Corporations Act which has been, or will be, registered by ASIC in relation to the Scheme, which forms part of the Scheme Booklet.

First Court Date means the first day on which an application made to the Court for an order under section 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

General Meeting means the general meeting for WMK Shareholders convened to consider the Capital Reduction Resolution.

Government Agency means any Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state.

Implementation Date means the day 5 Business Days after the Record Date or such other date as WMK and the Responsible Entity agree in writing.

Independent Board Committee means a committee of the WMK Board comprising all Directors other than Directors nominated by or associated with the Manager so that as at the date of this Deed, the members of the committee are Matthew Kidman, John Abernethy, Stephen Van Eyk and Robert Ferguson.

Independent Director means a member of the Independent Board Committee.

Independent Expert means the independent expert in respect of the Scheme appointed by WMK.

Independent Expert's Report means the report prepared by the Independent Expert to be provided to WMK and WMK Shareholders providing an opinion, among other things, as to whether the Scheme is in the best interests of WMK Shareholders.

Ineligible Foreign Shareholder means a Scheme Participant whose address as shown in the Share Register is a place outside Australia, its external territories or New Zealand unless WMK, the Responsible Entity and the Manager agree in writing that it is lawful and not unduly onerous or impracticable to issue that Scheme Participant with the Units when the Scheme becomes Effective.

Ineligible Shareholder Units has the meaning given to it in Clause 4.11(a)(i).

Investment Entity has the meaning given in the Listing Rules.

Listing Rules means the official listing rules of the ASX.

Manager Information means information regarding Watermark Absolute Return Fund (but excluding the Responsible Entity Information), the Manager and other entities managed by the Manager and its Related Bodies Corporate, provided by the Manager for inclusion in the Scheme Booklet.

Manager Parties means the Manager and its directors and officers and its advisers in connection with the Transaction, but for avoidance of doubt does not include WMK or the Responsible Entity.

NAV has the meaning given to Net Asset Value in the Watermark Absolute Return Fund Constitution excluding the Retention Amount.

Nominee means the agent appointed by the Responsible Entity to be issued with, and to withdraw, the Units in the Watermark Absolute Return Fund that would have otherwise been issued to Ineligible Foreign Shareholders in relation to the Scheme.

NTA means pre tax net tangible assets after excluding all current and deferred tax assets and liabilities and the Retention Amount, calculated in accordance with the Corporations Act, Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations and consistent with the requirements of the Listing Rules for an Investment Entity, rounded to the nearest one hundredth of a cent.

Party means a party to this deed.

Proceeding means any suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, audit, examination or investigation commenced, brought, conducted or heard by or before or otherwise involving any court or other Government Agency or any arbitrator or arbitration panel.

RG 60 means Regulatory Guide 60 issued by ASIC on 22 September 2011.

Record Date means the third Business Day after the Effective Date or such other date as WMK, the Responsible Entity and the Manager agree.

Records means:

- (a) records required to be maintained by WMK under applicable law;
- (b) accounting records; and
- (c) records of contracts,

relating to the WMK Assets.

Registered Address means, in relation to a WMK Shareholder, the address of the WMK Shareholder as recorded in the Share Register.

Registry means Boardroom Pty Limited of Level 12, 225 George Street, Sydney NSW 2000.

Regulator's Draft means the draft of the Scheme Booklet in a form acceptable to all Parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.

Related Body Corporate has the meaning set out in the Corporations Act.

Relevant Interest has the meaning given in Sections 608 and 609 of the Corporations Act.

Representative in respect of a Party, means each director, officer, employee, advisor, agent or representative of that Party.

Responsible Entity Information means information regarding the Responsible Entity provided by the Responsible Entity for inclusion in the Scheme Booklet.

Responsible Entity Parties means the Responsible Entity and its directors and officers and its advisers in connection with the Transaction, but for avoidance of doubt does not include WMK or the Manager.

Responsible Entity Warranties means the representations provided by the Responsible Entity under Clause 5.1.

Retention Amount means the sum of \$100,000.

Return of Capital Amount means an amount equal to the Completion Net Assets less the Dividend Amount and the Retention Amount.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between WMK and the WMK Shareholders, the form of which is set out in Schedule 2 (or in such other form as may be agreed to in writing by WMK, the Responsible Entity and the Manager).

Scheme Booklet means the information relating to the Transaction to be approved by the Court and despatched to all WMK Shareholders, including the Scheme, the Explanatory Statement, the Independent Expert's Report, the Deed Poll, the notice convening the Scheme Meeting and the proxy form for the Scheme Meeting.

Scheme Consideration means the consideration to be provided by the Responsible Entity to each Scheme Participant as calculated under Clause 4.1 and as set out in the Scheme.

Scheme Meeting means the meeting of WMK Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Participant means each WMK Shareholder as at the Record Date.

Scheme Participant Notice means a notice setting out the name and Registered Address of each Scheme Participant and the number of Scheme Shares held by each Scheme Participant.

Scheme Share means a WMK Share held by a Scheme Participant as at the Record Date.

Second Court Date means the first day on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Share Register means the register of members of WMK.

Superior Competing Transaction means a bona fide unsolicited Competing Transaction received by WMK after the date of this Deed which the Independent Board Committee has determined, acting in

good faith and in accordance with their fiduciary duties, and after consultation with and the receipt of written advice from the Independent Board Committee's external legal advisor and financial adviser is:

- (a) reasonably capable of being completed, taking into account all aspects of the Competing Transaction and the person making it; and
- (b) more favourable to WMK Shareholders (as a whole) than the Transaction, taking into account all the terms and conditions of the Competing Transaction.

Termination Deed means the deed terminating the Existing IMA.

Transaction means the implementation of the Scheme.

Timetable means the indicative timetable for the Transaction set out in Schedule 1.

Third Party means a person other than the Parties and their Representatives.

Units means fully paid ordinary units in the Watermark Absolute Return Fund.

Watermark Absolute Return Fund means the Watermark Absolute Return Fund (ARSN 631 094 534).

Watermark Absolute Return Fund Constitution means the constitution of the Watermark Absolute Return Fund.

Watermark Absolute Return Fund Management Agreement means an agreed form of investment management agreement with respect to the Watermark Absolute Return Fund to be entered into between the Manager and the Responsible Entity.

Withdrawal has the meaning given to it in Clause 4.11(a)(iii)(A).

WMK Assets has the meaning given to it in the Scheme.

WMK Board means the board of directors of WMK from time to time.

WMK Constitution means the constitution of WMK.

WMK Information means information regarding WMK provided by WMK for inclusion in the Scheme Booklet.

WMK Management Agreement means the investment management agreement between WMK and the Manager dated on or about 7 June 2013.

WMK Parties means WMK and its directors and officers and its advisers in connection with the Transaction, but for avoidance of doubt does not include the Responsible Entity or the Manager.

WMK Share means a fully paid ordinary share in the capital of WMK.

WMK Shareholder means a person who is registered in the WMK share register as the holder of a WMK Share.

WMK Warranties means the representations provided by WMK under Clause 5.2.

1.2. Interpretation

In this Deed, headings and bold type are for convenience only and do not affect interpretation and, unless the context requires otherwise:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this Deed have a corresponding meaning;
- (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any Government Agency;
- (e) a reference to a Clause, Party, Attachment or Schedule is a reference to a clause of, and a party, attachment and schedule to this Deed, and a reference to this Deed includes any Attachment and Schedule;
- (f) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) a reference to any document (including this Deed) is to that document as varied, novated, ratified or replaced from time to time;
- (h) the word **includes** in any form is not a word of limitation;
- (i) a reference to **\$** or **dollar** is to Australian currency;
- (j) a reference to any time, unless otherwise indicated, is a reference to the time in Sydney, Australia;
- (k) if an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day;
- (l) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Deed; and
- (m) a reference to the Listing Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a Party.

2. AGREEMENT TO PROCEED WITH THE TRANSACTION

2.1. Proposal of Transaction

WMK agrees to propose the Transaction on and subject to the terms of this Deed.

2.2. Assistance

The Responsible Entity and the Manager agree with WMK to provide reasonable assistance to WMK to propose the Transaction on and subject to the terms of this Deed.

3. CONDITIONS PRECEDENT

3.1. Conditions Precedent to the Scheme

The Scheme will not become Effective, and the obligations of the Responsible Entity under the Deed Poll and Clauses 4.3(h) and 4.3(i) are not binding, until each of the following conditions precedent is satisfied or waived in the manner set out in Clause 3.3:

- (a) **Scheme Meeting Approval:** WMK Shareholders approve the Scheme at the Scheme Meeting by the requisite majorities under the Corporations Act;
- (b) **Capital Reduction Approval:** WMK Shareholders approve the Capital Reduction Resolution at the General Meeting;
- (c) **Court Approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (d) **Restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or Government Agency or other material legal restraint or prohibition preventing the Transaction from being implemented is in effect at 8.00 am on the Second Court Date;
- (e) **No breach of WMK Warranty:** none of the WMK Warranties is or has become false, misleading or incorrect in a material respect by 8.00am on or before the Second Court Date;
- (f) **No breach of Responsible Entity Warranty:** none of the Responsible Entity Warranties is or has become false, misleading or incorrect in a material respect by 8.00am on or before the Second Court Date; and
- (g) **Independent Expert:** the Independent Expert issues a report which concludes that the Scheme is in the best interests of WMK Shareholders before the time when the Scheme Booklet is registered with ASIC and the Independent Expert has not publicly withdrawn or qualified this conclusion before 8am on the Second Court Date.

3.2. Reasonable endeavours

- (a) WMK must use its reasonable endeavours to procure that there is no occurrence within the control of WMK that would prevent the Conditions Precedent in Clause 3.1(e) to be satisfied.
- (b) The Responsible Entity must use its reasonable endeavours to procure that there is no occurrence within the control of the Responsible Entity that would prevent the Conditions Precedent in Clause 3.1(f) to be satisfied.
- (c) WMK and the Responsible Entity must each use its reasonable endeavours to procure that:

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- (i) each of the Conditions Precedent in Clauses 3.1(a) to 3.1(d) and Clause 3.1(g) is satisfied as soon as practicable after the date of this Deed; and
 - (ii) there is no occurrence within the control of WMK or the Responsible Entity (as the context requires) that would prevent the Conditions Precedent in Clauses 3.1(a) to 3.1(d) and Clause 3.1(g) being satisfied.

3.3. Waiver of Conditions Precedent

- (a) The Conditions Precedent in Clauses 3.1(a) and 3.1(b) cannot be waived.
- (b) The Condition Precedent in Clause 3.1(d) is for the benefit of WMK and the Responsible Entity and any breach or non-fulfilment of that Condition Precedent may only be waived with the written consent of both WMK and the Responsible Entity (each in its absolute discretion).
- (c) The Condition Precedent in Clause 3.1(e) is for the sole benefit of the Responsible Entity and any breach or non-fulfilment of any of that Conditions Precedent may only be waived with the written consent of the Responsible Entity (in its absolute discretion).
- (d) The Conditions Precedent in Clauses 3.1(f) and 3.1(g) are for the sole benefit of WMK and any breach or non-fulfilment of any of those Conditions Precedent may only be waived with the written consent of WMK (in its absolute discretion).
- (e) Waiver of a breach or non-fulfilment in respect of one Condition Precedent does not constitute:
 - (i) a waiver of a breach or non-fulfilment of any other Condition Precedent resulting from the same event; or
 - (ii) a waiver of a breach or non-fulfilment of that Condition Precedent resulting from any other event.

3.4. Termination on failure of Condition Precedent

- (a) If:
 - (i) a Condition Precedent is not satisfied or waived by the date specified for its satisfaction;
 - (ii) a Condition Precedent becomes incapable of being satisfied by the date specified for its satisfaction and is not waived; or
 - (iii) the Scheme has not become Effective by the End Date,

and the relevant occurrence or the failure of the Condition Precedent does not arise out of a breach of Clause 3.2 or 3.5, then WMK and the Responsible Entity must consult in good faith with a view to:

- (iv) determining whether the Transaction may proceed by way of alternative means or methods and, if so, agree on the terms of such alternative means or methods;

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- (v) changing the date of the application to be made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed by WMK and the Responsible Entity (being a date not later than 5 Business Days before the End Date);
 - (vi) adjourning, or changing the date of the Scheme Meeting; or
 - (vii) extending the End Date.
- (b) If:
- (i) WMK and the Responsible Entity are unable to reach agreement under Clause 3.4(a) within 5 Business Days of the date on which they both become aware that the Condition Precedent is not satisfied or has become incapable of being satisfied (or, if earlier, by 8.00 am on the Second Court Date); or
 - (ii) the Scheme has not become Effective by the End Date,

then unless the Condition Precedent is waived (and subject to Clause 3.4(c)), either may terminate this Deed at any time prior to 8.00 am on the Second Court Date with immediate effect by written notice to the other Parties.

- (c) A Party may not terminate this Deed under Clause 3.4(b), if the relevant Condition Precedent has not been satisfied, or is incapable of being satisfied, or there is an occurrence that will prevent the Condition Precedent being satisfied by the date specified in this Deed for its satisfaction, as a result of:
- (i) a deliberate act or omission by that Party, or any of its Representatives; or:
 - (ii) a breach of this Deed by that Party.
- (d) Subject to any rights or obligations arising under or pursuant to Clauses that are expressed to survive termination, on termination of this Deed, no Party has any rights against or obligations to any other Party under this Deed except for those rights and obligations which accrued prior to termination.

3.5. Certain notices

- (a) If, before the time specified for satisfaction of a Condition Precedent, an event that will prevent that Condition Precedent being satisfied occurs, the Party with knowledge of that event must promptly give the other Party written notice of that event.
- (b) WMK must promptly advise the Responsible Entity orally and in writing of any change or event causing, or which, so far as can reasonably be foreseen, would cause:
 - (i) a representation or warranty provided in this Deed by WMK (**WMK Warranty**) to be false in a material respect;
 - (ii) a breach or non-fulfilment of any of the Conditions Precedent; or
 - (iii) a material breach of this Deed by a member of WMK or its Representatives.

- (c) The Responsible Entity must promptly advise WMK orally and in writing of any change or event causing, or which, so far as can reasonably be foreseen, would cause:
- (i) a representation or warranty provided in this Deed by the Responsible Entity (**Responsible Entity Warranty**) to be false in a material respect;
 - (ii) a breach or non-fulfilment of any of the Conditions Precedent; or
 - (iii) a material breach of this Deed by the Responsible Entity or its Representatives.

3.6. Certification

WMK and the Responsible Entity will provide to the Court on the Second Court Date a certificate executed as a deed, or such other evidence as the Court requests, as required by clause 3.2 of the Scheme.

4. IMPLEMENTATION

4.1. Calculation of Scheme Consideration

- (a) WMK must within 5 Business Days of the Calculation Date:
 - (i) cause its administrator, Link Funds Solutions Pty Limited (ACN 114 914 215) to calculate the NTA of WMK as at the Calculation Date; and
 - (ii) immediately notify the Manager and Responsible Entity of the WMK NTA.
- (b) In circumstances where the Watermark Absolute Return Fund has, immediately prior to the Calculation Date a NAV reasonably likely to be greater than zero the Responsible Entity must within 5 Business Days of the Calculation Date cause its administrator, Link Funds Solutions Pty Limited (ACN 114 914 215) to calculate the NAV of the Watermark Absolute Return Fund and the Scheme Consideration will be calculated on the following basis:

Where

A = the NAV of the Watermark Absolute Return Fund per Unit;

B = the NTA of WMK per WMK Share;

D = the number of WMK Shares held by the WMK Shareholder; and

SC = the number Units to be issued to each WMK Shareholder (rounded to the nearest whole number of Units),

$SC = (B/A) * D$

- (c) In circumstances where the Watermark Absolute Return Fund has, immediately prior to the Calculation Date a NAV reasonably likely to be zero the Scheme Consideration will be on the basis of one Watermark Absolute Return Fund Unit for each dollar of WMK NTA as calculated in accordance with Clause 4.1(a).

- (d) Each WMK Shareholder will be entitled to such number of Units on a pro-rata basis by reference to the number of WMK Shares that they hold as at the Record Date based on the following formula:

Where

A = the number Units required to be issued in the Watermark Absolute Return Fund in accordance with Clause 4.1(c)

B = the number of WMK Shares on issue at the Calculation Date

C = the number WMK Shares held by the WMK Shareholder

NU = the number Units to be issued to each WMK Shareholder (rounded to the nearest whole number of Units)

$$NU = (A/B) * C$$

- (e) Once the Scheme Consideration has been calculated by the Responsible Entity under either Clause 4.1(b) or 4.1(d) (as applicable) the Responsible Entity must immediately notify WMK and the Manager of the Scheme Consideration.

4.2. WMK's obligations

WMK must take all necessary steps to implement the Transaction as soon as is reasonably practicable, including doing any acts it is authorised and able to do, on behalf of WMK Shareholders and including each of the following:

- (a) **preparation of Scheme Booklet:** subject to Clauses 4.2(h) and 4.4(a), prepare and despatch the Scheme Booklet in accordance with all applicable laws and in particular with the Corporations Act, RG 60, Regulation 5.1.01 and Schedule 8 of the *Corporations Regulations 2001* (Cth).
- (b) **section 411(17)(b) statement:** apply to ASIC for the production of:
- (i) an indication of intent letter stating that it does not intend to appear at Court on the First Court Date; and
 - (ii) a statement under section 411(17)(b) of the Corporations Act stating that ASIC has no objections to the Scheme;
- (c) **Court direction:** apply to the Court for orders directing WMK to convene the Scheme Meeting;
- (d) **Scheme Meeting:** convene the Scheme Meeting to approve the Scheme in accordance with the orders made by the Court pursuant to section 411(1) of the Corporations Act;
- (e) **General Meeting:** convene the General Meeting to approve the Capital Reduction Resolution;
- (f) **Court approval:** subject to all Conditions Precedent in Clause 3.1 (other than Clause 3.1(c)) being satisfied or waived in accordance with this Deed, apply to the Court for orders approving the Scheme as agreed to by the WMK Shareholders at the Scheme Meeting;

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- (g) **lodge copy of Court order:** lodge with ASIC an office copy of the Court orders approving the Scheme as agreed to by the WMK Shareholders at the Scheme Meeting no later than one Business Day after the day such office copy is received (or such later date as agreed in writing by WMK, the Responsible Entity and the Manager);
 - (h) **consultation with the Responsible Entity and the Manager:** consult with the Responsible Entity and the Manager as to the content and presentation of the application to the Court and the Scheme Booklet including:
 - (i) providing to the Responsible Entity and the Manager drafts of the Scheme Booklet for the purpose of enabling the Responsible Entity and the Manager to review and comment on those draft documents;
 - (ii) taking all comments made by the Responsible Entity and the Manager into account in good faith when producing a revised draft of the Scheme Booklet;
 - (iii) providing to the Responsible Entity and the Manager a revised draft of the Scheme Booklet within a reasonable time before the Regulator's Draft is finalised and to enable the Responsible Entity and the Manager to review the Regulator's Draft before its submission; and
 - (iv) obtaining written approval from the Responsible Entity and the Manager for the form and content in which the Responsible Entity Information and the Manager Information (respectively) appears in the Scheme Booklet which must not be unreasonably withheld or delayed;
 - (i) **information:** provide all necessary information, or procure that the Registry provides all necessary information, in each case in a form reasonably requested by the Responsible Entity and the Manager, about the Transaction and WMK Shareholders to the Responsible Entity and the Manager and their authorised Representatives which the Responsible Entity and the Manager reasonably require in order to facilitate the provision by, or on behalf of, the Responsible Entity of the Scheme Consideration;
 - (j) **ASIC review:** keep the Responsible Entity informed of any matters raised by ASIC in relation to the Scheme Booklet or the Scheme, and use reasonable endeavours to take into consideration in resolving such matters any issues raised by the Responsible Entity;
 - (k) **Independent Expert:** promptly appoint the Independent Expert and provide assistance and information reasonably requested by the Independent Expert to enable it to prepare its report for the Scheme Booklet as soon as practicable;
 - (l) **Scheme Participant Notice:** subject to the Scheme becoming Effective, on or before the second Business Day after the Record Date, give the Responsible Entity a Scheme Participant Notice;
 - (m) **Approvals:** subject to the Scheme becoming Effective, on or before the Implementation Date:
 - (i) the Directors convene and hold a meeting to:
 - (A) approve and otherwise give effect to the transfer of all of the WMK Assets to the Responsible Entity;

- (B) approve the declaration of an *in specie* distribution of the Scheme Consideration; and
- (C) convene the Scheme Meeting to approve the Scheme ;
- (ii) the Directors convene and hold the General Meeting to approve the Capital Reduction; and
- (iii) WMK must direct the making of the requisite entry in the Share Register to effect the cancellation of the WMK Shares and the existing share certificates issued in respect of the WMK Shares (if any),

subject to the issue of the Scheme Consideration in accordance with the Scheme;

- (n) **asset transfer:** if the Scheme becomes Effective do all things necessary to effect the transfer of the WMK Assets as contemplated by the Scheme;
- (o) **in specie distribution and capital reduction:** if the Scheme becomes Effective and subject to all approvals in accordance with this Clause 4.1 pay a dividend and effect a capital reduction and cancellation of all WMK Shares and procure that the Watermark Absolute Return Fund distributes the Scheme Consideration as an in specie distribution (as detailed in Clause 4.9);
- (p) **transfer of net proceeds of Withdrawals:** subject to Clause 4.2(o) occurring, pay or procure the payment of the net proceeds of the Withdrawals to Ineligible Foreign Shareholders (as detailed in Clause 4.11);
- (q) **ASX:**
- (i) WMK must apply to the ASX to ensure that WMK is suspended from official quotation on the Effective Date; and
- (ii) once the Scheme becomes Effective, WMK must apply to the ASX to ensure that it is removed from the official list of ASX on the Implementation Date;
- (r) **issue of a share to the Manager:** if the Scheme becomes Effective WMK must on the Implementation Date, immediately following completion of the Capital Reduction, issue one fully paid ordinary share at an issue price of \$1 to the Manager; and
- (s) **representation:** procure that it is represented by counsel at the Court hearings convened for the purposes of sections 411(4)(b) of the Corporations Act, at which through its counsel, WMK will undertake (if requested by the Court) to do all such things and take all such steps within its power as are necessary in order to ensure the fulfilment of its obligations under this Deed and the Scheme.

4.3. The Responsible Entity's obligations

The Responsible Entity must take all necessary steps to implement the Transaction as soon as is reasonably practicable, including doing each of the following:

- (a) **The Responsible Entity Information:** prepare and promptly provide to WMK the Responsible Entity Information for inclusion in the Scheme Booklet to comply with all applicable laws and ASIC regulatory guides, and consult with WMK as to the content and

presentation of the Responsible Entity Information in the Scheme Booklet, such consultation to include allowing WMK a reasonable opportunity to review and make comments on successive drafts of the Responsible Entity Information before lodgement of the Regulator's Draft with ASIC;

- (b) **review of Scheme Booklet:** review the drafts of the Scheme Booklet prepared by WMK and provide comments, if any, as soon as practicable;
- (c) **confirmation of the Responsible Entity Information:** before the Regulator's Draft is provided to ASIC pursuant to section 411(2) of the Corporations Act, either:
- (i) confirm in writing to WMK that the Responsible Entity Information in the form and context in which it appears in the Scheme Booklet is not misleading or deceptive in any material respect and does not contain any material omission; or
 - (ii) provide to WMK the changes required to ensure that the Responsible Entity Information in the form and context in which it appears in the Scheme Booklet is not misleading or deceptive in any material respect and does not contain any material omission;
- (d) **Independent Expert's report:** provide any assistance or information reasonably requested by WMK or by the Independent Expert in connection with the preparation of the Independent Expert's report to be sent together with the Scheme Booklet;
- (e) **update Responsible Entity Information:** if:
- (i) at any time after the despatch of the Scheme Booklet, the Responsible Entity becomes aware of new information which, were it known at the time of despatch, should have been included in any of the Responsible Entity Information provided previously to WMK; or
 - (ii) at any time, the Responsible Entity becomes aware that any part of the Responsible Entity Information provided previously to WMK is misleading or deceptive in any material respect (whether by omission or otherwise),
- it must advise WMK so that WMK can determine whether supplementary disclosure to WMK Shareholders is required;
- (f) **Deed Poll:** on or prior to the First Court Date, enter into the Deed Poll;
- (g) **Court proceedings:** undertake (if requested by the Court) to do all such things and take all such steps within its power as are necessary in order to ensure the fulfilment of its obligations under this Deed and the Scheme;
- (h) **asset transfer:** if the Scheme becomes Effective, accept and otherwise do all things necessary to effect the transfer of the WMK Assets to the Watermark Absolute Return Fund as contemplated by the Scheme on the Implementation Date; and
- (i) **Scheme Consideration:** if the Scheme becomes Effective, issue the Scheme Consideration, in the manner and amount contemplated by the terms of the Scheme:
- (i) by issuing the Scheme Consideration to the WMK Shareholders in accordance with Clause 4.2(o);

- (ii) approve the WMK Shareholders as holders of Units; and
- (iii) update the unit register for the Watermark Absolute Return Fund accordingly.

4.4. The Manager's Obligations

- (a) **assistance with preparation of Scheme Booklet:** use all reasonable endeavours to assist WMK and the Responsible Entity with the preparation of the Scheme Booklet as a whole;
- (b) **The Manager Information:** prepare and promptly provide to WMK the Manager Information for inclusion in the Scheme Booklet to comply with all applicable laws and ASIC regulatory guides, and consult with WMK as to the content and presentation of the Manager Entity Information in the Scheme Booklet, such consultation to include allowing WMK a reasonable opportunity to review and make comments on successive drafts of the Manager Information before lodgement of the Regulator's Draft with ASIC;
- (c) **review of Scheme Booklet:** review the drafts of the Scheme Booklet prepared by WMK and provide comments, if any, as soon as practicable;
- (d) **confirmation of the Manager Information:** before the Regulator's Draft is provided to ASIC pursuant to section 411(2) of the Corporations Act, either:
 - (i) confirm in writing to WMK that the Manager Information in the form and context in which it appears in the Scheme Booklet is not misleading or deceptive in any material respect and does not contain any material omission; or
 - (ii) provide to WMK the changes required to ensure that the Manager Information in the form and context in which it appears in the Scheme Booklet is not misleading or deceptive in any material respect and does not contain any material omission;
- (e) **Independent Expert's report:** provide any assistance or information reasonably requested by WMK or by the Independent Expert in connection with the preparation of the Independent Expert's report to be sent together with the Scheme Booklet;
- (f) **update Manager Information:** if:
 - (i) at any time after the despatch of the Scheme Booklet, the Manager becomes aware of new information which, were it known at the time of despatch, should have been included in any of the Manager Information provided previously to WMK; or
 - (ii) at any time, the Manager becomes aware that any part of the Manager Information provided previously to WMK is misleading or deceptive in any material respect (whether by omission or otherwise),

it must advise WMK so that WMK can determine whether supplementary disclosure to WMK Shareholders is required;
- (g) **liquidation of WMK portfolio:** the Manager must use all reasonable endeavours, subject to acting in the best interests of WMK Shareholders to liquidate and convert the assets of WMK into cash as soon as practicable following the date of this Deed;
- (h) **agreement to become WMK's sole shareholder:** if the Scheme becomes Effective the Manager must, on the Implementation Date and subject to completion of the Capital

Reduction, do all things necessary to subscribe for one fully paid ordinary share in WMK issued at \$1.00 and otherwise agree to be bound by the WMK Constitution.

4.5. Conduct of business

- (a) From the date of this Deed up to and including the Implementation Date, WMK must, and the Manager must (subject to Clause 4.4(g)) procure that WMK does, conduct its business in the ordinary and proper course of business consistent with past practice, keep the Responsible Entity informed of the conduct of business, and make all reasonable efforts to:
- (i) keep available the services of the Directors and WMK's other officers;
 - (ii) maintain and preserve satisfactory relationships with its suppliers and others having business dealings with WMK (including using reasonable endeavours to obtain consents from third parties to any change of control provisions in contracts or arrangements to which WMK is a party);
 - (iii) not enter into any lines of business or other activities in which WMK is not engaged as of the date of this Deed;
 - (iv) preserve intact its asset and business organisation;
 - (v) not allow any tax payment that is due and payable to remain unpaid; and
 - (vi) manage its working capital in the ordinary course of ordinary business consistent with past practice.
- (b) Nothing in Clause 4.5(a) restrains WMK from taking any action permitted by this Deed or with the prior written consent of the Responsible Entity, which consent will not be unreasonably withheld or delayed.
- (c) The Parties must consult with each other in good faith immediately after execution of this Deed and for the period up to the Implementation Date, to discuss and assist in preparing a transition plan.

4.6. Independent Board Committee recommendation

- (a) Subject to Clause 4.6(b), WMK must use its reasonable endeavours to procure that:
- (i) the Independent Board Committee unanimously recommends in the Scheme Booklet that, in the absence of a Superior Competing Transaction and subject to the Independent Expert concluding or continuing to conclude that the Transaction is in the best interests of WMK Shareholders, WMK Shareholders vote in favour of the Transaction; and
 - (ii) the Scheme Booklet will include a statement to the effect that each Independent Director will, in the absence of a Superior Competing Transaction and subject to the Independent Expert concluding or continuing to conclude that the Transaction is in the best interests of WMK Shareholders, vote (or procure the voting) of all Independent Director Shares in favour of the Scheme at the Scheme Meeting.
- (b) WMK must use its reasonable endeavours to procure that the Independent Board Committee collectively, and the Independent Directors of the WMK Board individually, do

not change, withdraw or modify its, his or her recommendation in the Scheme Booklet that WMK Shareholders vote in favour of the Transaction or their statement that they will vote (or procure the voting) of its, his or her Independent Director Shares in favour of the Scheme at the Scheme Meeting or make a recommendation or statement that is inconsistent with such recommendation or statement, unless:

- (i) the Independent Board Committee or Independent Director has first obtained written legal advice from its legal advisors that a failure by the Independent Board Committee or Independent Director to change, withdraw or modify its, his or her recommendation or statement or make a recommendation or statement that is inconsistent with it would be reasonably likely to constitute a breach of their fiduciary or statutory obligations;
 - (ii) the Independent Expert concludes in the Independent Expert's Report (or any update or variation to that report) that the Scheme is not in the best interests of WMK Shareholders, or adversely changes its previously given opinion in the Independent Expert's Report (or any update or variation to that report) that the Scheme is in the best interests of WMK Shareholders; or
 - (iii) WMK receives a Superior Competing Transaction.
- (c) If the Independent Board Committee proposes to change, withdraw or modify its recommendation or statement in accordance with Clause 4.6(b), or make a recommendation or statement that is inconsistent with such recommendation or statement in accordance with Clause 4.6(b) WMK must immediately notify the Responsible Entity and the Manager in writing.
- (d) In the event that WMK provides notice under Clause 4.6(c) the Manager will be entitled to terminate this Deed by notice to WMK and the Responsible Entity with immediate effect.

4.7. WMK Facilitation

- (a) Where in this Clause 4 an obligation is imposed on WMK to undertake any act or to ensure that an act does not occur, WMK must, in addition to doing so itself, instruct the Manager to undertake that act or refrain from undertaking that act (as the case requires) where the terms of the WMK Management Agreement or any other agreement, arrangement or understanding or course of conduct between the Manager and WMK which imposes responsibility for that matter on the Manager.
- (b) Provided that WMK complies with Clause 4.7(a), any breach of an obligation imposed on WMK under this Clause 4 that is caused by any act that the Manager undertakes or refrains from undertaking will not be considered to be a breach of this Deed by WMK.

4.8. Responsible Entity Facilitation

- (a) Where in this Clause 4 an obligation is imposed on the Responsible Entity to undertake any act or to ensure that an act does not occur, the Responsible Entity must, in addition to doing so itself, instruct the Manager to undertake that act or refrain from undertaking that act (as the case requires) where the terms of the Watermark Absolute Return Fund Management Agreement or any other agreement, arrangement or understanding or course of conduct between the Manager and the Responsible Entity which imposes responsibility for that matter on the Manager.

- (b) Provided that the Responsible Entity complies with Clause 4.8(a), any breach of an obligation imposed on the Responsible Entity under this Clause 4 that is caused by any act that the Manager undertakes or refrains from undertaking will not be considered to be a breach of this Deed by the Responsible Entity.

4.9. Completion Steps

Subject to the satisfaction or waiver of the Conditions and this deed not having been terminated before Completion, Completion must occur on the Effective Date and at Completion the following events must occur in the following sequence:

- (a) WMK must declare and pay a dividend in the amount of the Dividend Amount to be applied as a component of the Distribution;
- (b) WMK must apply for the Units in consideration for the transfer of the WMK Assets to Watermark Absolute Return Fund;
- (c) WMK must itself transfer or procure that the Manager under the Existing IMA transfers legal and beneficial title to the WMK Assets to the Responsible Entity on behalf of the Watermark Absolute Return Fund, or as it may direct, free of any security interests and other Third Party rights.
- (d) WMK must itself deliver or procure that the Manager delivers to the Watermark Absolute Return Fund or as it may direct:
- (i) all transfer documents and instructions to Third Parties necessary to transfer title to the WMK Assets executed by the transferor;
 - (ii) all title documents relating to WMK Assets; and
 - (iii) all Records relating in any way to the WMK Assets.
- (e) WMK must:
- (i) in satisfaction of its obligations to undertake the Distribution, direct the Responsible Entity to issue the Units to the WMK Shareholders in accordance with Clause 4.1; and
 - (ii) on behalf of each WMK Shareholder agree to accept the Units and be bound by the Constitution;
- (f) the Responsible Entity must immediately issue the Units and allot them to each WMK Shareholder on the basis detailed in Clause 4.1;
- (g) WMK must issue one fully paid ordinary share to the Manager as detailed in Clause 4.2;
- (h) WMK and the Manager must execute the Termination Deed; and
- (i) the Responsible Entity and the Manager must execute the New Management Agreement.

4.10. Distribution Notice

- (a) WMK must determine and make an appropriate announcement to the ASX setting out:

- (i) the proportions of the Distribution Amount that comprise the Return of Capital Amount and the Dividend Amount; and
- (ii) the proportions of the Dividend Amount that comprise franked and unfranked dividends.
- (b) For the purposes of Clause 4.10(a), the Dividend Amount must be franked to the extent of the estimated franking account balance of WMK as at the Calculation Date.

4.11. Completion steps in relation to Ineligible Foreign Shareholders

Notwithstanding any other provision in the Deed:

- (a) the Responsible Entity:
- (i) will not issue the Units and allot them to an Ineligible Foreign Shareholders to which the Ineligible Foreign Shareholders would otherwise be entitled under the Scheme (**Ineligible Shareholder Units**);
- (ii) will issue the Ineligible Shareholder Units to the Nominee on their behalf; and
- (iii) must procure the Nominee to:
- (A) apply to withdraw the Ineligible Shareholder Units as soon as reasonably practicable and in any event not more than 20 Business Days after the Implementation Date (**Withdrawal**); and
- (B) within 5 Business Days after the Withdrawal, remit the net proceeds of the Withdrawal received (after deducting any applicable brokerage, stamp duty and other costs, taxes and charges) to WMK.
- (b) Within 10 Business Days of receiving the net proceeds from the Withdrawal, WMK must remit to each Ineligible Foreign Shareholder an amount equal to the proportion of the net proceeds received by WMK under the Withdrawal to which that Ineligible Foreign Shareholder is entitled (rounded to the nearest cent), in satisfaction of their right to the Scheme Consideration.
- (c) WMK's obligation to pay or procure the payment of the net proceeds to the Ineligible Foreign Shareholders under Clause 4.11(b) will be paid in Australian dollars by:
- (i) electronic funds transfer to a bank account as noted on WMK's share register on the Record Date; or
- (ii) whether or not an account is noted on WMK's share register, cheque drawn on an Australian bank and sent by pre-paid post to the Ineligible Foreign Shareholder's Registered Address.

5. REPRESENTATIONS AND UNDERTAKINGS

5.1. Responsible Entity's representations

The Responsible Entity represents to WMK (in its own right and separately as trustee or nominee for each of the other WMK Parties) and the Manager (in its own right and separately as trustee or nominee for each of the other Manager Parties) that:

- (a) the Responsible Entity Information provided to WMK for inclusion in the Scheme Booklet will be provided in good faith and on the understanding that each of the WMK Parties will rely on that information to prepare the Scheme Booklet and to propose and implement the Transaction in accordance with the Corporations Act;
- (b) the Responsible Entity Information provided under Clause 4.3(a) included in the Scheme Booklet, as at the date the Scheme Booklet is despatched to WMK Shareholders, will (to the best of the Responsible Entity's knowledge, information and belief, after due enquiry) not contain any statement which is materially misleading or deceptive including by way of material omission from that statement;
- (c) the Responsible Entity will, as a continuing obligation, provide to WMK all further or new information which it becomes aware of after the Scheme Booklet has been despatched until the date of the Scheme Meeting which is necessary to ensure that there would be no breach of Clause 5.1(b) if it applied as at the date on which that information arose;
- (d) the Responsible Entity is a validly existing corporation registered under the laws of its place of incorporation;
- (e) the execution and delivery of this Deed has been properly authorised by all necessary corporate action of the Responsible Entity;
- (f) the Responsible Entity has full corporate power and lawful authority to execute, deliver and perform this Deed, including under the Watermark Absolute Return Fund Constitution; and
- (g) this Deed does not conflict with or result in the breach of or default under the Watermark Absolute Return Fund Constitution and to the best of the Responsible Entity's knowledge any other agreement or any writ, order or injunction, judgment, law, rule or regulation to which it is party or by which it is bound.

5.2. WMK's representations

WMK represents to the Responsible Entity and its directors and officers (in its own right and separately as trustee or nominee for each of the other the Responsible Entity Parties) and the Manager (in its own right and separately as trustee or nominee for each of the other Manager Parties) that:

- (a) no information (other than the Responsible Entity Information and the Independent Expert's Report) contained in the Scheme Booklet, as at the date the Scheme Booklet is despatched to WMK Shareholders, will contain (to the best of WMK's knowledge, information and belief, after due enquiry) any statement which is materially misleading or deceptive, including by way of material omission from that statement;

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- (b) WMK is a validly existing corporation registered under the laws of its place of incorporation;
 - (c) the execution and delivery of this Deed has been properly authorised by all necessary corporate action of WMK;
 - (d) WMK has full corporate power and lawful authority to execute and deliver this Deed and to perform or cause to be performed its obligations under this Deed;
 - (e) this Deed does not conflict with or result in the breach of or default under any provision of the WMK Constitution or any material term or provision of any agreement or any writ, order or injunction, judgment, law, rule or regulation to which it is party or subject or by which it is bound; and
 - (f) its capital structure, including all issued securities, as at the date of this Deed is as set out in clause 2(b) of the Scheme.

5.3. Manager representations

The Manager represents to WMK and its directors and officers (in its own right and separately as trustee or nominee for each of the other the WMK Parties) and the Responsible Entity (in its own right and separately as trustee or nominee for each of the other Responsible Entity Parties) that:

- (a) no information (other than the Responsible Entity Information, WMK Information and the Independent Expert's Report) contained in the Scheme Booklet, as at the date the Scheme Booklet is despatched to WMK Shareholders, will contain (to the best of WMK's knowledge, information and belief, after due enquiry) any statement which is materially misleading or deceptive, including by way of material omission from that statement;
- (b) the Manager is a validly existing corporation registered under the laws of its place of incorporation;
- (c) the execution and delivery of this Deed has been properly authorised by all necessary corporate action of the Manager;
- (d) the Manager has full corporate power and lawful authority to execute and deliver this Deed and to perform or cause to be performed its obligations under this Deed; and
- (e) this Deed does not conflict with or result in the breach of or default under any provision of the Manager Constitution or any material term or provision of any agreement or any writ, order or injunction, judgment, law, rule or regulation to which it is party or subject or by which it is bound.

5.4. Survival of representations

Each representation and warranty in Clauses 5.1, 5.2 and 5.3:

- (a) is severable;
- (b) survives the termination of this Deed; and
- (c) is given with the intention that liability under it is not confined to breaches which are discovered before the date of termination of this Deed.

6. PUBLIC ANNOUNCEMENTS

6.1. Announcement of Transaction

Immediately after the execution of this Deed, WMK must issue a public announcement in a form previously agreed in writing between WMK, the Responsible Entity and the Manager.

7. CONFIDENTIALITY

7.1. Confidentiality

- (a) Each Party acknowledges and agrees that all information received by it from any other Party before or after the date of this Deed is confidential information and must remain confidential and not be disclosed to any Third Party without the consent of the other Parties.
- (b) A Party may make any disclosures in relation to this deed as it thinks necessary:
 - (i) to its professional advisers, insurers, bankers, financial advisers and financiers, if those persons undertake to keep information disclosed confidential;
 - (ii) to comply with any Law or requirement of any Government Authority or the rules of ASX; or
 - (iii) to its Representatives to whom it is necessary to disclose the information if that Representative undertakes to keep the information disclosed confidential.

8. LIABILITY OF THE RESPONSIBLE ENTITY

- (a) WMK and the Manager agree that the Responsible Entity enters into this Deed in its capacity as trustee of the Watermark Absolute Return Fund and in no other capacity.
- (b) WMK and the Manager agree that the liability of the Responsible Entity to the Manager and WMK, their officers, or agents or any other person under or arising out of this Deed in relation to the Watermark Absolute Return Fund is limited to the amount that the Responsible Entity actually receives in the exercise of its right of indemnity against the Watermark Absolute Return Fund.
- (c) Each of the Manager and WMK may enforce its rights under this Deed against the Responsible Entity only to the extent of the Responsible Entity's right of indemnity out of the assets of the Watermark Absolute Return Fund.
- (d) If the Manager or WMK does not recover all money owing to it by enforcing the rights referred to in Clause 8(c), it may not seek to recover the shortfall by:
 - (i) bringing proceedings against the Responsible Entity in its personal capacity; or
 - (ii) applying to have the Responsible Entity wound up or proving in the winding up of the Responsible Entity unless another creditor has initiated proceedings to wind up the Responsible Entity.
- (e) Each of the Manager and WMK waives its rights and releases the Responsible Entity from any personal liability whatsoever, in respect of any loss or damage which:

- (i) it may suffer as a result of the Responsible Entity's non-performance of its obligations and liabilities under this Deed; and
- (ii) cannot be paid or satisfied out of the assets of the Watermark Absolute Return Fund out of which the Responsible Entity is entitled to be indemnified in respect of any liability incurred as the trustee.
- (f) The limitation in this Clause 8 does not apply to the extent that any liability arises from fraud, gross negligence or breach of trust by the Responsible Entity as the trustee of the Watermark Absolute Return Fund. For these purposes, it is agreed that the Responsible Entity cannot be regarded as having acted fraudulently, with gross negligence or in breach of trust to the extent to which the fraud, gross negligence or breach of trust has been caused or contributed to by a failure of either the Manager or WMK to fulfil its obligations under this Deed or any other act or omission of either the Manager or WMK or any other person.
- (g) Nothing in Clause 8(f) shall make the Responsible Entity liable to any claim for an amount greater than the amount which the Responsible Entity would have been able to claim and recover from the assets of the Watermark Absolute Return Fund in relation to the relevant liability if the Responsible Entity's right of indemnification out of the assets of the Watermark Absolute Return Fund had not been prejudiced by the Responsible Entity's failure to properly perform its duties.
- (h) The Responsible Entity is not obliged to do or refrain from doing anything under this Deed (including incur any liability) unless the Responsible Entity's liability is limited in the same manner as set out in paragraph (a) to (g) of this Clause.
- (i) Each of the Manager and WMK acknowledges and agrees that in respect of any liability or obligation incurred by the Responsible Entity under or arising out of this Deed, it shall not be permitted to set off liabilities or obligations against it nor have any recourse to, the assets of any managed investment scheme or trust for which the Responsible Entity has been appointed as responsible entity or trustee, other than the Watermark Absolute Return Fund.
- (j) This Clause applies despite any other provision in this Deed and extends to all liabilities and obligations of the Responsible Entity in any way connected with any representations, warranty, conduct, omission, agreement or transaction related to this Deed. In the event of any inconsistency, this Clause prevails and survives termination of this Deed.

9. TERMINATION

9.1. Termination by any Party

Unless otherwise agreed to by WMK, the Responsible Entity or the Manager, any Party may terminate this Deed by giving written notice to the other Party at any time prior to the **Effective Date** where:

- (a) one of the other Parties is in material breach of any Clause, including a warranty, of this Deed which is incapable of being remedied, or if the breach is capable of being remedied, continue to exist for more than 10 Business Days;
- (b) a Court or other Governmental Agency has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Scheme; or

- (c) any condition precedent referred to in Clause 3 has not been satisfied or waived in accordance with this Deed.

9.2. Effect of termination

In the event of termination of this Deed by any Party pursuant to this Clause 9 or Clause 4.6(d), this Deed will become void and have no effect, other than in respect of any liability for an antecedent breach of this Deed.

10. GST

10.1. GST

- (a) Any consideration or amount payable under this Deed, including any non-monetary consideration (as reduced in accordance with Clause 10.1(e) if required) (**Consideration**) is exclusive of GST.
- (b) If GST is or becomes payable on a Supply made under or in connection with this Deed, an additional amount (**Additional Amount**) is payable by the Party providing consideration for the Supply (**Recipient**) equal to the amount of GST payable on that Supply as calculated by the Party making the Supply (**Supplier**) in accordance with the GST Law.
- (c) The Additional Amount payable under Clause 10.1(b) is payable at the same time and in the same manner as the Consideration for the Supply, and the Supplier must provide the Recipient with a Tax Invoice. However, the Additional Amount is only payable on receipt of a valid Tax Invoice.
- (d) If for any reason the amount of GST payable on a Supply (taking into account any Decreasing or Increasing Adjustments in relation to the Supply) varies from the Additional Amount payable by the Recipient under Clause 10.1(b):
- (i) the Supplier must provide a refund or credit to the Recipient, or the Recipient must pay a further amount to the Supplier, as appropriate;
 - (ii) the refund, credit or further amount (as the case may be) will be calculated by the Supplier in accordance with the GST Law; and
 - (iii) the Supplier must notify the Recipient of the refund, credit or further amount within 14 days after becoming aware of the variation to the amount of GST payable. Any refund or credit must accompany such notification or the Recipient must pay any further amount within 7 days after receiving such notification, as appropriate.
- (e) Despite any other provision in this Deed:
- (i) if an amount payable under or in connection with this Deed (whether by way of reimbursement, indemnity or otherwise) is calculated by reference to an amount incurred by a Party, whether by way of cost, expense, outlay, disbursement or otherwise (**Amount Incurred**), the amount payable must be reduced by the amount of any Input Tax Credit to which that Party is entitled in respect of that Amount Incurred; and
 - (ii) no Additional Amount is payable under Clause 10.1(b) in respect of a Supply to which section 84-5 of the GST Law applies.

- (f) Any reference in this Clause to an Input Tax Credit to which a Party is entitled includes an Input Tax Credit arising from a Creditable Acquisition by that Party but to which the Representative Member of a GST Group of which the Party is a member is entitled.
- (g) Any term starting with a capital letter that is not defined in this Deed has the same meaning as the term has in the *A New Tax System (Goods & Services Tax) Act 1999* (Cth).

11. GENERAL

11.1. No representation or reliance

- (a) Each Party acknowledges that no Party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this Deed, except for representations or inducements expressly set out in this Deed.
- (b) Each Party acknowledges and confirms that it does not enter into this Deed in reliance on any representation or other inducement by or on behalf of any other Party, except for any representation or inducement expressly set out in this Deed.
- (c) Each Party acknowledges and confirms that Clauses 11.1(a) and 11.1(b) do not prejudice any rights a Party may have in relation to information which has been filed by the other Party with ASIC or ASX.

11.2. No merger

The rights and obligations of the Parties do not merge on implementation of the Transaction. They survive the execution and delivery of any assignment or other document entered into for the purpose of implementing the Transaction.

11.3. Consents

Any consent referred to in, or required under, this Deed from any Party may not be unreasonably withheld, unless this Deed expressly provides for that consent to be given in that Party's absolute discretion.

11.4. Notices

Any communication under or in connection with this Deed:

- (a) must be in writing;
- (b) must be addressed as shown below:

WMK

Address: Level 23, Governor Philip Tower, 1 Farrer Place, Sydney NSW 2000
Fax no: +61 2 9252 1220
Attention: Mark Licciardo
Email: info@wffunds.com.au

Responsible Entity

Address: Level 2, 575 Bourke Street, Melbourne, Victoria 3000
Fax no: +61 3 8623 5200
Attention: Harvey H Kalman, Executive General Manager, Corporate Trustee Services
Email: hkalman@eqt.com.au

Manager

Address: Level 23, Governor Philip Tower, 1 Farrer Place, Sydney NSW 2000
Fax no: +61 2 9252 1220
Attention: Tim Bolger
Email: bolger@wffunds.com.au

(or as otherwise notified by that Party to the other Party from time to time);

- (c) must be signed by the Party making the communication or by a person duly authorised by that Party;
- (d) must be delivered or posted by prepaid post to the address, or sent by fax to the number, or by email to the email address, of the addressee, in accordance with Clause 11.4(b); and
- (e) is regarded as received by the addressee:
 - (i) if sent by prepaid post, on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
 - (ii) if sent by fax, at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be regarded as received at 9.00am on the next Business Day;
 - (iii) if delivered by hand, on delivery at the address of the addressee as provided in Clause 11.4(b), unless delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be regarded as received at 9.00am on the next Business Day; and
 - (iv) if sent by email:
 - (A) when the sender receives an automated message confirming delivery; or
 - (B) subject to the email being sent within the hours of 9am and 5pm on a Business Day, 6 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

11.5. Stamp Duty

WMK undertakes and agrees to fully indemnify the Responsible Entity with respect to any amounts payable in connection with the implementation of the Scheme under clause 9.1 of the Deed Poll.

11.6. Governing law and jurisdiction

- (a) This Deed is governed by the laws of the State of New South Wales.
- (b) Each Party irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New South Wales and courts competent to hear appeals from those courts.

11.7. Waivers

- (a) Failure to exercise or enforce, a delay in exercising or enforcing, or the partial exercise or enforcement of any right, power or remedy provided by law or under this Deed by any Party does not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this Deed.
- (b) Any waiver or consent given by any Party under this Deed is only effective and binding on that Party if it is given or confirmed in writing by that Party.
- (c) No waiver of a breach of any term of this Deed operates as a waiver of another breach of that term or of a breach of any other term of this Deed.

11.8. Variation

This Deed may only be varied by a document signed by, or on behalf of, each of the Parties.

11.9. Assignment

A Party may not assign, novate or otherwise transfer any of its rights or obligations under this Deed without the prior written consent of the other Party.

11.10. Further action

Each Party will do all things and execute all further documents necessary to give full effect to this Deed.

11.11. Entire agreement

This Deed supersedes all previous agreements in respect of its subject matter and embodies the entire agreement between the Parties.

11.12. Counterparts

- (a) This Deed may be executed in any number of counterparts.
- (b) All counterparts, taken together, constitute one instrument.
- (c) A Party may execute this Deed by signing any counterpart.

- (d) This Deed may be executed on the basis of an exchange of facsimile copies or electronic images (such as scanned copies or digital photos), and execution of this Deed by such means is a valid and sufficient execution.

**Schedule 1
Timetable**

Event	Date
Announcement	Date of this Deed
WMK provides Regulator's Draft to ASIC	8 February 2019
First Court Date	25 February 2019
Printing and despatch of Scheme Booklet	1 March 2019
Scheme Meeting	1 April 2019
Second Court Date	3 April 2019
Effective Date – Lodge Court orders approving Scheme and s. 413 transfer of WMK Assets and liabilities with ASIC	4 April 2019
Record Date	9 April 2019
Implementation Date	15 April 2019

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**Schedule 2
Scheme**

Reproduced as Annexure C of the Scheme Booklet.

For personal use only


**Schedule 3
Deed Poll**

Reproduced as Annexure D of the Scheme Booklet.

For personal use only

Executed by the Parties as a Deed:

EXECUTED by)
Watermark Market Neutral Fund Limited)
(ACN 163 980 498) in accordance with section)
127 of the Corporations Act:)



Director/Secretary



Director

MATTHEW KIDMAN
Name (please print)

JUSTIN BRAITLING
Name (please print)

EXECUTED by Equity Trustees Limited (ACN 004)
031 298) as trustee of Watermark Absolute)
Return Fund (ARSN 631 094 534) by its)
attorneys under Power of Attorney dated 27)
May 2016 in the presence of:)

.....
Signature of Attorney

.....
Signature of witness

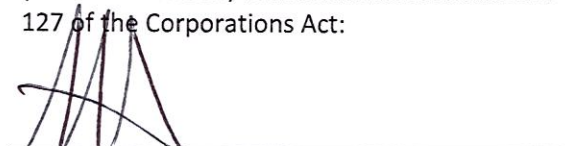
.....
Name of Attorney & Schedule Number

.....
(Print name)

.....
Signature of Attorney

.....
Name of Attorney & Schedule Number

EXECUTED by)
Watermark Funds Management Pty Limited)
(ACN 106 302 505) in accordance with section)
127 of the Corporations Act:)



Witness



Director

TIM BOLGER
Name (please print)

JUSTIN BRAITLING
Name (please print)

For personal use only

For personal use only

Executed by the Parties as a Deed:

EXECUTED by)
Watermark Market Neutral Fund Limited)
(ACN 163 980 498) in accordance with section)
127 of the Corporations Act:)


Director/Secretary


Director

Name (please print)

Name (please print)

EXECUTED by Equity Trustees Limited (ACN 004)
031 298) as trustee of Watermark Absolute)
Return Fund (ARSN 631 094 534) by its)
attorneys under Power of Attorney dated 27)
May 2016 in the presence of:)


.....
Signature of witness)
Gianluca Pulvano)
Associate - Operations & Oversight)
Corporate Trustee Services)
.....
(Print name))


.....
Signature of Attorney)
Russell Beasley)
Authorised Person - Schedule II)
Equity Trustees Limited)
.....
ACN 004 031 298)
Name of Attorney & Schedule Number)


.....
Signature of Attorney)
Alex Phiong)
Authorised Person - Schedule III)
Equity Trustees Limited)
.....
ACN 004 031 298)
Name of Attorney & Schedule Number)

EXECUTED by)
Watermark Funds Management Pty Limited)
(ACN 106 302 505) in accordance with section)
127 of the Corporations Act:)

Witness

Director

Name (please print)

Name (please print)

ANNEXURE C – SCHEME OF ARRANGEMENT

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Scheme of Arrangement

Watermark Market Neutral Fund Limited

(ACN 163 980 498)

Scheme Shareholders



KARDOS • SCANLAN
CORPORATE LAWYERS

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This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

PARTIES:

Watermark Market Neutral Fund Limited (ACN 163 980 498) of Level 23, Governor Phillip Tower, 1 Farrer Place, Sydney, NSW, 2000 (**WMK**); and

The Scheme Shareholders.

1. DEFINITIONS AND INTERPRETATION

1.1. Definitions

In this Scheme:

Assets means any legal or equitable right, estate or interest (whether present or future and whether vested or contingent) in real or personal property and any description, wherever located and whether tangible or intangible, including:

- (a) any part of the business or undertaking of a body corporate;
- (b) a chose or other thing in action, including any rights under any contract, negotiable instrument or other arrangement;
- (c) any share in a company and any unit or other interest in a trust;
- (d) any 'property' (within the meaning in subsection 413(4) of the Corporations Act; and
- (e) any other thing capable of being transferred or otherwise dealt with by order of the Court in accordance with paragraph 413(1)(a) of the Corporations Act.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market operated by it.

Administrator means Link Funds Solutions Pty Limited (ACN 114 914 215), being the administrator for the Fund and WMK.

Australian Accounting Standards means the accounting standards promulgated by the Australian Accounting Standards Board.

Business Day means a weekday on which trading banks are open for business in Sydney, Australia, excluding any Saturday, Sunday or public holiday.

Capital Reduction means the reduction in the capital of WMK by the Capital Reduction Amount under section 256B of the Corporations Act to be applied equally against each Scheme Share on issue as at the Record Date in accordance with the terms of the Capital Reduction Resolution.

Capital Reduction Amount means the amount of the Distribution Amount less the Dividend Amount.

Capital Reduction Entitlement means in relation to a Scheme Shareholder, the Capital Reduction Pro-Rata Amount multiplied by the number of Scheme Shares held by the Scheme Shareholder on the Record Date.

Capital Reduction Pro-Rata Amount means the Capital Reduction Amount divided by the number of Scheme Shares on issue on the Record Date.

Capital Reduction Resolution means the ordinary resolution concerning the Capital Reduction to be considered by Scheme Shareholders at the General Meeting as set out in Annexure A of this Scheme.

Calculation Date means 10 Business Days before the Scheme Meeting or such earlier time and date as WMK and the Responsible Entity agree in writing.

CHES means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.

Completion Net Assets means the post-tax net assets of WMK as at the Calculation Date calculated in accordance with the Corporations Act, Australian Accounting Standards (including the Australian Accounting Interpretations), and the Corporations Regulations and excluding deferred tax assets (if any).

Corporations Act means the *Corporations Act 2001* (Cth).

Corporation Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act as WMK, the Responsible Entity and the Manager agree on in writing.

Deed Poll means the deed poll to be granted by the Responsible Entity in substantially the form set out in Schedule 3 to the Implementation Deed or such other form agreed to in writing between WMK, the Responsible Entity and the Manager.

Delivery Time means, in relation to the Second Court Date, the time being 2 hours before commencement of the hearing of the Court on the Second Court Date.

Distribution Amount means an amount equal to the Completion Net Assets less the Retention Amount.

Dividend means a dividend declared in accordance with section 254T of the Corporations Act

Dividend Amount means the amount of the dividend (if any) which is declared and paid under Clause 4.9(a) of the Implementation Deed as determined by the Directors.

Dividend Entitlement means in relation to a Scheme Shareholder, the Dividend Pro-Rata Amount multiplied by the number of Scheme Shares held by the Scheme Shareholder on the Record Date.

Dividend Pro-Rata Amount means the Dividend Amount divided by the number of Scheme Shares on issue on the Record Date.

Effective means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Eligible Shareholder means a Scheme Shareholder whose registered address on the WMK Register as at the Record Date is in:

- (a) Australia or New Zealand; and
- (b) any other place where WMK reasonably believes that it is not prohibited and not unduly onerous or impractical to implement the Scheme and to issue the Units.

End Date means 30 June 2019.

Fund means Watermark Absolute Return Fund (ARSN 631 094 534).

General Meeting means the general meeting for WMK Shareholders held on 1 April 2019 to consider the Capital Reduction Resolution.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state.

Implementation Date means the day 5 Business Days after the Scheme Record Date or such other date as WMK, the Responsible Entity and the Manager agree in writing.

Implementation Deed means the scheme implementation deed dated 4 February 2019 between WMK, the Responsible Entity and the Manager relating to the implementation of this Scheme.

Ineligible Foreign Shareholder means a Scheme Shareholder whose address as shown in the Share Register is a place outside Australia and its external territories or New Zealand unless WMK, the Responsible Entity and the Manager agree in writing that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with Units when this Scheme becomes Effective.

Listing Rules means the official listing rules of the ASX.

Manager means Watermark Funds Management Pty Limited (ACN 106 302 505).

NAV has the meaning given to Net Asset Value in the Watermark Absolute Return Fund Constitution excluding the Retention Amount.

Nominee means the agent appointed by the Responsible Entity to be issued with, and to withdraw, the Units in the Fund that would have otherwise been issued to Ineligible Foreign Shareholders in relation to the Scheme.

NTA means pre tax net tangible assets after excluding all current and deferred tax assets and liabilities and the Retention Amount, calculated in accordance with the Corporations Act, Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations and consistent with the requirements of the Listing Rules for an Investment Entity, rounded to the nearest one hundredth of a cent.

Registered Address means, in relation to a WMK Shareholder, the address of the WMK Shareholder as recorded in the Share Register.

Responsible Entity means Equity Trustees Limited (ACN 004 031 298) as responsible entity of the Fund.

Retention Amount means \$100,000.

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between WMK and the Scheme Shareholders subject to any alterations or conditions:

- (a) agreed to in writing by WMK, the Responsible Entity and the Manager and approved by the Court; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed by WMK, the Responsible Entity and the Manager.

Scheme Consideration for each Scheme Share means the number of Units calculated in accordance with the procedure set out in Annexure B.

Scheme Meeting means the meeting of WMK Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Participant means each WMK shareholder as at the Record Date.

Scheme Record Date means the third Business Day after the Effective Date or such other date as WMK, the Responsible Entity and the Manager agree.

Scheme Share means a WMK Share held by a Scheme Shareholder as at the Scheme Record Date.

Scheme Shareholder means each person who is registered in the Share Register as the holder of WMK Shares as at the Scheme Record Date.

Second Court Date means the first day on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Share Register means the register of members of WMK maintained in accordance with the Corporations Act.

Unit means a fully paid unit in the capital of the Fund.

WMK Assets means the Assets of WMK as at the Implementation Date excluding the Retention Amount and any deferred tax assets (if any).

WMK Register means the share register of WMK.

WMK Registry means Boardroom Pty Limited of Level 12, 225 George Street, Sydney NSW 2000.

WMK Share means a fully paid ordinary share in the capital of WMK.

Withdrawal Facility means the facility to be established and implemented by WMK and the Nominee under clause 4.11 of the Implementation Deed with respect to Ineligible Foreign Shareholders.

Withdrawal Period means the period on and from the Implementation Date to and including the fifth Business Day after the Implementation Date (or, subject to obtaining any necessary ASIC exemptions or waivers, such longer period of time which WMK and the Nominee determine).

1.1. Interpretation

In this Scheme, headings and bold type are for convenience only and do not affect interpretation and, unless the context requires otherwise:

- For personal use only
- (a) words importing the singular include the plural and vice versa;
 - (b) words importing a gender include any gender;
 - (c) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
 - (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any Government Agency;
 - (e) a reference to a Clause, Party, Attachment or Schedule is a reference to a clause of, and a party, attachment and schedule to this Scheme, and a reference to this Scheme includes any Attachment and Schedule;
 - (f) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
 - (g) a reference to any document (including this Scheme) is to that document as varied, novated, ratified or replaced from time to time;
 - (h) the word **includes** in any form is not a word of limitation;
 - (i) a reference to **\$** or **dollar** is to Australian currency;
 - (j) a reference to any time, unless otherwise indicated, is a reference to the time in Sydney, Australia;
 - (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Scheme; and
 - (l) a reference to the Listing Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a Party.

1.3. Business Day

Where the day on or day by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

2. PRELIMINARY MATTERS

- (a) WMK is a public company limited by shares incorporated in Australia and registered in New South Wales, Australia, and has been admitted to the official list of the ASX. WMK Shares are quoted for trading on the ASX.
- (b) As at the Second Court Date, **[insert]** WMK Shares were on issue.
- (c) The Responsible Entity is a public company acting as responsible entity of the Fund, a registered managed investment scheme under the Corporations Act.

- (d) If this Scheme becomes Effective, in consideration of the transfer of the WMK Assets by WMK to the Responsible Entity:
- (i) the Responsible Entity will procure the issue of the Scheme Consideration to the Scheme Shareholders to assist WMK in implementing the Capital Reduction;
 - (ii) The WMK Shares will be cancelled by WMK in accordance with the terms of the Capital Reduction Resolution and this Scheme.
- (e) WMK, the Manager and the Responsible Entity have agreed by executing the Implementation Deed to Implement the Scheme and conduct the Capital Reduction.
- (f) This Scheme attributes actions to the Responsible Entity but does not itself impose an obligation on it to perform those actions. The Responsible Entity has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including providing or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

3. CONDITIONS

3.1. Conditions Precedent

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions precedent in clause 3.1 of the Implementation Deed (other than the condition precedent in clause 3.1(c) of the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by the Delivery Time;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before the Delivery Time;
- (c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act and agreed to by WMK, the Manager and the Responsible Entity;
- (d) Scheme Shareholders' approval of the Capital Reduction Resolution by the required majority under the Corporations Act at the General Meeting;
- (e) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme and agreed to by WMK, the Manager and the Responsible Entity; and
- (f) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) and section 413(1) of the Corporations Act approving this Scheme coming into effect, pursuant to section 411(10) and section 413(3) of the Corporations Act, on or before the End Date (or any later date WMK, the Manager and the Responsible Entity agree).

3.2. Certificate

- (a) WMK and the Responsible Entity will provide to the Court on the Second Court Date a certificate executed as a deed, or such other evidence as the Court requests, confirming (in

respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.

- (b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent are satisfied, waived or taken to be waived.

4. IMPLEMENTATION OF THIS SCHEME

4.1. Lodgement of Court orders with ASIC

WMK will lodge with ASIC, in accordance with sections 411(10) and 413(3) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme or such later time as WMK, the Manager and the Responsible Entity agree in writing.

4.2. Implementation of the Capital Reduction and the Scheme

On the Implementation Date, without the need for any further act by any Scheme Shareholder:

- (a) the Scheme Consideration will be issued by the Responsible Entity in accordance with the terms of the Deed Poll;
- (b) WMK will reduce its share capital by the Capital Reduction Amount in accordance with the Capital Reduction Resolution;
- (c) WMK will apply the Dividend Entitlement and Capital Reduction Entitlement of each Scheme Shareholder in accordance with clause 4.4;
- (d) the WMK Assets will be transferred to the Fund; and
- (e) subject to the completion of the steps set out in clauses 4.2(a) to 4.2(d), WMK will then immediately issue one fully paid ordinary share to the Manager.

4.3. Implementation of steps 4.2(a) to 4.2(d) to be simultaneous

Implementation of all of the steps set out in clauses 4.2(a) to 4.2(d) shall be carried out simultaneously and no step in clauses 4.2(a) to 4.2(d) shall be deemed to have been completed until all steps have been carried out.

4.4. Entitlements of Scheme Shareholders

The Dividend Entitlement and then the Capital Reduction Entitlement of each Scheme Shareholder will, on the Implementation Date, be applied (without the need for any further act by a Scheme Shareholder) as follows:

- (a) for each Eligible Shareholder, by WMK procuring the Responsible Entity on behalf of the Fund, issue to that Eligible Shareholder that number of Units calculated in accordance with section 4.1 of the Implementation Deed with respect to the number of Scheme Shares held by each Eligible Shareholder on the Record Date (rounded to the nearest whole number of Units); and
- (b) for each Ineligible Foreign Shareholder, by WMK procuring the Responsible Entity on behalf of the Fund, issue to the Nominee that number of Units calculated in accordance

with section 4.1 of the Implementation Deed with respect to the number of Scheme Shares held by that Ineligible Foreign Shareholder on the Record Date (rounded to the nearest whole number of Units).

4.5. Issue of Units

The obligations of WMK under clause 4.4 will be discharged by WMK procuring:

- (a) the issue of all the Units in the Fund to the Scheme Shareholders (or in the case of Ineligible Foreign Shareholders, to the Nominee) in the numbers determined in accordance with clause 4.4); and
- (b) the entry in the Fund's unit register:
 - (i) of the name of each Scheme Shareholder (other than the Ineligible Foreign Shareholders) in respect of the Units issued to the relevant Scheme Shareholder; or
 - (ii) of the name of the Nominee in respect of those Units that would otherwise have been issued to each Scheme Shareholder who is an Ineligible Foreign Shareholder.

4.6. Dispatch of holding statements

As soon as practicable after the Implementation Date, WMK will procure that the Responsible Entity (on behalf of the Fund) sends to each Scheme Shareholder (who is not an Ineligible Foreign Shareholder) or the Nominee (as applicable), holding statements for the Units issued in accordance with clause 4.5, by prepaid post to their registered address at the Record Date, or as otherwise directed by the relevant Scheme Shareholders or the Nominee.

4.7. Joint holders

In the case of Scheme Shares held in joint names:

- (a) any Units must be issued to and registered in the name of the joint holders and the holding statement in respect of the requisite number of Units must be sent to the holder whose name appears first in the Share Register as at the Scheme Record Date; and
- (b) any bank cheque required to be paid to Ineligible Foreign Shareholders by or on behalf of WMK must be payable to the joint holders and be forwarded to the holder whose name appears first in the Share Register as at the Scheme Record Date.

4.8. Appointment as agent

Each Ineligible Foreign Shareholder appoints WMK as its agent to receive on its behalf any financial services guide or other notices which may be given by the Nominee to the Ineligible Foreign Shareholder.

5. WITHDRAWAL FACILITY

5.1. The Withdrawal Facility

WMK will procure, in accordance with the terms of the Withdrawal Facility, that the Nominee or the Unit registry (as applicable):

- For personal use only
- (a) as soon as reasonably practicable (and in any event no later than the end of the Withdrawal Period), withdraw for the benefit of each Ineligible Foreign Shareholder, all the Units issued to the Nominee under clause 4.5 in consideration for the application of the Capital Reduction Entitlement of that Ineligible Foreign Shareholder;
 - (b) accounts to each Ineligible Foreign Shareholder for the proceeds of the withdrawal and any income attributable to those Units (on an averaged basis so that all Ineligible Foreign Shareholders receive the same price per Unit, subject to rounding up to the nearest whole cent); and
 - (c) remits the proceeds of the withdrawal due to each Ineligible Foreign Shareholder under clause 5.1(b) to the Ineligible Foreign Shareholder no later than 5 Business Days after the end of the Withdrawal Period, such amounts to be dispatched by:
 - (i) direct credit to each Ineligible Foreign Shareholder's nominated bank account as noted in the WMK Register at the Record Date; or
 - (ii) where a bank account has not been nominated by an Ineligible Foreign Shareholder for the purpose of clause 5.1(c)(i), cheque to be mailed to that Ineligible Foreign Shareholder's address as show in the WMK Register at the Record Date.

5.2. Satisfaction of obligations

WMK, by complying with the terms of clause 5.1 in respect of an Ineligible Foreign Shareholder will be taken to have satisfied and discharged its obligations to the relevant Ineligible Foreign Shareholder under the terms of the Capital Reduction Resolution and the Scheme. An Ineligible Foreign Shareholder will have no claim against WMK for any entitlement they would have had to the Units but for the terms of this Scheme.

5.3. Acknowledgement

Under this Scheme, each Ineligible Foreign Shareholder agrees and acknowledges that the sale in respect of the person's Capital Reduction Entitlement under the Withdrawal Facility or this Scheme by operation of clause 5.1 constitutes satisfaction of all the person's entitlements in and to that person's Capital Reduction Entitlement.

6. GENERAL SCHEME PROVISIONS

6.1. Agreement to become a member of the Fund

Under this Scheme, each Scheme Shareholder (including those Scheme Shareholders who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme) who will receive units:

- (a) agrees to become a Unitholder in the Fund, to have their name entered into the Fund's register of Unitholders, accepts the Units issued to them and agrees to be bound by the Fund's constitution; and
- (b) agrees and acknowledges that the issue of Units in accordance with clause 4.5 constitutes satisfaction of all that person's entitlements in and to that person's Capital Reduction Entitlement.

6.2. Appointment of agent and attorney

- (a) Each Scheme Shareholder, without the need for any further act, irrevocably appoints WMK as its agent and attorney for the purpose of executing any document or doing any other act necessary or desirable to give effect to the terms of this Scheme, including without limitation:
- (i) the execution and delivery of any form or documentation required to effect the issue of the Units to Eligible Shareholders, the Nominee or any other person in accordance with the terms of the Scheme, and the delivery of any such form to the Responsible Entity;
 - (ii) executing any document or doing any other act necessary to give effect to the terms of this Scheme, including, without limitation, the communication of the Eligible Shareholder's consent, agreement, notifications under clauses 6.1, 6.3, 6.4 or 6.5; and
 - (iii) the enforcement of the Deed Poll against the Responsible Entity,
- and WMK accepts such appointment.
- (b) WMK, as agent of each Scheme Shareholder, may sub-delegate its functions under clause 6.2(a) to all or any of its directors and secretaries (jointly and severally).

6.3. Instructions to WMK

Except for an Eligible Shareholder's tax file number, binding instructions or notifications between an Eligible Shareholder and WMK relating to WMK Shares or an Eligible Shareholder's status as a WMK Shareholder (including without limitation, any instructions in relation to payment of dividends or communications from WMK) will (to the extent permitted by law), from the Record Date, be deemed by reason of this Scheme to be similarly binding instructions or notifications to, and accepted by, the Responsible Entity (on behalf of the Fund) in respect of the Units issued to Eligible Shareholders until those instructions or notifications are, in each case, revoked or amended in writing addressed to the Responsible Entity at the Fund's unit registry.

6.4. Scheme Shareholders' consent

Each Scheme Shareholder irrevocably consents to WMK doing all things necessary incidental or expedient to the implementation and performance of the Scheme and acknowledges that the Scheme binds WMK and all of the Scheme Shareholders from time to time (including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme).

6.5. Amendments to the Scheme

WMK may, by its counsel and with the consent of the Responsible Entity, consent, on behalf of all persons concerned (including a Scheme Shareholder), to any alterations or conditions to this Scheme as the Court thinks just to impose.

6.6. Further Steps

WMK will execute all documents and do all acts and things necessary or desirable for the implementation and performance of its obligations under this Scheme and will, on behalf of Scheme Shareholders, procure the Responsible Entity on behalf of the Fund to execute all documents and do all acts and things necessary or desirable for the implementation and performance of the steps

attributed to the Fund or the Responsible Entity under this Scheme or with respect to the Capital Reduction.

6.7. Scheme binding

To the extent of any inconsistency between this Scheme and the WMK constitution, this Scheme overrides the WMK constitution and binds WMK and all Scheme Shareholders.

6.8. Enforcement of Deed Poll

WMK undertakes in favour of each Scheme Participant that it will enforce the Deed Poll against the Responsible Entity on behalf of the Fund on behalf of and as agent and attorney for Scheme Shareholders.

7. DEALING IN WMK SHARES

7.1. Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in WMK Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant WMK Share on or before the Scheme Record Date; and
- (b) in all other cases, registerable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Scheme Record Date at the place where the Share Register is kept,

and WMK will not accept for registration, nor recognise for any purpose any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate, except a transfer to the Responsible Entity pursuant to this Scheme and any subsequent transfer by the Responsible Entity.

7.2. Register

- (a) WMK must register registerable transmission applications or transfers of the WMK Shares in accordance with clause 7.1(b) on or before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 7.2(a) requires WMK to register a transfer that would result in a WMK Shareholder holding a parcel of WMK Shares that is less than a 'marketable parcel' (for the purposes of this clause 7.2(a) 'marketable parcel' has the meaning given in the ASX Settlement Operating Rules).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport to agree to dispose of, any Scheme Shares or any interest in them after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and WMK shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, WMK must maintain the Share Register in accordance with the provision of this clause 7.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

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- (d) Subject to the provision of the Scheme Consideration and registration of the transfer to the Responsible Entity contemplated in clause 4.2, all statements of holding for WMK Shares will cease to have effect after the Scheme Record Date as document of title in respect of those shares and, as from the Scheme Record Date, each entry current as at the Scheme Record Date on the Share Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the WMK Share relating to that entry.
 - (e) As soon as possible on or after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, WMK will ensure that a copy of the Share Register as at the Scheme Record Date, including details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Shareholder as shown in the Share Register, is available to the Responsible Entity in the form the Responsible Entity reasonably requires.

8. GENERAL

8.1. Scheme Shareholders' agreement and warranties

Each Scheme Shareholder agrees and acknowledges that this Scheme binds WMK and all Scheme Shareholders (including those who do not attend the Scheme Meeting or those who do not vote, or vote against this Scheme, at the Scheme Meeting).

8.2. Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to WMK, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at WMK's registered office or at the office of the WMK Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or of the General Meeting or the non-receipt of such notice by a WMK Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the General Meeting or the proceedings of the Scheme Meeting or General Meeting.

8.3. Governing law and jurisdiction

- (a) This Scheme is governed by the laws in force in the State of New South Wales.
- (b) Each Party irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New South Wales and courts competent to hear appeals from those courts.

8.4. Further action

WMK must do all things and execute all further documents necessary or expedient to give full effect to this Scheme and the transactions contemplated by it.

8.5. No liability when acting in good faith

Neither WMK or the Responsible Entity nor any director, officer or secretary of WMK or the Responsible Entity will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

ANNEXURE A

Capital Reduction Resolution

“That, subject to and conditional on the Scheme becoming Effective and for the purposes of section 256C(1) of the Corporations Act, approval be given for:

- (a) the share capital of WMK, as at the Record Date, be reduced to zero on the Implementation Date in consideration for the rights obtained under the Scheme and that the WMK Shares be cancelled; and*
- (b) WMK's obligations under paragraph (a) are to be satisfied by WMK procuring the issue of Units (as defined in the Scheme) in satisfaction of the amount to be distributed to each holder of WMK Shares thereunder in accordance with the provisions of the Scheme.”*

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ANNEXURE B

Scheme Consideration

Scheme Consideration for each Scheme Share means the number of Units calculated as follows:

1. WMK must within 5 Business Days of the Calculation Date:
 - (a) cause the Administrator to calculate the NTA of WMK as at the Calculation Date; and
 - (b) immediately notify the Manager and Responsible Entity of WMK's NTA.
2. In circumstances where the Fund has, immediately prior to the Calculation Date a NAV reasonably likely to be greater than zero the Responsible Entity must within 5 Business Days of the Calculation Date cause the Administrator to calculate the NAV of the Fund and the Scheme Consideration will be calculated on the following basis:

Where:

A = the NAV of the Fund per Unit;

B = the NTA of WMK per WMK Share;

D = the number of WMK Shares held by the WMK Shareholder; and

SC = the number Units to be issued to each WMK Shareholder (rounded to the nearest whole number of Units),

$$SC = (B/A) * D$$

3. In circumstances where the Fund has, immediately prior to the Calculation Date a NAV reasonably likely to be zero the Scheme Consideration will be on the basis of one Fund Unit for each dollar of WMK NTA as calculated in accordance with paragraph 1 above.
4. Each WMK Shareholder will be entitled to such number of Units on a pro-rata basis by reference to the number of WMK Shares that they hold as at the Record Date based on the following formula:

Where:

A = the number Units required to be issued in the Fund in accordance with paragraph 3 above;

B = the number of WMK Shares on issue at the Calculation Date;

C = the number WMK Shares held by the WMK Shareholder; and

NU = the number Units to be issued to each WMK Shareholder (rounded to the nearest whole number of Units),

$$NU = (A/B) * C$$

5. Once the Scheme Consideration has been calculated by the Responsible Entity, the Responsible Entity must immediately notify WMK and the Manager of the Scheme Consideration.

ANNEXURE D – DEED POLL

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Deed Poll

Equity Trustees Limited (ACN 004 031 298)

as responsible entity of the **Watermark Absolute Return Fund** (ARSN 631 094 534)



KARDOS • SCANLAN
CORPORATE LAWYERS

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Made By

Equity Trustees Limited (ACN 004 031 298) of Level 1, 575 Bourke Street, Melbourne, VIC 3000 as the responsible entity for the Watermark Absolute Return Fund (ARSN 631 094 534) (**Responsible Entity**),

in favour of each person registered as a holder of one or more Watermark Absolute Return Fund Units (**Watermark Absolute Return Fund Units**).

Recitals:

- A. WMK, the Responsible Entity and the Manager have entered into the Implementation Deed.
- B. In the Implementation Deed, the Responsible Entity agreed to enter into this Deed Poll.
- C. The Responsible Entity is entering into this Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Scheme.
- D. The effect of the Scheme will be that the WMK Assets will be transferred to the Responsible Entity in exchange for the issue of the Scheme Consideration to Scheme Participants and that the WMK Shares will be cancelled.

1. DEFINITIONS AND INTERPRETATION

1.1. Definitions

In this Deed Poll:

First Court Date means the first day on which an application made to the Court for an order under section 411(1) of the Corporations Act directing WMK to convene the Scheme Meeting to consider the Scheme is heard (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard).

Fund means the Watermark Absolute Return Fund (ARSN 631 094 534).

Fund Constitution means the constitution of the Watermark Absolute Return Fund.

Implementation Date means the day 5 Business Days after the Scheme Record Date or such other date as WMK, the Responsible Entity and the Manager agree in writing.

Implementation Deed means the scheme implementation deed dated 4 February 2019 between WMK, the Responsible Entity and the Manager relating to the implementation of this Scheme.

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between WMK and the Scheme Shareholders subject to any alterations or conditions:

- (a) agreed to in writing by the Responsible Entity, the Manager and WMK and approved by the Court; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed by the Responsible Entity, the Manager and WMK.

Unless the context otherwise requires, terms defined in the Scheme have the meaning when used in this Deed Poll.

1.2. Interpretation

Clauses 1.2 and 1.3 of the Scheme apply to the interpretation of this Deed Poll, except that references to 'this Scheme' in those clauses are to be read as references to 'this Deed Poll'.

1.3. Nature of Deed Poll

The Responsible Entity acknowledges that:

- (a) this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints WMK and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing this Deed Poll against the Responsible Entity.

2. CONDITIONS TO OBLIGATIONS

2.1. Conditions

This Deed Poll and the obligations of the Responsible Entity under this Deed Poll are subject to the Scheme becoming Effective.

2.2. Termination

This Deed Poll and the obligations of the Responsible Entity under this Deed Poll will automatically terminate and this Deed Poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective by the End Date or any later date as the Court, with the consent of WMK and the Responsible Entity, may order.

2.3. Consequences of termination

If this Deed Poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to Scheme Shareholders:

- (a) the Responsible Entity is released from its obligations to further perform this Deed Poll except those obligations contained in clause 7 and any other obligations which by their nature survive termination; and
- (b) each Scheme Shareholder retains the rights, powers or remedies they have against the Responsible Entity in respect of any breach of this Deed Poll which occurred before it was terminated.

3. PERFORMANCE OF OBLIGATIONS GENERALLY

The Responsible Entity must comply with its obligations under the Implementation Deed and do all acts and things reasonably necessary or desirable on its part to give full effect to the Scheme.

4. SCHEME OBLIGATIONS

4.1. Undertaking to issue the Scheme Consideration

Subject to clause 2, the Responsible Entity undertakes in favour of each Scheme Shareholder to:

- (a) issue the Scheme Consideration to each Scheme Shareholder or the Nominee (as appropriate) in accordance with the terms of the Scheme; and
 - (b) undertake all other actions attributed to it under the Scheme,
- subject to and in accordance with the provisions of the Scheme.

5. WARRANTIES

The Responsible Entity represents and warrants that:

- (a) it is a corporation validly existing under the law of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (c) it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and carry out the transactions contemplated by this Deed Poll;
- (d) this Deed Poll is valid and binding on it and enforceable against it in accordance with the terms of this Deed Poll;
- (e) this Deed Poll does not conflict with, or result in the breach of or default under, any provision of the Fund Constitution and to the best of the Responsible Entity's knowledge any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound; and
- (f) it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

6. LIABILITY OF THE RESPONSIBLE ENTITY

- (a) The Responsible Entity enters into this Deed Poll in its capacity as trustee of the Fund and in no other capacity.
- (b) The liability of the Responsible Entity to the Scheme Shareholders or any other person under or arising out of this Deed Poll in relation to the Fund is limited to the amount that the Responsible Entity actually receives in the exercise of its right of indemnity against the Fund.
- (c) Scheme Shareholders may enforce their rights under this Deed Poll against the Responsible Entity only to the extent of the Responsible Entity's right of indemnity out of the assets of the Fund.
- (d) If the Scheme Shareholders do not recover all money owing to each of them by enforcing the rights referred to in clause 6(c), they may not seek to recover the shortfall by:

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- (i) bringing proceedings against the Responsible Entity in its personal capacity; or
 - (ii) applying to have the Responsible Entity wound up or proving in the winding up of the Responsible Entity unless another creditor has initiated proceedings to wind up the Responsible Entity.
- (e) Each Scheme Shareholder waives their rights and releases the Responsible Entity from any personal liability whatsoever, in respect of any loss or damage which:
- (i) they may suffer as a result of the Responsible Entity's non-performance of its obligations and liabilities under this Deed Poll; and
 - (ii) cannot be paid or satisfied out of the assets of the Scheme out of which the Responsible Entity is entitled to be indemnified in respect of any liability incurred as the trustee.
- (f) The limitation in this clause 6 does not apply to the extent that any liability arises from fraud, gross negligence or breach of trust by the Responsible Entity as the trustee of the Fund. For these purposes, it is agreed that the Responsible Entity cannot be regarded as having acted fraudulently, with gross negligence or in breach of trust to the extent to which the fraud, gross negligence or breach of trust has been caused or contributed to by a failure of a Scheme Shareholder to fulfil its obligations under this Deed Poll or any other act or omission of either the Scheme Shareholder or any other person.
- (g) Nothing in clause 6(f) shall make the Responsible Entity liable to any claim for an amount greater than the amount which the Responsible Entity would have been able to claim and recover from the assets of the Fund in relation to the relevant liability if the Responsible Entity's right of indemnification out of the assets of the Fund had not been prejudiced by the Responsible Entity's failure to properly perform its duties.
- (h) The Responsible Entity is not obliged to do or refrain from doing anything under this Deed Poll (including incur any liability) unless the Responsible Entity's liability is limited in the same manner as set out in paragraph (a) to (g) of this clause.
- (i) The Scheme Shareholders acknowledge and agree that in respect of any liability or obligation incurred by the Responsible Entity under or arising out of this Deed Poll, they shall not be permitted to set off liabilities or obligations against it nor have any recourse to, the assets of any managed investment scheme or trust for which the Responsible Entity has been appointed as responsible entity or trustee, other than the Fund.
- (j) This clause applies despite any other provision in this Deed Poll and extends to all liabilities and obligations of the Responsible Entity in any way connected with any representations, warranty, conduct, omission, agreement or transaction related to this Deed Poll. In the event of any inconsistency, this clause prevails and survives termination.

7. CONTINUING OBLIGATIONS

This Deed Poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) the Responsible Entity has fully performed its obligations under this Deed Poll; or
- (b) the earlier termination of this Deed Poll under clause 2.2.

8. NOTICES

8.1. Form of notice

Any communication to the Responsible Entity under or in connection with this Deed Poll:

- (a) must be in writing;
- (b) must be addressed as shown below:
 - Address: Level 1, 575 Bourke Street, Melbourne Victoria 3000
 - Fax no: +61 3 8623 5200
 - Attention: Harvey H Kalman, Head of Corporate Fiduciary & Financial Services
- (c) must be signed by the party making the communication or by a person duly authorised by that party;
- (d) must be delivered by hand or posted by prepaid post to the address, or sent by fax to the number, of the Responsible Entity, in accordance with clause 8.1(b), or given in any other way permitted by law; and
- (e) is regarded as received by the Responsible Entity:
 - (i) if sent by prepaid post, on the third Business Day after the date of posting (if posted to an address in the same country), and on the fifth Business Day after the date of posting (if posted to an address in a different country); and
 - (ii) if sent by fax, at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be regarded as received at 9.00am on the next Business Day; and

if delivered by hand, on delivery at the address of the addressee as provided in clause 8.1(b), unless delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be regarded as received at 9.00am on the next Business Day.

9. GENERAL

9.1. Duty

The Responsible Entity must :

- (a) pay all duties, registration fees and similar taxes and any fines and penalties with respect to duty, registration fees and similar taxes in respect of this Scheme and the Deed Poll, the performance of the Scheme and this Deed Poll and each transaction effected by or made under or in connection with the Scheme and this Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

9.2. Governing law and jurisdiction

- (a) This Deed Poll is governed by the laws in force in the State of New South Wales.
- (b) Each Party irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New South Wales and courts competent to hear appeals from those courts.

9.3. Waiver

- (a) The Responsible Entity may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) No Scheme Shareholder may rely on words or conduct of the Responsible Entity as a waiver of any right unless the waiver is in writing and signed by the Responsible Entity.
- (c) The meanings of the terms used in this clause 9.3 are set out below:

conduct includes delay in the exercising of a right;

right means any right arising under or in connection with this deed and includes the right to rely on this clause; and

waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

9.4. Variation

A provision of this Deed Poll may not be varied unless:

- (a) if before the Second Court Date, the variation is agreed to by WMK or the Manager; or
- (b) if on or after the Second Court Date, the variation is agreed to by WMK or the Manager and is approved by the Court,

in which event the Responsible Entity will enter into a further Deed Poll in favour of the Scheme Shareholders giving effect to the variation.

9.5. Cumulative rights

The rights created by this Deed Poll are personal to the Responsible Entity and each Scheme Shareholder under this Deed Poll and cumulative with, and do not exclude, any other rights, powers or remedies provided by law independently of this Deed Poll.

9.6. Assignment


- (a) The rights created by this Deed Poll are personal to the Responsible Entity and each Scheme Shareholder and must not be dealt with at law or equity without the prior written consent of the Responsible Entity.
- (b) Any purported dealing in contravention of clause 9.6(a) is invalid.

9.7. Further action

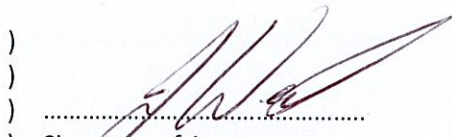
The Responsible Entity must do all things and execute all further documents necessary or expedient to give full effect to this Scheme and the transactions contemplated by it.

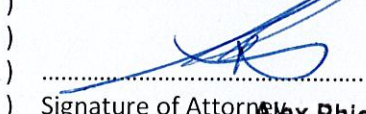
Executed as a Deed Poll:

EXECUTED by Equity Trustees Limited (ACN 004 031 298) as trustee of Watermark Absolute Return Fund (ARSN 631 094 534) by its attorneys under Power of Attorney dated 27 May 2016 in the presence of:


.....
Signature of witness

Rebecca McGrath
Manager
Relationships & Oversight
(Print name)
Corporate Trustee Services


.....
Signature of Attorney
Janine West
Authorised Person - Schedule II
Equity Trustees Limited
ACN - 004 031 298
Name of Attorney & Schedule Number


.....
Signature of Attorney
Alex Phiong
Authorised Person - Schedule III
Equity Trustees Limited
ACN 004 031 298
Name of Attorney & Schedule Number

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ANNEXURE E – NOTICE OF SCHEME MEETING

Notice is hereby given that, by an order of the Federal Court of Australia (**Court**) made on 5 March 2019 pursuant to section 411(1) of the *Corporations Act 2001* (Cth), a meeting of the holders of ordinary shares in Watermark Market Neutral Fund Limited (**WMK**) will be held at 12.30 pm on 8 April 2019 at Dexus Place, Level 15, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000.

BUSINESS OF THE SCHEME MEETING

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (subject to any alterations or conditions agreed to in writing by the Responsible Entity on behalf of the Watermark Absolute Return Fund (**Fund**) and WMK and approved by the Court or made or required by the Court under section 411(6) of the Corporations Act and agreed by the Responsible Entity on behalf of the Fund and WMK) proposed to be made between WMK and the holders of ordinary shares in WMK (**Scheme**) pursuant to Part 5.1 of the Corporations Act.

The Scheme is proposed to be made in the form of the scheme contained in Annexure C of the Scheme Booklet accompanying this Notice of Scheme Meeting, subject to any alterations or conditions agreed to in writing by the Responsible Entity on behalf of the Fund and WMK and approved by the Court or made or required by the Court under section 411(6) of the Corporations Act and agreed by the Responsible Entity on behalf of the Fund and WMK. To assist you in making an informed voting decision, further information regarding the Scheme is set out in the Scheme Booklet.

RESOLUTION

At the Scheme Meeting, you will be asked to consider and, if thought fit, to pass the following resolution:

*“That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Watermark Market Neutral Fund Limited (**WMK**) and the holders of its fully paid ordinary shares, the terms of which are described in the Scheme Booklet of which the notice convening this meeting forms part, is approved (subject to any alterations or conditions agreed to in writing by the Responsible Entity on behalf of the Watermark Absolute Return Fund (**Fund**) and WMK and approved by the Federal Court of Australia (**Court**) or made or required by the Court under section 411(6) of the Corporations Act and agreed by the Responsible Entity on behalf of the Fund and WMK.”*

CHAIRMAN

The Court has directed that Matthew Kidman is to act as chairman of the meeting (and that, if Matthew Kidman is unable or unwilling to attend, John Abernethy is to act as chairman of the meeting) and has directed the chairman to report the result of the Scheme Resolution to the Court.

DATED: 8 March 2019

BY ORDER OF THE COURT AND THE BOARD OF WATERMARK MARKET NEUTRAL FUND LIMITED

Mark Licciardo



Company Secretary
Watermark Market Neutral Fund Limited

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EXPLANATORY NOTES

The Notice of Scheme Meeting relates to the Scheme and should be read in conjunction with the accompanying Scheme Booklet. The Scheme Booklet contains important information to assist you in determining how to vote on the Capital Reduction Resolution, including the information prescribed by the Corporations Act and the *Corporations Regulations 2001* (Cth).

Terms used in this Notice of Scheme Meeting have the same meaning as set out in the Scheme Booklet.

REQUIRED VOTING MAJORITY

For the Scheme Resolution to be passed, it must be approved by a simple majority of the votes cast on the ordinary resolution.

ENTITLEMENT TO VOTE

For the purposes of the Scheme Meeting, each WMK Shareholder who is registered on the Share Register at 11.00am on 6 April 2019 is entitled to attend and vote at the Scheme Meeting, and will have one vote for each WMK Share.

In the case of jointly held WMK Shares, only one of the joint shareholders is entitled to vote. If more than one WMK Shareholder votes in respect of jointly held WMK Shares, only the vote of the WMK Shareholder whose name appears first in the Share Register will be counted.

VOTING AT THE SCHEME MEETING

You may vote on the Scheme Resolution by:

- (a) attending the Scheme Meeting in person; or
- (b) proxy, attorney or, in the case of a corporation which is a WMK Shareholder, by corporate representative appointed in accordance with the Corporations Act.

Relevant details in respect of each of these methods are set out below.

Voting in person

To vote in person, you must attend the Scheme Meeting. If you attend, you will be admitted to the meeting and given a voting card at the point of entry to the meeting upon disclosing your name and address. Please bring a form of personal identification with you, such as your driver's licence.

Voting by proxy

To vote by proxy, you must complete and return the personalised Scheme Meeting Proxy Form accompanying this Scheme Booklet in accordance with the instructions on the form so that it is received by the Share Registry by no later than 11.00am on 6 April 2019.

You may appoint an individual or body corporate as your proxy.

Voting by attorney

To vote by attorney, the attorney must have a duly executed power of attorney, specifying the name of the WMK Shareholder, the attorney, the meetings at which the appointment may be used and that the power of attorney.

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ANNEXURE F – NOTICE OF GENERAL MEETING – CAPITAL REDUCTION

Notice is hereby given that a general meeting of the holders of ordinary shares in Watermark Market Neutral Fund Limited (**WMK**) will be held at 1.15 pm (or as soon as thereafter following the conclusion or adjournment of the Scheme Meeting) on 8 April 2019 at Dexus Place, Level 15, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000.

BUSINESS OF THE MEETING – CAPITAL REDUCTION RESOLUTION

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to and conditional on the Scheme becoming Effective and for the purposes of section 256C(1) of the Corporations Act, approval be given for:

- (a) the share capital of WMK, as at the Record Date, be reduced to zero on the Implementation Date in consideration for the rights obtained under the Scheme and that the WMK Shares be cancelled; and*
- (b) WMK's obligations under paragraph (a) are to be satisfied by WMK procuring the issue of Units (as defined in the Scheme) in satisfaction of the amount to be distributed to each holder of WMK Shares thereunder in accordance with the provisions of the Scheme.”*

DATED: 8 March 2019

BY ORDER OF THE BOARD OF THE WATERMARK MARKET NEUTRAL FUND LIMITED

Mark Licciardo



Company Secretary

Watermark Market Neutral Fund Limited

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EXPLANATORY NOTES

The Notice of General Meeting relates to the Capital Reduction and should be read in conjunction with the accompanying Scheme Booklet. The Scheme Booklet contains important information to assist you in determining how to vote on the Capital Reduction Resolution, including the information prescribed by the Corporations Act and the *Corporations Regulations 2001* (Cth).

Terms used in this Notice of General Meeting have the same meaning as set out in the Scheme Booklet.

REQUIRED VOTING MAJORITY

For the Capital Reduction Resolution to be passed, it must be approved by a simple majority of the votes cast on the ordinary resolution.

ENTITLEMENT TO VOTE

For the purposes of the General Meeting, each WMK Shareholder who is registered on the Register at 12.30pm on 6 April 2019 is entitled to attend and vote at the General Meeting, and will have one vote for each WMK Share; and

In the case of jointly held WMK Shares, only one of the joint shareholders is entitled to vote. If more than one WMK Shareholder votes in respect of jointly held WMK Shares, only the vote of the WMK Shareholder whose name appears first in the Register will be counted.

VOTING AT THE GENERAL MEETING

You may vote on the Capital Reduction Resolution by:

- (a) attending the General Meeting in person; or
- (b) proxy, attorney or, in the case of a corporation which is a WMK Shareholder, by corporate representative appointed in accordance with the Corporations Act.

Relevant details in respect of each of these methods are set out below.

Voting in person

To vote in person, you must attend the General Meeting. If you attend, you will be admitted to the meeting and given a voting card at the point of entry to the meeting upon disclosing your name and address. Please bring a form of personal identification with you, such as your driver's licence.

Voting by proxy

To vote by proxy, you must complete and return the personalised General Meeting Proxy Form accompanying this Scheme Booklet in accordance with the instructions on the form so that it is received by the Share Registry by no later than 12.30pm on 6 April 2019.

You may appoint an individual or body corporate as your proxy.

Voting by attorney

To vote by attorney, the attorney must have a duly executed power of attorney, specifying the name of the WMK Shareholder, the attorney, the meetings at which the appointment may be used and that the power of attorney.

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ANNEXURE G – PRODUCT DISCLOURE STATEMENT

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Watermark Absolute Return Fund

Product Disclosure Statement

ARSN 631 094 534
APIR ETL8732AU
Issue Date 8 March 2019

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This is the Product Disclosure Statement ("PDS") for the Watermark Absolute Return Fund (ARSN 631 094 534) (the 'Fund') and was issued on 8 March 2019. This PDS has been prepared and issued by Equity Trustees Limited (ABN 46 004 031 298 AFSL 240975) in its capacity as the Responsible Entity of the Fund (referred to throughout this PDS as the "Responsible Entity", "Equity Trustees", "us" or "we"). The investment manager of the Fund is Watermark Funds Management Pty Ltd and is referred to throughout this PDS as 'Watermark' or 'Investment Manager'. The Administrator of the Fund is Link Fund Solutions Pty Limited (ABN 44 114 914 215 AFSL 295142) and is referred to throughout this PDS as 'Link Fund Solutions' or 'the Administrator'.

The Responsible Entity has authorised the use of this PDS as disclosure to investors and prospective investors who invest directly in the Fund, as well as investors and prospective investors of an investor directed portfolio service, master trust, wrap account or an investor directed portfolio service-like scheme ("IDPS"). This PDS is available for use by persons applying for units through an IDPS ("Indirect Investors").

The operator of an IDPS is referred to in this PDS as the "IDPS Operator" and the disclosure document for an IDPS is referred to as the "IDPS Guide". If you invest through an IDPS, your rights and liabilities will be governed by the terms and conditions of the IDPS Guide. Indirect Investors should carefully read the IDPS Guide before investing in the Fund. Indirect Investors should note that they are directing the IDPS Operator to arrange for their money to be invested in the Fund on their behalf. Indirect Investors do not become unitholders in the Fund or have the rights of unitholders. The IDPS Operator becomes the unitholder in the Fund and acquires these rights. The IDPS Operator can exercise or decline to exercise the rights on an Indirect Investor's behalf according to the arrangement governing the IDPS. Indirect Investors should refer to their IDPS Guide for information relating to their rights and responsibilities as an Indirect Investor, including information on any fees and charges applicable to their investment. Information regarding how Indirect Investors can apply for units in the Fund (including an Application Form where applicable) will also be contained in the IDPS Guide. Equity Trustees accepts no responsibility for IDPS Operators or any failure by an IDPS Operator to provide Indirect Investors with a current version of this PDS as provided by Equity Trustees or to withdraw the PDS from circulation if required by Equity Trustees.

Please ask your adviser if you have any questions about investing in the Fund (either directly or indirectly through an IDPS).

This PDS is prepared for your general information only. It is not intended to be a recommendation by the Responsible Entity, Investment Manager or any associate, employee, agent or officer of the Responsible Entity, Investment Manager or any other person to invest in the Fund. This PDS does not take into account the investment objectives, financial situation or needs of any particular investor. You should not base your decision to invest in the Fund solely on the information in this PDS. You should consider the suitability of an investment in the Fund in view of your personal financial circumstances, investment objectives and needs. You may want to seek advice before making an investment decision.

Equity Trustees, the Investment Manager, and each of their respective employees, associates, agents and officers do not guarantee the success, repayment of capital or any rate of return on income or capital or the investment performance of the Fund. Past performance is no indication of future performance. An investment in the Fund does not represent a deposit with or a liability of Equity Trustees, the Investment Manager, or any of their associates. An investment is subject to investment risk, including possible delays in repayment and loss of income or

capital invested. Units in the Fund are offered and issued by the Responsible Entity on the terms and conditions described in this PDS. You should read this PDS in its entirety.

The offer made in this PDS is available only to persons receiving this PDS in Australia or New Zealand (electronically or otherwise). If you received this PDS electronically we will provide a paper copy free upon request during the life of this PDS. The PDS is available on www.eqt.com.au/insto or you can request a copy free of charge by calling Equity Trustees on +613 8623 5000.

The forward looking statements included in this PDS involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, Equity Trustees, the Investment Manager and each of their respective officers, employees, agents and associates. Actual future events may vary materially from the forward looking statements and the assumptions on which those statements are based. Given these uncertainties, you are cautioned to not place undue reliance on such forward looking statements.

In particular, in considering whether to invest in the Fund, you should consider the risk factors that could affect the financial performance of the Fund. The key risk factors affecting the Fund are summarised in section 6.

Unless otherwise stated, all fees quoted in the PDS are inclusive of Goods and Services Tax ('GST') after allowing for an estimate for Reduced Input Tax Credits ('RITCs'), and all amounts are in Australian dollars.

Information in this PDS that is not materially adverse is subject to change from time to time. We may update this information. You can obtain any updated information:

- by calling Watermark on +61 2 9252 0225; or
- by visiting Watermark website at www.wfunds.com.au.

A paper copy of the updated information will be provided free of charge on request.

New Zealand investors warning statement

(a) This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of the Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

(b) This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

(c) There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

(d) The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

(e) Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

(f) The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

(g) If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

(h) The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

(i) If you expect the financial product to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

(j) The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

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1. Fund at a glance

	Summary	For further information
Name of the Fund	Watermark Absolute Return Fund	Section 5
ARSN	631 094 534	Section 5
APIR	ETL8732AU	Section 5
Investment objective	The Fund aims to deliver positive absolute returns in excess of the benchmark, with a focus on capital preservation.	Section 5
Investment strategy and investments held	The Fund is an actively managed long/short equity strategy, focused on companies listed on the Australian Securities Exchange (ASX).	Section 5
Benchmark	RBA cash rate	
The type(s) of investors for whom the Fund would be suitable	Investors who are looking for capital growth and income while hedging equity market risk. The risk level of the Fund would be considered medium.	Section 5
Recommended investment timeframe	At least 5 to 7 years. The minimum suggested investment timeframe for the Fund is 5 years. We recommend that you consider, with your financial adviser, the suggested investment period for the Fund in relation to your own financial circumstances. You should review this regularly to ensure that the Fund continues to meet your investment needs.	
Minimum initial investment	\$50,000	Section 7
Minimum additional investment	\$5,000	Section 7
Minimum withdrawal amount	\$5,000	Section 7
Cut off time for applications	2:00pm (Australian Eastern Standard Time) on any Business Day.	Section 7
Cut off time for withdrawals	2:00pm (Australian Eastern Standard Time) on any Business Day.	Section 7
Valuation of the Fund's assets	The Fund's assets are normally determined monthly.	Section 7
Applications	Accepted on the last day of each month.	Section 7
Withdrawals	Accepted on the last Business Day of each month. Withdrawal requests are generally processed and paid within 21 Business Days of acceptance of a withdrawal request although a longer period of time is permitted under the Constitution.	Section 7
Income distribution	Determined semi-annually at the end of June and at the end of December and normally paid to investors within 14 days of the period end. You may elect to have your distribution reinvested or directly credited to an account in your name held at a branch of an Australian domiciled bank	Section 7
Management costs	1.00% p.a. of the NAV	Section 9
Entry fee/ exit fee	None	Section 9
Performance fee	20.5% p.a. (including GST net of RITC) of the increase in NAV which exceeds the benchmark, subject to a high-watermark.	Section 9

2. ASIC Benchmarks

The Fund is a 'hedge fund' for the purposes of Australian Securities and Investments Commission (ASIC) Regulatory Guide 240. The following table sets out a summary of the disclosure ASIC requires for hedge funds, the key features of the Fund and a guide to where more detailed information can be found in this PDS. A copy of ASIC Regulatory Guide 240 dated October 2013 (as may be amended, supplemented or replaced from time to time) is available from www.asic.gov.au.

The information summarised in this table and explained in detail in the identified section reference is intended to assist investors with analysing the risks of investing in the Fund. Investors should consider this information together with the detailed explanation of various benchmarks and principles referenced throughout this PDS and the key risks of investing in the Fund highlighted in section 6 of this PDS.

ASIC Benchmark	Is the benchmark satisfied?	Summary	For further information
Valuation of assets			
This benchmark addresses whether valuations of the Fund's non-exchange traded assets are provided by an independent administrator or an independent valuation service provider.	Yes	<p>Equity Trustees has appointed an independent administrator, Link Fund Solutions, to provide administration services for the Fund, including valuation services.</p> <p>The Fund satisfies Benchmark 1 by having its non-exchange traded assets independently valued by the Administrator in accordance with its pricing policy.</p> <p>Over-the-counter ("OTC") Derivatives are generally valued by reference to the counterparty settlement price which is based upon broad financial market indices.</p>	Section 5
Periodic reporting			
This benchmark addresses whether the responsible entity of the Fund will provide periodic disclosure of certain key information specified by ASIC on an annual and monthly basis.	Yes	The Responsible Entity will provide periodic disclosure of certain key information on an annual and monthly basis.	Section 8

3. Disclosure Principles

	Summary	Section (for further information)
<i>Investment strategy</i>	<p>The Fund's investment strategy is a Long/Short (variable beta) equity strategy and seeks to provide positive absolute returns, in excess of the benchmark, with a focus on capital preservation.</p> <p>Watermark conducts detailed, fundamental analysis of companies listed on the Australian Securities Exchange (ASX) and industries within which they operate, seeking to identify mispriced securities. The Fund may hold Long or Short positions to profit from these mispricing opportunities.</p> <p>In addition, Watermark will use short selling and Derivatives to adjust the Fund's net exposure to the share market.</p> <p>The specific risks of investing in the Fund are described in Section 6.</p>	Section 5
<i>Investment manager</i>	<p>Equity Trustees Limited, as Responsible Entity of the Fund, has appointed Watermark Funds Management Pty Ltd as the Investment Manager of the Fund. Established in 2003 by Justin Braitling, who has over 26 years' experience managing portfolios of Australian and international shares, Watermark comprises a team of dedicated and experienced investment professionals based in Sydney.</p> <p>Under the Investment Management Agreement between Watermark and Equity Trustees, Equity Trustees can terminate Watermark's appointment where Watermark becomes insolvent, materially breaches the agreement, ceases to carry on its business or in certain other circumstances. In the event that Equity Trustees terminates the Investment Management Agreement following one of these events, Watermark's appointment would cease upon any termination date specified in the notice, and Watermark would be entitled to receive fees in accordance with the agreement until the effective date of termination.</p>	Section 4
<i>Fund Structure</i>	<p>The Fund is an unlisted Australian unit trust registered under the Corporations Act as a managed investment scheme.</p> <p>The responsible entity of the Fund is Equity Trustees Limited. Equity Trustees Limited may appoint service providers to assist in the ongoing operation, management and administration of the Fund.</p> <p>The key service providers to the Fund are:</p> <ul style="list-style-type: none"> • Watermark Funds Management Pty Ltd, the investment manager of the Fund; • Link Fund Solutions Pty Limited, the administrator of the assets of the Fund; • Morgan Stanley & Co. International plc and UBS AG are the prime brokers of the Fund; and • Morgan Stanley & Co International plc and UBS Nominees Pty Limited (a sub-custodian appointed by UBS AG) are the custodians of the assets of the Fund. <p>See Section 5.3 for further information on other key service providers, Equity Trustees' role in monitoring the performance of service providers and a diagram of the flow of funds through the Fund.</p>	Section 5.3
<i>Valuation, location and custody of assets</i>	<p>Link Fund Solutions Pty Limited is the administrator of the Fund and provides administrative, accounting and transfer agency services. The Administrator is responsible for calculating the Fund's NAV.</p> <p>Morgan Stanley & Co International plc and UBS Nominees Pty Limited (a sub-custodian appointed by UBS AG) are the custodians and provides custodial services.</p> <p>See Section 5.4 for further information on the custodial arrangements and the geographical location of the Fund's assets.</p>	Section 5.4
<i>Liquidity</i>	<p>The Fund invests predominantly in liquid assets and is expected to be liquid for the purposes of the Corporations Act.</p>	Section 5.5

	Summary	Section (for further information)
<i>Leverage</i>	<p>The Fund does not intend to borrow funds for investment. Rather, leverage is created as the proceeds from short selling borrowed securities are reinvested in the Long portfolio. Leverage in the form of short selling is used to hedge the market risk of the Long portfolio.</p> <p>The Fund's expected level of leverage is measured by the sum of the gross exposure levels of its Long and Short portfolios. At its maximum level (which Watermark has never reached in respect of any of the companies or funds it manages), for every \$1 of investors' capital, the Fund may invest \$2 in Long positions and \$2 in Short positions. Historically, Watermark has maintained an average gross exposure in respect of any of the companies or funds it manages of between 150-300%.</p>	Section 5.6
<i>Derivatives</i>	<p>Watermark does not expect to employ the use of Derivatives as part of the Fund's investment strategy. However, the Fund may invest in financial Derivatives from time to time to Hedge physical positions, gain market exposure to underlying securities or for portfolio management purposes.</p> <p>The types of Derivatives that may be used from time to time and the allocation ranges for both Derivatives and the Fund's other asset classes are set out in Section 5.2.</p> <p>All of the Fund's Derivatives counterparties must have, in Watermark's reasonable opinion, sufficient expertise and experience in trading such financial instruments.</p>	Section 5.8
<i>Short selling</i>	<p>Short selling is undertaken by the Fund as part of the investment strategy, to generate positive absolute returns and to hedge market risks. The Fund engages in Short selling by borrowing securities from the Prime Broker and selling those securities on the market, in the expectation that their price will fall. By re-purchasing the securities at a lower price and returning them to the Prime Broker, the Fund generates a profit.</p> <p>Shorts are also a hedge for the Fund's Long positions whereby, if there is a major set-back, for the share market, losses on Long positions are offset by gains on Short positions.</p> <p>Short sales can involve greater risk than buying a security. The risks associated with short selling and the ways in which Watermark will seek to mitigate those risks are set out in Section 5.7.</p>	Section 5.7
<i>Withdrawals</i>	<p>Monthly.</p> <p>Withdrawal requests must be received by 2pm on any Business Day in order to receive the month's unit price.</p> <p>See Section 7 for more information on making a withdrawal.</p>	Section 5

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4. Who is Managing the Fund?

The Responsible Entity

Equity Trustees Limited

Equity Trustees Limited ABN 46 004 031 298 AFSL 240975, a subsidiary of EQT Holdings Limited ABN 22 607 797 615, which is a public company listed on the Australian Securities Exchange (ASX: EQT), is the Fund's responsible entity and issuer of this PDS. Established as a trustee and executorial service provider by a special Act of the Victorian Parliament in 1888, today Equity Trustees is a dynamic financial services institution which continues to grow the breadth and quality of products and services on offer.

Equity Trustees' responsibilities and obligations as the Fund's responsible entity are governed by the Fund's constitution ("Constitution"), the Corporations Act and general trust law. Equity Trustees has appointed Watermark as the investment manager of the Fund. Equity Trustees has appointed a custodian to hold the assets of the Fund. The custodian has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests.

The Investment Manager

Watermark Funds Management Pty Ltd

Watermark is an active, high conviction investor in Australian public companies. As an absolute return investor, Watermark offers an alternative to traditional institutional funds.

Established in 2003 by Justin Braitling, Watermark comprises a team of dedicated and experienced investment professionals based in Sydney.

Watermark conducts detailed fundamental analysis of Australian companies, seeking opportunities to invest in businesses with sound economics on occasions when they are undervalued by the share market. By constructing a portfolio of shares in these companies, Watermark seeks to deliver superior returns to investors over time.

Watermark's primary goal is the identification of mispriced shares - Watermark looks to buy the shares of good companies at an attractive price. In addition to this, opportunities exist to sell (short) the shares of businesses that are fundamentally challenged when Watermark believes these shares are overvalued.

Watermark seeks to take advantage of such opportunities, allowing investors to profit from the mispricing of shares in all segments of the market, not just from buying undervalued shares but from selling (short) overvalued shares as well.

This differentiates Watermark to traditional managers who invest on a long term "buy and hold" basis, a strategy that is more dependent on a rising share market.

Alternative investment strategies employed by Watermark are more active in seeking to profit from the mispricing of shares and are less reliant on share market appreciation. Watermark's investment process provides greater flexibility in managing market risk through the cycle as 'shorts' are a natural hedge for the Fund's investments when share markets fall.

The key individuals who will manage the Fund are listed below. Each of the listed investment professionals will devote a substantial proportion of their time executing the Fund's investment strategy.

Justin Braitling - CIO

Justin has over 26 years' experience investing in Australian and international securities. Prior to establishing Watermark in 2003, Justin spent 10 years as an investment analyst and portfolio manager with the successful equities team at Bankers Trust.

Tom Richardson - Sector Head

Tom is responsible for coverage of Basic Industries and Industrials. He joined Watermark in December 2009. Prior to this, Tom began his career as an Investment Analyst with Renaissance Asset Management in 2006. Tom holds a Bachelor of Aerospace Engineering from the University of Sydney and is a CFA Charterholder.

Daniel Broeren - Sector Head

Daniel covers the Consumer, Retail, Gaming and Leisure sectors. He joined Watermark in October 2018. Prior to this, he was a Portfolio Manager at Invesco Australia, with responsibility for the Invesco Small Companies Fund. Daniel has over 13 years' experience in financial markets, including 5 years as Head of Consumer Research at RBS (CIMB). Daniel has a Masters Degree in Accounting and Applied Finance and a Bachelors Degree in Engineering from RMIT University.

Harry Dudley - Sector Head

Harry joined Watermark in November 2018. Prior to this, he was an Equity Analyst with Macquarie Equities, focusing on Australian banks. Harry began his investing career in 2013 with IFM Investors in the role of Credit Analyst, before moving to a Research Analyst role with Evans & Partners. Harry holds a Bachelor of Commerce, is a CFA Charterholder and is a Member of the Institute of Chartered Accountants Australia.

Gaston Amoros - Sector Head

Gaston is responsible for the coverage of the Telecom/Media/Technology and Healthcare sectors. He joined Watermark in September 2018. Prior to this, he spent 4 years as a Senior Investment Manager with the Abu Dhabi Investment Authority. Gaston has over 13 years' experience working across public and private capital markets and has held Investment Analyst roles with Benros Capital, TPG and Morgan Stanley. Gaston holds a Bachelor's Degree in Economics from the Universidad Catolica (Argentina) and a Masters in Finance.

The Administrator

Link Fund Solutions Pty Limited

The Responsible Entity has appointed Link Fund Solutions Pty Limited to act as administrator for the Fund. In this capacity, the Administrator performs all general administrative tasks for the Fund, including keeping financial books and records and calculating the Net Asset Value of the Fund.

The Responsible Entity has entered into an administration agreement with the Administrator, which governs the services that will be provided by the Administrator.

The Investment Manager may at any time, in consultation with the Responsible Entity, select any other administrator to serve as administrator to the Fund.

The Prime Brokers and Custodians

Morgan Stanley & Co International plc and UBS AG

The Responsible Entity has appointed Morgan Stanley & Co International plc as custodian and prime broker of the Fund and appointed UBS AG as prime broker and UBS Nominees Pty Limited (appointed by UBS AG) as custodian of the Fund. The custodians' role is limited to holding the assets of the Fund as agent of Equity Trustees. The custodian does not make investment decisions in respect of the assets, has no supervisory role in relation to the operations of the Fund and has no liability or responsibility to investors.

5. How the Fund Invests

5.1 Investment objective

The Fund will aim to deliver positive absolute returns in excess of the benchmark, with a focus on capital preservation.

5.2 Investment strategy

What is a Long/Short (Variable Beta) Equity Fund?

A Long/Short (variable beta) fund seeks opportunities to take positions (either Long or Short) in mispriced securities, while taking advantage of the natural hedge between the Long and Short Portfolios. The Fund may hold cash and Watermark may use Derivatives or other financial instruments, to adjust the Fund's net exposure to the security market, which will vary according to Watermark's view on the outlook for the securities market and the value on offer.

In order to achieve the investment objective, Watermark conducts detailed, fundamental research on companies listed on the ASX, and the industries within which they operate. This analysis seeks to identify mispriced securities with the potential to provide attractive, risk-adjusted returns. Watermark constructs both a Long and Short Portfolio, comprising its best fundamental investment ideas, broadly diversified across sectors and market capitalisation segments.

Separately, Watermark uses top down analysis of economies and asset markets to identify longer-term trends in order to adjust the Fund's net exposure to the security market. In simple terms, when Watermark believes there are elevated risks in security markets it will increase the amount of Hedging in place to reduce the Fund's net exposure. Conversely, if Watermark believes there is compelling value on offer in the security market, or where the outlook for securities is buoyant, it can increase the Fund's net exposure to take advantage of this.

Typical Portfolio settings for the Fund are outlined later in Section 5.

Investment Philosophy

Watermark 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.

Employing these skills, the best investment opportunities arise when securities in strong, well-managed businesses can be purchased on attractive terms. 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 Watermark will sell the securities of businesses with weak fundamentals on occasions when Watermark believes they are overvalued. In populating the Long Portfolio with strong businesses which are undervalued and the Short Portfolio with

weak businesses that are overvalued, the value of the combined Portfolio should appreciate over time.

Watermark believes Investors can benefit from Long/Short investing in three key ways:

- they access a further source of potential returns through mispriced shorts;
- they access an attractive source of additional funds, in the form of Short proceeds; and
- they benefit from the natural Hedge in the structure, whereby the impacts of exogenous forces on the security market are mitigated.

These benefits are designed to allow Watermark to take full advantage of mispricing opportunities across the value spectrum while retaining less market risk.

Investment Process

Watermark conducts detailed fundamental analysis of Australian industries, seeking opportunities to profit from the mispricing of listed securities. A summary of the investment process for the Fund is set out below.

Security selection – Long Portfolio

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 Watermark 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.

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 Watermark 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.

Security Selection – Short Portfolio

Short selling is an important part of Watermark's strategy. Watermark employs a similar security selection process to that outlined above, but is looking for the opposite. Watermark believes 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, Watermark will seek to identify 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

The Fund will have two portfolios; a Long Portfolio and a Short Portfolio. The weighting of individual positions in each Portfolio will be loosely correlated with each security's qualitative scorecard and the level of conviction around the individual investment case.

Watermark will construct the Portfolio for the Fund utilising its 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).

Watermark will also look to construct well diversified Portfolio across sectors and industries and will typically hold between 40-80 positions in each of the Long and Short portfolios.

The Fund will predominantly hold securities listed on the ASX however, it may also hold up to 20% of its gross exposure in international securities, in sectors such as mining and resources where Watermark has industry expertise. Where Watermark invests in international securities, it will aim to broadly manage the Fund's exposure to currency movements by balancing Long and Short exposures in foreign currencies.

The Fund's uninvested capital will be retained in cash or cash equivalents with the Prime Broker or an Australian bank. The Fund may hold instruments other than cash such as hybrid equity, debt or fixed interest securities although it has not done so in the Fund's history.

The table below sets out the investment guidelines for the Fund.

Asset Class	Allocation range
Securities listed on the ASX	Up to 400% of the Fund's capital but typically between 150-300%
Securities listed on any other licensed securities market with regulation and disclosure requirements comparable to the ASX	Up to but typically less than, 20% of the value of each of the long and short portfolios
Listed warrants and options	Up to 200% of the Fund's capital but typically zero
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	Up to 100% of the Fund's capital but typically zero
Cash or cash equivalents	Up to 110% of the Fund's capital
Debentures, unsecured notes and bonds of a corporation or government of at least an investment grade credit rating	Up to 150% of the Fund's capital but typically zero
Units or interests in cash management trusts	Up to 110% of the Fund's capital
Any other financial products which Watermark may use in the management of the Fund's portfolio in accordance with its Australian financial services licence	Up to 200% of the Fund's capital but typically zero
Exchange traded derivatives, such as Share Price Index Futures	Up to 100% of the Fund's capital but typically zero
OTC derivatives, such as Interest Rate or Foreign Exchange Swaps	Up to 50% of the Fund's Capital but typically zero

Risk management

Risk philosophy

Risk management sits at the heart of the investment process, playing both a defensive role in helping Watermark avoid losses in a leveraged structure as well as an offensive role in identifying Shorts where risks are often mispriced.

Whilst many investment managers view risk in the context of underperforming the share market, Watermark considers risk as the prospect of capital loss. Watermark believes that capital loss is best avoided by investing in the shares of well managed companies with sound economics when they are undervalued by the share market. By constructing a Portfolio of these shares Watermark seeks to maximise the 'embedded value' of the Fund's assets, thus minimising the prospect of loss. As Short Positions are a liability on the Fund's balance sheet, the principles are the same but in reverse. Watermark seeks to minimise the value of the liability by selling weaker businesses on occasions when they are overvalued.

Watermark considers risk from both a bottom-up and top-down perspective. The bottom-up analysis employs a proprietary risk scoring methodology and considers risk at a security level while the top-down assessment considers risk at a Portfolio level.

Risk factors

Concentration risk: Watermark's goal is to have well diversified Long and Short Portfolios populated with a broad range of investment ideas. The Fund will typically have between 40-80 Positions in each of its Long and Short Portfolios. Sizes of individual Positions are monitored closely based on market capitalisation and liquidity measures to avoid concentration risk.

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 contain shares taken from a broad distribution of sectors.

Watermark's company research database is segmented into four large sector groups: financials; defensives; cyclicals and resources. Each of these sectors can be further defined into industries with similar dynamics. In total there are twenty seven industry groups making up these four sectors. Watermark intends to construct Long and Short Portfolio with a broad representation of industries across these sectors. The gross exposure to individual sectors and the net sector weights will be monitored on an ongoing basis.

Size bias: The Portfolio will be constructed across the full size-spectrum. Watermark categorises the securities market by company size (larger companies, smaller companies and micro-cap companies). The Fund is expected to hold between 40-70% of its gross exposure in the shares of the 100 largest

companies listed on the ASX, with the balance in smaller companies. Watermark will aim to have a balance in terms of Long/Short exposures to large and small companies, to ensure there is no material size bias in the overall portfolio structure.

Factor bias: Factor risks are reviewed separately. Growth, value, volatility, beta, currency and other factor biases are considered.

Risk monitoring

Watermark maintains a proprietary scoring system to ensure Portfolios are built around the best individual investment ideas with the highest conviction, while retaining a bias in favour of strong, well-managed companies to buy (Long), and weaker businesses to sell (Short). The scoring system incorporates business quality, management quality, valuation and risk.

The risk score incorporates a number of qualitative and quantitative elements including financial leverage, earnings visibility, business transparency and earnings quality.

Leverage and Short Positions

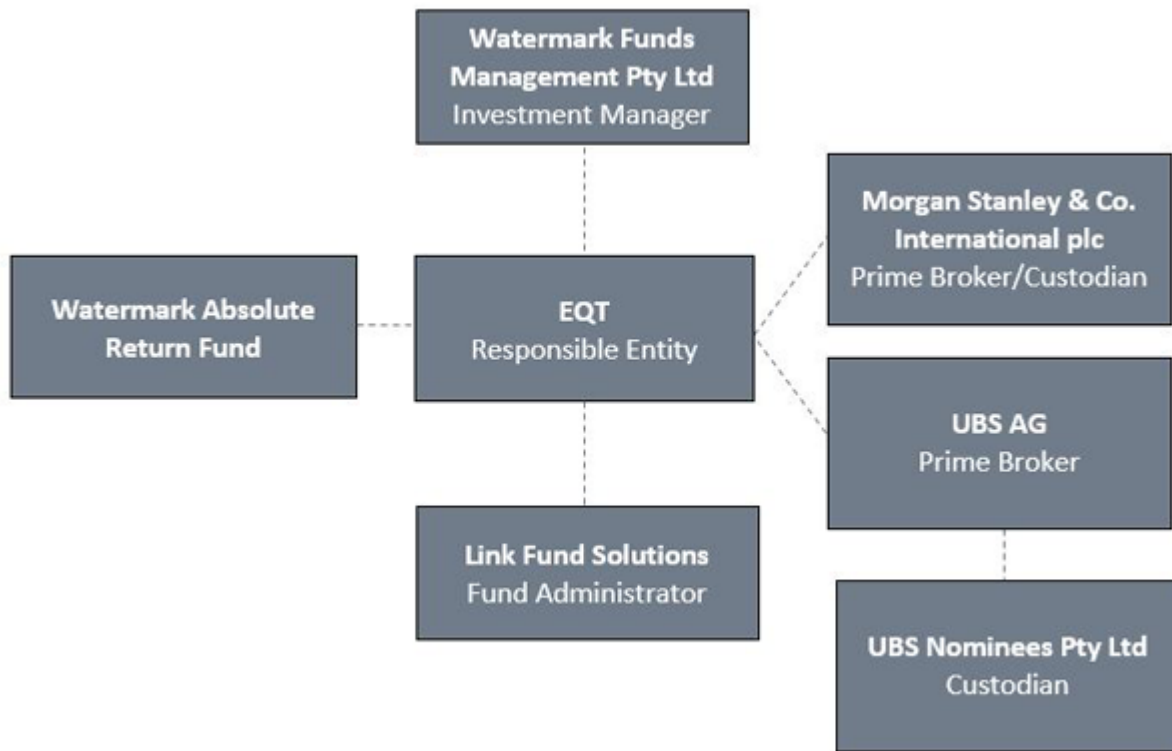
Leverage in the form of Short selling will be used to minimise market risk in the Portfolio. Watermark does not intend to borrow funds for investment.

5.3 Fund Structure

Investment structure

The Fund is an unlisted registered managed investment scheme. In general, each unit in the Fund represents an individual's interest in the assets as a whole subject to liabilities; however it does not give the investor an interest in any particular asset of the Fund. The Responsible Entity is responsible for the operation of the Fund.

The diagram set out below shows the Fund's structure and the entities involved in the Fund's structure, all of whom are located in Australia.



Service providers

As at the date of this PDS, the service providers to the Fund are:

Investment Manager: Watermark Funds Management Pty Ltd is responsible for managing the investments of the Fund. For further details on Watermark's role please refer to Section 4.

Custodians: UBS Nominees Pty Ltd (a sub-custodian appointed by UBS AG) and Morgan Stanley & Co. International plc holds the assets of the Fund on behalf of the Responsible Entity.

Leverage through Short selling can magnify gains in the Portfolio but will also magnify losses. With a view to managing this risk, total market exposure or gross exposure (the sum of the Long and Short Positions combined as a percentage of unit holders' capital) will not exceed 400% and will typically fall within a range of 150-300%.

Counterparty risk

Watermark will seek to minimise counterparty risk to which the Fund is exposed via its prime broking and banking arrangements. Withdrawing cash from the Prime Broker after taking account of margin and collateral requirements and placing funds in term deposits with an Australian bank, Watermark reduces the Fund's exposure to the risks associated with the Prime Broker becoming insolvent.

Administrator: Link Fund Solutions Pty Limited provides fund accounting and valuation of the Fund's assets to the Responsible Entity in connection with the Fund.

Prime Brokers: Morgan Stanley & Co. International plc and UBS AG provide prime brokerage services for the Fund.

The service providers engaged by the Responsible Entity may change without notice to investors. Risks relating to the use of third party service providers are outlined in Section 6.

The Responsible Entity has entered into service agreements with the service providers and will, with the assistance of Watermark, regularly monitor the performance of the service providers against service standards set out in the relevant agreements.

5.4 Valuation, location and custody of assets

UBS Nominees Pty Limited and Morgan Stanley & Co. International plc will provide custody services for the assets of the Fund 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. Assets held by UBS Nominees Pty Ltd and Morgan Stanley & Co. International plc as Custodian are located in Australia. The Custodian may appoint sub-custodians, including a member of the UBS Group, for such investments. Sub-custodians will be appointed to hold assets located in jurisdictions other than Australia.

Equity Trustees and Watermark do not have any policy for the geographic location of any asset.

The Fund's assets are denominated in Australian dollars, except for international securities which are denominated in the local currency of the country where the market on which the securities are listed, is located. Link Fund Solutions Pty Limited is the Administrator and is responsible for valuing the Fund's assets.

The value of such assets will be determined as follows:

- The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends, interest declared or accrued and not yet received, all of which are deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof is arrived at after making such discount as may be considered appropriate in such case to reflect the true value;
- Securities listed on a recognised securities exchange or dealt on any other regulated market will be valued at their latest available prices, or, in the event that there should be several such markets, on the basis of their latest available prices on the main market for the relevant security;
- The value of non-U.S. equity securities (foreign equity securities) is generally determined based upon the last sale price on the foreign exchange or market on which it is primarily traded and in the currency of that market as of the close of the appropriate exchange or, if there have been no sales during that day, at the latest bid price. The Administrator has determined that the passage of time between when the foreign exchanges or markets close and when the Fund computes its Net Asset Values could cause the value of foreign equity securities to no longer be representative or accurate, and as a result, may necessitate that such securities be fair valued. Accordingly, for foreign equity securities, the Fund may use an independent pricing service to fair value price the security as of the close of regular trading on the New York Stock Exchange. As a result, the Fund's value for a security may be different from the last sale price (or the latest bid price);
- In the event that the latest available price does not, in the opinion of the Administrator, truly reflect the fair market value of the relevant securities, the value of such securities will be defined by the Administrator based on the reasonably foreseeable sales proceeds determined prudently and in good faith

Investors are allocated units in the Fund. Each of these units represents an equal undivided interest in the Fund. The unit price of the units will be calculated by the Fund's administrator

on a monthly basis, by dividing the NAV by the total number of units on issue on that day. For subscriptions, the transaction buy spread of 0.30% referred to in Section 9 is added.

5.5 Liquidity

The majority of assets which will be traded and held by the Fund are liquid. The Responsible Entity and Watermark expect that the Fund will be able to realise at least 80% of the Fund's assets, at the value ascribed to those assets in the most recent calculation of Net Asset Value, within 10 Business Days. In circumstances where certain assets held by the Fund are illiquid it may not be possible to sell these assets or to do so in sufficient time to pay withdrawals and the consequences should this occur. The sale of assets in the context of processing a withdrawal may also be impacted by counterparty risk which is discussed in further detail in section 6.

It is unlikely that Liquidity issues will result from withdrawal requests. Generally, it is Watermark's policy to ensure that the Fund remains liquid as the size of the Fund grows.

5.6 Leverage

The Fund does not borrow funds for investment. Rather; leverage is created as the proceeds from Short selling borrowed securities are reinvested in the Long Portfolio. Unlike financial leverage where the liability has a fixed value, the value of the borrowed securities that have been Short sold will typically move up and down along with the value of the Long Portfolio in response to movements in the broader share market: i.e. there is a natural Hedge between assets and liabilities in this structure.

In simple terms, because the Fund's gross exposure (equalling the sum of Long and Short positions) is greater than the amount of investors' capital, leverage is created. Unlike financial leverage however, the leverage is to the security selection success of the Investment Manager only.

As an example of how leverage works in the Fund:

The Investment Manager receives \$100 of capital from investors which is placed on deposit with the Prime Broker/Custodian or with an Australian bank. The Investment Manager then Short sells securities with a value up to \$100, creating a liability on the balance sheet. The proceeds of the short sales are invested in a Long Portfolio of securities that Watermark prefers creating an asset also worth \$100. In this example, the Fund will have a gross exposure to mispriced securities of 200% of investors' capital with a net market exposure of zero.

Leverage through Short selling can magnify gains in the Portfolio but can also magnify losses. With a view to managing this risk, total market exposure or 'gross exposure' (the sum of the Long and Short positions combined as a percentage of unit holders' capital) will not exceed 400%. The level of gross exposure is a product of the number of positions held and the size of those positions. Under the Fund's investment guidelines gross exposure of the Fund will typically be between 150-300%.

5.7 Short selling

A Short sale occurs when the Fund borrows a security from the Fund's Prime Broker and sells the security to a third party, generating cash proceeds. The Fund will reacquire the same security on market and return it to the lender to close the transaction. The Fund makes a profit if the price of the borrowed security declines in value in the period between the short sale of the security and when the borrowed security is reacquired. Conversely, the Fund will suffer a loss if the borrowed security increases in value during this period. While the time period for borrowing securities to short sell may not be fixed, the Prime Broker may on rare occasions recall the securities and the Fund must acquire them on-market to close the transaction. See Section 6 for more detail.

Short selling involves greater risk than buying a security, as losses can continue to grow to the extent that the price of a security rises. The risk of losses associated with the purchase of a security is generally restricted at most to the amount invested, whereas losses on a Short position can be greater than the purchased value of the security. Whilst Short selling can often reduce risk since it may offset losses on Long Positions, it is also possible for Long Positions and Short Positions to both lose money at the same time.

Watermark will seek to manage the risks associated with Short selling in a number of ways:

- by using its fundamental research process to identify stocks to sell Short, which are weaker businesses, with poor management and which are over-priced relative to the Investment Manager's assessment of their intrinsic value;
- by constructing a diversified Portfolio of Short Positions across a broad range of sectors and industries, thereby reducing the risk that Portfolio returns will be dependent on the performance of an individual stock, sector or industry;
- by managing the size of the Fund's short Positions, also ensuring that individual Positions do not account for an unacceptable amount of risk in the short Portfolio; and
- by limiting cash retained by the Prime Broker in accordance with margin/collateral requirements. Cash withdrawn from the Prime Broker is held on deposit with an Australian Bank, thereby reducing the Fund's exposure to the risk of capital loss in the event that the Prime Broker became insolvent. See Section 6 for details on counter-party risk.

5.8 Derivatives

Purpose and rationale

Although they are not expected to comprise a material part of the Fund's investment strategy, the Fund may use exchange traded Derivatives and over-the-counter Derivatives which may be volatile and speculative. Derivatives may be used to hedge physical positions, gain market exposure to underlying securities or for other portfolio management purposes.

Types of Derivatives

The Fund can invest in financial Derivatives, including equivalent cash settled instruments, which are traded on an exchange and/or non-exchange traded Derivatives instruments dealt in on an OTC basis. The underlying instruments include, but are not limited to: financial indices, interest rates, foreign exchange rates or currencies.

Criteria for engaging counterparties

Watermark will seek to enter into contractual arrangements with institutional counterparties that are subject to prudential supervision.

5.9 Labour standards and environmental, social and ethical considerations

Decisions about the selection, retention or realization of investments for the Fund are primarily based on company and industry fundamentals. Watermark takes into account labour standards, environmental, social or ethical issues when making these decisions to the extent that these issues have a material impact on either investment risk or return. Watermark believes that certain environmental, social and corporate governance ("ESG") issues may impact the sustainable value of businesses. In exercising its authority as Investment Manager of the Fund, Watermark integrates ESG factors into its investment process and ownership practices to the extent that the integration of such factors is consistent with the investment objectives and the economic interests of the Fund.

5.10 Withdrawals

Withdrawal requests are generally processed within 5 Business Days of receipt. Please see section 7 for further details on applications and withdrawals.

5.11 Fund performance

Fund performance can be obtained by contacting Watermark on (02) 9252 0225 or visiting the Watermark Funds Management website www.wfunds.com.au. Past performance is not indicative of future performance. The Responsible Entity and Watermark do not guarantee the success, repayment of capital or any rate of return on income or capital or the investment performance of the Fund.

6. Managing Risk

Investment in any fund carries risks, including volatility of returns and permanent loss of capital. Volatility refers to the degree to which returns may fluctuate around their Long-term average. Each asset class, whether it is cash, fixed interest, property, Australian or international shares has associated investment risks and the return achieved by each will vary accordingly.

You should be aware that an investment in the Fund contains risk and neither the performance of the Fund nor the security of your investment is guaranteed by the Responsible Entity or Watermark. Investments in the Fund are generally subject to risks, including possible delays in the payment of withdrawal proceeds, and loss of income and/or capital. The following discussion of certain risk factors does not purport to be an exhaustive list or a complete explanation of all the risks involved in an investment in the Fund. Investors should seek professional advice about the risks involved in investing in the Fund and how it might impact on their individual financial circumstances.

Equity funds general risk

The value of the securities the Fund holds, directly or indirectly, may decrease in response to the activities of an individual company or in response to general market, business and economic conditions. Conversely, the value of the Fund's Short sale liabilities may increase as a result of the same factors. In each case, the Fund's unit price may decrease.

Investment Strategy Risk

The success and profitability of the Fund depends almost entirely on the ability of Watermark to construct a Long Portfolio of securities that outperforms a Short Portfolio of securities. While the Short Portfolio acts as a Hedge for the Fund's Long investments, there is a risk that losses are incurred on the Long and Short Portfolios at the same time. The performance fee may create an incentive for Watermark 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 Fund.

Short-Selling Risk

In order to establish a Short position, Watermark must borrow securities to Short-sell. In theory, Short-selling is subject to an unlimited risk of loss, as there is no limit on how much the price of a security may appreciate. There is a risk that the securities lender may recall the securities in which case the Fund may be obliged to re-purchase the securities at a higher price than that for which the security was sold, thereby crystalizing a permanent loss.

Leverage Risk

Whilst the Fund will not use financial leverage to increase the size of its Portfolio, reinvestment of the funds raised in Short-selling securities may result in the Fund having a gross exposure to securities that is greater than unit holders' capital. As such, there is a risk that the Fund will behave like a leveraged Portfolio, where fluctuations in the value of the Fund's Portfolios and the potential for loss are magnified.

Investment Manager Risk

With a variable net exposure to the share market which is expected to be less than 50% on average, fund returns in a Long/Short investment strategy will depend less on the underlying performance of the share market and more on Watermark's success in selecting stocks to buy and Short-sell. As such, there is a risk that changes in key personnel of Watermark may negatively impact Fund performance.

Market risk

The Fund's Portfolios will be constructed so as to minimise market risks. During a general downturn in the securities markets, multiple asset classes may decline in value

simultaneously. Certain events may have a negative effect on the price of all types of investments within a particular market. Conversely, in a strong share market, the Fund may underperform rising securities market indices.

Counterparty Risk

The Fund uses the service of a Prime Broker to facilitate the lending of securities to Short-sell. Until the Fund returns a borrowed security, it will be required to maintain assets with the Prime Broker as collateral. As such, the Fund may be exposed to certain risks in respect of that collateral including that the Fund:

- will be required to post initial margin/collateral to the counterparty in the form of cash. The Fund will need to have sufficient liquid assets to satisfy this obligation;
- may from time to time, if the value of Short positions move against it, be required to post variation margin/collateral with the counterparty on an ongoing basis. The Fund will need to have sufficient liquid assets to satisfy such calls, and in the event it fails to do so, the counterparty may have a right to terminate such arrangements; and
- may be subject to the credit risk of the counterparty. In the event the counterparty becomes insolvent at a time it holds margin/collateral posted with it by the Fund, the Fund will be an unsecured creditor and will rank behind other secured creditors. In the event of insolvency of the Custodian or the Prime Broker, the Fund may not be able to recover the entire value of the relevant securities, these risks may impact the ability of the Responsible Entity to satisfy withdrawal requests.

Liquidity risk

Investments that trade less can be more difficult or more costly to buy, or to sell, than more liquid or active investments. It may not be possible to sell or otherwise dispose of illiquid securities both at the price and within a time period deemed desirable by Watermark.

Small cap stock risk

Stocks of smaller companies involve greater risk than those of larger, more established companies. This is because smaller companies may be in earlier stages of development, may be dependent on a small number of products or services, may lack substantial capital reserves and/or do not have proven track records. Small cap companies may be more adversely affected by poor economic or market conditions, and may be traded in low volumes, which may increase volatility and Liquidity risks.

Portfolio turnover risk

The Fund does not intend to trade, directly or indirectly, Portfolio securities for the purpose of realizing Short term profits. However, Watermark will adjust the Fund's Portfolio as considered advisable in view of prevailing or anticipated market conditions and the Fund's investment objective, and there is no limitation on the length of time securities must be held, directly or indirectly, by the Fund prior to being sold. Portfolio turnover rate will not be a limiting factor and will vary from year to year. Higher Portfolio turnover rates involve correspondingly higher transaction costs, which are borne directly or indirectly by the Fund. In addition, the Fund may realize significant Short term and Long-term capital gains.

Derivatives Risk

The Fund may use exchange traded Derivatives and over-the-counter Derivatives which may be volatile and speculative. 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 Fund.

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.

A counter-party may also be required to take collateral from the Fund's assets to support a Derivatives contract. Therefore, there is a risk that if the counterparty becomes insolvent, the Fund's assets may not be returned in full.

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7. Investing and Withdrawing

Initial applications

Investors can acquire units by completing an Application Form. The minimum investment amount for the Fund is \$50,000.

To invest directly please complete the Application Form accompanying this PDS and send your original Application Form to:

Watermark Absolute Return Fund Registry
Boardroom Pty Limited
Unitholder Services
GPO Box 3993
Sydney NSW 2001

For any queries regarding the applications, you can contact Boardroom Pty Limited at +61 2 8016 2822.

Application money should be transferred to the bank account details shown in the Application Form. Please note that neither cash nor cheques will be accepted. Investors investing through an IDPS should use the application form provided by the operator of the IDPS.

The price at which units are acquired is determined in accordance with the Constitution ("Application Price"). The Application Price, in general terms, is equal to the NAV of the Fund, divided by the number of units on issue plus any transaction costs.

Unit prices are calculated monthly.

The cut-off time for applications is 2:00 pm (AEST) on the last Business Day of the month for that month's unit price.

At the date of this PDS, the minimum initial investment in the Fund is \$50,000. Applications can be made between 9:00 a.m. and 5:00 p.m. on any Business Day. However, for unit pricing purposes any application received after 2:00 p.m. on a Business Day will generally be treated as having been received the following Business Day. If you are investing via an IDPS, you need to contact your IDPS Operator regarding the cut-off times for pricing purposes.

Transaction costs may reduce the number of units which you receive when applying for units.

See the 'Buy/Sell Spread' information in the fees section for further information.

The Application Price will vary as the market value of assets in the Fund rises or falls.

Additional applications

Investors can add to their investment by completing an Application Form accompanying the current PDS. The minimum additional investment in the Fund is \$5,000. Please note Application Forms can be sent by fax +61 2 9279 0664 or by email to watermark@boardroomlimited.com.au. If you are investing through an IDPS you should refer to the IDPS Guide for the minimum additional investment amount.

Terms and conditions for applications

Applications can be made at any time. Application cut-off times and unit pricing are set out in the initial applications section above.

Please note that we do not pay interest on application monies (any interest is credited to the Fund).

Equity Trustees reserves the right to refuse any application without giving a reason. If for any reason Equity Trustees refuses or is unable to process your application to invest in the Fund, Equity Trustees will return your application money to you,

subject to regulatory considerations, less any taxes or bank fees in connection with the application. You will not be entitled to any interest on your application money in this circumstance.

Under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006, applications made without providing all the information and supporting identification documentation requested on the Application Form cannot be processed until all the necessary information has been provided. As a result delays in processing your application may occur.

Cooling off period

If you are a Retail Client you may have a right to 'cool off' in relation to an investment in the Fund within 14 days of the earlier of:

- confirmation of the investment being received or available; and
- the end of the fifth Business Day after the units are issued or sold.

A Retail Client may exercise this right by notifying Equity Trustees in writing at the address as stated above.

A Retail Client is entitled to a refund of their investment adjusted for any increase or decrease in the relevant application price between the time we process your application and the time we receive the notification from you, as well as any other tax and other reasonable administrative expenses and transaction costs associated with the acquisition and termination of the investment.

The right of a Retail Client to cool off does not apply in certain limited situations, such as if the issue is made under a distribution reinvestment plan, switching facility or represents additional contributions required under an existing agreement. Also, the right to cool off does not apply to you if you choose to exercise your rights or powers as a unit holder in the Fund during the 14 day period; this could include selling part of your investment or switching it to another product.

The right to cool off may not apply if you are an indirect investor, even if you are a Retail Client. Indirect investors should seek advice from their IDPS Operator or consult the IDPS Guide or similar type document as to whether cooling off rights apply.

Cooling off rights may apply to investors in New Zealand. If you wish to exercise your cooling off rights you should contact the Responsible Entity of the Fund.

Making a withdrawal

You can withdraw your investment by completing a Withdrawal Form and sending by mail to:

Watermark Absolute Return Fund Registry
Boardroom Pty Limited
Unitholder Services
GPO Box 3993
Sydney NSW 2001
Or by fax to +61 2 9279 0664 or by

email to watermark@boardroomlimited.com.au

Refer below for "Terms and conditions for withdrawals". Once we receive your withdrawal request, we may act on your instruction without further enquiry if the instruction bears your account number or investor details and your (apparent) signature(s), or your authorised signatory's (apparent) signature(s). The price at which units are withdrawn is determined in accordance with the Constitution ("Withdrawal Price"). The Withdrawal Price, in general terms, is equal to the NAV of the Fund, divided by the number of units on issue less any transaction costs.

Unit prices are calculated monthly.

The cut-off time for withdrawals is 2:00 pm (AEST) on any Business Day.

Transaction costs may reduce the amount which you receive on withdrawal. See the 'Buy/Sell Spread' information in the fees section for further information.

The Withdrawal Price will vary as the market value of assets referable to the Fund rises or falls.

If you are an indirect investor, you need to provide your withdrawal request directly to your IDPS Operator. The time to process a withdrawal request will depend on the particular IDPS Operator.

Minimum withdrawal amounts are subject to the Australian dollar minimum amounts disclosed above. Withdrawal requests received from New Zealand investors must specify:

- the withdrawal amount in Australian dollars; or
- the number of units to be withdrawn.

We are unable to accept withdrawal amounts quoted in New Zealand dollars. Please note that the withdrawal amount paid to you will be in Australian dollars and may differ from the amount you receive in New Zealand dollars due to:

- Foreign Exchange spreads between Australian and New Zealand dollars (currency rate differs daily); and
- Overseas Telegraphic Transfer ("OTT") costs.

Withdrawals will only be paid directly to the unitholder's bank account held in the name of the unitholder with an Australian domiciled bank. Withdrawal payments will not be made to third parties.

Access to funds

The Responsible Entity will generally allow you to access your investment within 5 days of receipt of a withdrawal request by transferring the withdrawal proceeds to your nominated bank account. However, the period of time for satisfying withdrawal requests may be extended where the Responsible Entity considers that it is in the best interests of investors to do so and has taken all reasonable steps to realise sufficient assets, but is unable to do so due to circumstances outside its control. In these circumstances the period of time for satisfying withdrawal requests is extended for such further period as those circumstances apply and the Responsible Entity may suspend consideration of redemption requests. Withdrawals will not be funded from an external liquid facility. In such circumstances, the Responsible Entity will provide investors with 30 days' prior written notice of such extension or suspension.

The Withdrawal Price is determined in accordance with the Constitution. The Withdrawal Price on a Business Day, is in general terms, equal to the NAV of the Fund, divided by the number of units on issue and adjusted for transaction costs ("Sell Spread"). At the date of this PDS, the Sell Spread is 0.3%. The Withdrawal Price will vary as the market value of assets in the Fund rises or falls.

We reserve the right to fully withdraw your investment if your investment balance in the Fund falls below the minimum balance amount as a result of processing your withdrawal request. We also reserve the right to fully withdraw your investment in the Fund, upon giving 30 days' notice, if the minimum balance amount is increased or your holding falls below the minimum balance amount. The sale of assets in the context of processing a withdrawal may also be impacted by counterparty risk which is discussed in further detail in section 6.

Terms and conditions for withdrawals

Once your withdrawal request is received, your instruction may be acted on without further enquiry if the instruction bears your account number or investor details and your (apparent) signature(s), or your authorised signatory's (apparent) signature(s).

Equity Trustees and/or the Administrator reserve the right to ask for the production of original documents or other information to authenticate the communication. In the case of non-receipt or corruption of any message, you will be required to re-send the documents.

No withdrawal proceeds will be paid until the Administrator has received the withdrawal request signed by you or your authorised signatory. Neither Equity Trustees nor the Administrator shall be responsible for any mis-delivery or non-receipt of any facsimile. Facsimiles or emails sent to the Administrator shall only be effective when actually received by the Administrator.

When you are withdrawing, you should take note of the following:

- We are not responsible or liable if you do not receive, or are late in receiving, any withdrawal money that is paid according to your instructions.
- We may contact you to check your details before processing your withdrawal request. This may cause a delay in finalising payment of your withdrawal money. No interest is payable for any delay in finalising payment of your withdrawal money.
- If we cannot satisfactorily identify you as the withdrawing investor, we may refuse or reject your withdrawal request or payment of your withdrawal proceeds will be delayed. We are not responsible for any loss you consequently suffer.
- As an investor who is withdrawing, you agree that any payment made according to instructions received by post or courier or fax, shall be a complete satisfaction of our obligations, despite any fact or circumstances such as the payment being made without your knowledge or authority.
- You agree that if the payment is made according to these terms, you and any person claiming through or under you, shall have no claim against us about the payment.
- The Constitution allows Equity Trustees to make payment up to 21 days after we accept a request (which may be extended by a further 30 days in certain circumstances).
- Equity Trustees can deny a withdrawal request where accepting the request would cause the Fund to cease to be liquid or where the Fund is not liquid (as defined in the Corporations Act). When the Fund is not liquid, you can only withdraw when Equity Trustees makes a withdrawal offer to you in accordance with the Corporations Act. Equity Trustees is not obliged to make such offers. The Fund will be liquid if at least 80% of its assets are liquid assets (generally cash and marketable securities).

Distributions

The Fund usually distributes income semi-annually at the end of June and at the end of December. Distributions are calculated on the last day of each period end (30 June and 31 December), and are normally paid to investors within 14 Business Days of the period end although the distribution at 30 June may take longer. Equity Trustees may amend the distribution frequency without notice. Your share of any distributable income is calculated in accordance with the Constitution and is generally based on the number of units held by you at the end of the distribution period and the distributable income.

You can have your distribution reinvested or paid to a nominated bank account. If you do not indicate a preference you will have your distributions automatically reinvested.

Indirect investors should review their IDPS Guide for information on how and when they receive any income distribution.

If New Zealand investors elect to have their distribution paid in cash, they will need to nominate a bank account held in their own name with an Australian domiciled bank. Cash distributions will only be paid in Australian dollars to such an account. When the distribution is reinvested, New Zealand investors will be allotted units in accordance with the terms and conditions set out above.

The distribution reinvestment plan is offered to New Zealand investors on the following basis:

- At the time the price of the units allotted pursuant to the distribution reinvestment plan is set, the Responsible Entity will not have any information that is not publicly available that would, or would be likely to, have a material adverse effect on the realizable price of the units if the information were publicly available.
- The right to acquire, or require the Responsible Entity to issue, units will be offered to all investors of the same class, other than those residing outside New Zealand who are excluded so as to avoid breaching overseas laws.
- Units will be issued on the terms disclosed to you, and will be subject to the same rights as units issued to all investors of the same class as you.

There is available from the Responsible Entity, on request and free of charge, a copy of the most recent annual report (if any) of the Fund, the most recent financial statements (if any) of the Fund, the auditor's report on those financial statements or, if those financial statements are not audited or reviewed by an auditor, a statement to that effect, the PDS and the Constitution for the Fund (including any amendments). Other than the Constitution, these documents may be obtained electronically from www.eqt.com.au/insto.

Valuation of the Fund

The value of the investments of the Fund is generally determined monthly by the Administrator. The value of a unit in the Fund is determined on the basis of the value of the investments in the Fund (after taking into account any liabilities of the Fund), in accordance with the Constitution of the Fund.

For example, the application price of a unit in the Fund is based on the NAV of the Fund divided by the number of units on issue plus an allowance for transaction costs required for buying investments. This allowance is known as the "Buy Spread". At the date of this PDS, the Buy Spread is 0.30%.

Joint account operation

For joint accounts, unless indicated to the contrary on the Application Form, each signatory must sign withdrawal requests. Please ensure all signatories sign the declaration in the Application Form. Joint accounts will be held as joint tenants unless we are advised to the contrary in writing.

Appointment of authorised nominee to operate account

You can appoint a person, partnership or company as your authorised signatory. To do so, please nominate them on the initial Application Form and have them sign the relevant sections. If a company is appointed, the powers extend to any director and officer of the company. If a partnership is appointed, the powers extend to all partners. Such appointments will only be cancelled or changed once we receive written instructions from you to do so.

Once appointed, your authorised signatory has full access to operate your investment account for and on your behalf. This includes the following:

- making additional investments;
- requesting income distribution instructions to be changed;
- withdrawing all or part of your investment;
- changing bank account details;
- enquiring and obtaining copies of the status of your investment; and
- having online account access to your investment.

If you do appoint an authorised signatory:

- you are bound by their acts;
- you release, discharge and indemnify us from and against any losses, liabilities, actions, proceedings, account claims and demands arising from instructions received from your authorised representatives; and
- you agree that any instructions received from your authorised representative shall be complete satisfaction of our obligations, even if the instructions were made without your knowledge or authority.

Electronic instructions

If you instruct Equity Trustees by electronic means, such as facsimile or via the internet, you release Equity Trustees from and indemnify Equity Trustees against, all losses and liabilities arising from any payment or action Equity Trustees makes based on any instruction (even if not genuine):

- that Equity Trustees receives by an electronic communication bearing your investor code; and
- which appears to indicate to Equity Trustees that the communication has been provided by you (for example, it has a signature which is apparently your signature or your authorised signatory's or it has an email address which is apparently your email address).

You agree that neither you nor anyone claiming through you has any claim against Equity Trustees or the Fund in relation to such payments or actions.

There is a risk that a fraudulent withdrawal request can be made by someone who has access to your investor code and a copy of your signature or email address. Please take care.

8. Keeping Track of Your Investment

Enquiries

For any enquiries regarding your investment or the management of the Fund please contact

Watermark Funds Management Pty Ltd
ABN 98 106 302 505 (AFSL 250897)
Level 23, Governor Phillip Tower
1 Farrer Place, Sydney NSW 2000
Phone: +61 2 9252 0225
Email: info@wfunds.com.au
Website: www.wfunds.com.au

Complaints resolution

Equity Trustees has an established complaints handling process and is committed to properly considering and resolving all complaints. If you have a complaint about your investment, please contact us on:

Phone: 1300 133 472
Post: Equity Trustees Limited
GPO Box 2307, Melbourne VIC 3001
Email: compliance@eqt.com.au

We will acknowledge receipt of the complaint as soon as possible and in any case within 3 days of receiving the complaint. We will seek to resolve your complaint as soon as practicable but not more than 45 days after receiving the complaint.

If you are not satisfied with our response to your complaint, you may be able to lodge a complaint with the Australian Financial Complaints Authority ("AFCA").

Contact details are:
Online: www.afca.org.au
Phone: 1800 931 678
Email: info@afca.org.au
Post: GPO Box 3, Melbourne VIC 3001.

The external dispute resolution body is established to assist you in resolving your complaint where you have been unable to do so with us. However, it's important that you contact us first.

Reports

Regular, simple to read and complete reports are provided to investors in the Fund.

These reports comprise:

- Annual Report including financial statements and auditor's report will be made available on the Equity Trustees website at www.eqt.com.au/insto from 30 September each year.
- Transaction Reports confirming all additional investments, withdrawals, and payments (issued following transactions and on request).
- Distribution Statements as follows:
 - a) monthly statements to confirm closing units and value of holding;
 - b) distribution statements every distribution period confirming distribution amount and reinvestment/payment to nominated account;
 - c) annual investor statements to confirm closing units, value of investments and income from investments.
- Tax Statements or AMMA Member Statements issued annually, providing you with taxation information including a detailed summary of the components of any distributions.

The Responsible Entity also has and implements a policy to report annually on the following information as soon as practicable after the relevant period end:

- the actual allocation to each asset type;
- the liquidity profile of the portfolio assets as at the end of the period;
- the maturity profile of the liabilities as at the end of the period;
- the leverage ratio (including leverage embedded in the assets of the Fund, other than listed equities and bonds) as at the end of the period;
- the derivative counterparties engaged (including capital protection providers);
- the monthly or annual investment returns of the Fund over at least a five-year period (or, if the Fund has not been operating for five years, the returns since its inception); and
- the key service providers if they have changed since the latest report given to you, including any change in their related party status.

The following information is available on Watermark's website at www.wfunds.com.au and is disclosed monthly:

- the current total NAV of the Fund and the redemption value of a unit in each class of units as at the date the NAV was calculated;
- the key service providers if they have changed since the last report given to investors, including any change in their related party status;
- for each of the following matters since the last report on those matters:
 - the net return on the Fund's assets after fees, costs and taxes;
 - any material change in the Fund's risk profile;
 - any material change in the Fund's investment strategy; and
 - any change in the individuals playing a key role in investment decisions for the Fund.

If and when the Fund has 100 or more direct investors, it will be classified by the Corporations Act as a 'disclosing entity'. As a disclosing entity, the Fund will be subject to regular reporting and disclosure obligations. Investors would then have a right to obtain a copy, free of charge, of any of the following documents:

- the most recent annual financial report lodged with ASIC ("Annual Report");
- any subsequent half yearly financial report lodged with ASIC after the lodgement of the Annual Report; and
- any continuous disclosure notices lodged with ASIC after the Annual Report but before the date of this PDS.

Equity Trustees will comply with any continuous disclosure obligation by lodging documents with ASIC as and when required.

Copies of these documents lodged with ASIC in relation to the Fund may be obtained from ASIC through ASIC's website.

You can call Watermark Funds Management +61 2 9252 0225 for updated information on performance, unit prices, Fund size and other general information about the Fund. If you are an indirect investor investing via an IDPS, contact your IDPS Operator.

9. Fees and Other Costs

The warning statement below is required by law to be displayed at the beginning of the 'Fees and other costs' section of product disclosure statements for managed investment products. The example given in the warning statement does not relate to any investments described within this PDS.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

You should read all the information about fees and costs because it is important to understand their impact on your investment. For indirect investors, the fees listed in the 'Fees and other costs' section of this PDS are in addition to any other fees and charges charged by your IDPS Operator.

The following table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole. Information about taxation is set out in Section 10 of this document.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the Fund		
<i>Establishment fee</i> The fee to open your investment	Nil	There is no establishment fee payable when you set up your investment in the Fund.
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	There is no contribution fee payable when you invest in the Fund.
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	There is no withdrawal fee payable when you redeem investments from the Fund.
<i>Exit fee</i> The fee to close your investment	Nil	There is no exit fee payable when you close your investment in the Fund.
Service fees		
<i>Investment switching fee</i> The fee for changing investment options	Nil	Not applicable
Management costs		
The fees and costs for managing your investment ¹	Management fee: 1.00% p.a. of the NAV of the Fund ² .	These costs are calculated and accrued monthly based on the NAV of the Fund. The accrued fees are paid in arrears by deduction from the Fund assets at the end of each month. These costs reduce the NAV of the Fund and are reflected in the unit price.

Type of fee or cost	Amount	How and when paid
	Expense recoveries: 0.30% p.a. of the NAV of the Fund ³ .	These costs are calculated and accrued monthly based on the NAV of the Fund. The accrued fees are paid in arrears by deduction from the Fund assets at the end of each month. These costs reduce the NAV of the Fund and are reflected in the unit price.
	Performance fee: 20.5% p.a. of the NAV of the Fund ⁴ .	The Fund's performance fee is equal to 20.5% of any increase in the NAV of the Fund over any financial year (adjusted for applications and redemptions and before the payment of any distribution) which exceeds the Fund benchmark, subject to the high-water mark. The performance fee is calculated monthly and if payable, will be paid annually in arrears.

¹ All fees quoted above are inclusive of Goods and Services Tax (GST) and net of any RITC. See below for more details as to how management costs are calculated.

² Management fees can be negotiated. See "Differential fees" below.

³ Under the Investment Management Agreement the Manager and the Responsible Entity have agreed that the Manager will reimburse the Fund to the extent that the expense recovery exceeds 0.30%. This means that the management fees (which are fixed at 1.00%) and expense recovery are capped at 1.30% with respect to the Fund as a result of this arrangement.

⁴ This represents the performance fees which are payable as an expense of the Fund to the Investment Manager. See "Performance fees" below for more information.

Additional Explanation of fees and costs

What do the management costs pay for?

Management costs comprise the additional fees or costs that an investor incurs by investing in the Fund rather than by investing directly in the assets.

In addition, management costs do not include transactional and operational costs (i.e. costs associated with investing the underlying assets, some of which may be recovered through Buy/Sell Spreads).

Management fees

The management fee of 1.00% p.a. of the Fund's NAV are payable to the Responsible Entity of the Fund for managing and advising on the assets of the Fund. The management fees are accrued monthly and paid from the Fund monthly in arrears and reflected in the unit price.

Estimated expense recovery fee

As at the date of this PDS, ordinary expenses such as, Responsible Entity fees, custodian fees, administration and audit fees, and other ordinary expenses of operating the Fund are covered by the expense recovery fee. The expense recovery fee is estimated at 0.30% p.a. of the Fund's NAV.

The expense recovery fees shown above do not include extraordinary expenses (if they are incurred in future), such as litigation costs and the costs of convening investor meetings.

Performance fee

A performance fee is payable to the Investment Manager where the investment performance of the Fund exceeds the performance of the Fund benchmark. The performance fee is 20.5% (inclusive of GST and net of RITC) of any increase in the Fund's NAV over any financial year (adjusted for applications and redemptions and before the payment of any distribution) which

exceeds the Fund benchmark, subject to the high-water mark. The high-water mark means the highest NAV of the Fund at the end of a financial year where a performance fee has been paid, adjusted for applications, redemptions and subsequent distributions.

The Fund benchmark is the Reserve Bank of Australia's cash-rate.

The performance fee is calculated monthly and payable annually in arrears. In general terms:

1. Each day, the performance of the Fund from the inception date is compared with the performance of the Fund benchmark for the same period. The Fund's performance is calculated after the deduction of the management costs (paid or accrued) but before the deduction of performance fees and disregarding any applications in and withdrawals out of the Fund. The positive difference is referred to as 'outperformance'.

2. A 'high-water mark' is then set each time the level of outperformance exceeds the previous highest level of outperformance since inception of the Fund.

3. The amount by which the Fund's outperformance exceeds the previous high-water mark, if any, (difference) is then calculated.

4. If the previous high-water mark is exceeded for a particular day, a performance fee of 20.5% (inclusive of GST and net of RITC) of the Difference, multiplied by the Fund's NAV, is then accrued. The performance fee is generally calculated monthly and payable annually.

5. However, if the previous high-water mark is not exceeded, no performance fee accrues that day, even if the Fund performance has exceeded the Fund benchmark performance on that day.

Based on the current calculation methodology for the performance fees, the Responsible Entity has estimated that the typical ongoing performance fees payable per annum may be

\$735 assuming an average account balance of \$50,000 during the year. Prior periods have been taken into account in calculating this estimate. However, this is not a forecast as the actual performance fee for the current and future financial years may differ. The Responsible Entity cannot guarantee that performance fees will remain at their previous level or that the performance of the Fund will outperform the benchmark.

It is not possible to estimate the actual performance fee payable in any given period, as we cannot forecast what the performance of the Fund will be, but it will be reflected in the management costs for the Fund for the relevant year. Information on current performance fees will be updated from time to time and available at www.eqt.com.au/insto.

Performance fee example

Assume the following;

- The Fund's performance for the performance fee period is 5% after management costs have been deducted (assuming management costs of 1.50%)
- The Fund benchmark performance is 1.50%
- The high water mark is set at zero
- The Fund's NAV is \$3,000,000

The Fund's return above the Fund benchmark is 3.5% (5%-1.50%) for the period. The performance fee is calculated as 20.5% (including GST and net of RITC) x 3.5% x \$3,000,000 = \$21,525 for that performance fee period.

If the Fund's performance is lower than the Fund benchmark, a performance fee is not charged but a negative performance fee is recorded. Any negative performance fee recorded during a performance fee period must be recouped before the Investment Manager becomes entitled to a performance fee.

Please note that the example is used for illustrative purposes only and does not forecast future performance.

Transaction and other costs

In managing the assets of the Fund, the Fund may incur transaction costs such as brokerage, settlement costs, clearing costs and applicable stamp duty when assets are bought and sold. This generally happens when the assets of a fund are changed in connection with day-to-day trading or when there are applications or withdrawals which cause net cash flows into or out of a fund.

The Buy/Sell Spread reflects the estimated transaction costs incurred in buying or selling assets of the Fund when investors invest in or withdraw from the Fund. The Buy/Sell Spread is an additional cost to the investor but is incorporated into the unit price and incurred when an investor invests in or withdraws from the Fund and is not separately charged to the investor. The Buy/Sell Spread is paid into the Fund and not paid to Equity Trustees or the Investment Manager. The estimated Buy/Sell Spread is 0.30% upon entry and 0.30% upon exit. The dollar value of these costs based on an application or a withdrawal of \$50,000 is \$150 for each individual transaction. The Buy/Sell

Example of annual fees and costs for the Fund

This table gives an example of how the fees and costs for this managed investment product can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

Example – Watermark Absolute Return Fund		
BALANCE OF \$50,000 WITH A CONTRIBUTION OF A \$5,000 DURING THE YEAR		
Contribution Fees	Nil	For every \$5,000 you put in, you will be charged \$0.
Plus Management Costs comprising:	2.77% p.a.	And, for every \$50,000 you have in the Fund you will be charged \$1,385 each year comprising:

Spread can be altered by the Responsible Entity at any time. The Responsible Entity may also waive the Buy/Sell Spread in part or in full at its discretion.

Transactional costs which are incurred other than in connection with applications and redemptions arise through the day-to-day trading of the Fund's assets and are reflected in the Fund's unit price. As these costs are factored into the Fund's NAV and reflected in the unit price, they are an additional implicit cost to the investor and are not a fee paid to the Responsible Entity. These costs can arise as a result of bid-offer spreads (the difference between an asset's bid/buy price and offer/ask price) being applied to securities traded by the Fund. Liquid securities generally have a lower bid-offer spread while less liquid assets have a higher bid-offer spread.

We estimate that the total transaction costs for the Fund over the first full financial year will be 1.00% of the Fund's NAV, of which 12.83% of these transaction costs is reasonably estimated to be recouped via the Buy/Sell Spread when applications or redemptions take place, resulting in a net transaction cost to the Fund of 0.87% p.a.

However, actual transactional and operational costs for future years may differ.

Differential Fees

The Responsible Entity or Investment Manager may from time to time negotiate a different fee arrangement (by way of a rebate or waiver of fees) with certain investors who are Australian Wholesale Clients.

Payments to IDPS Operators

Subject to the law, annual payments may be paid to some IDPS Operators because they offer the Fund on their investment menus. Product access is paid by the Investment Manager out of its management fees and is not an additional cost to the investor. If the payment of annual fees to IDPS Operators is limited or prohibited by law, Equity Trustees will ensure the payment of such fees is reduced or ceased.

Can the fees change?

Yes, all fees can change without investor consent, subject to the maximum fee amounts specified in the Constitution. Equity Trustees has the right to recover all proper and reasonable expenses incurred in managing the Fund and as such these expenses may increase or decrease accordingly. We will generally provide investors with at least 30 days' notice of any proposed change to the management costs. In most circumstances, the Constitution defines the maximum fees that can be charged for fees described in this PDS. Expense recoveries may change without notice, for example, when it is necessary to protect the interests of existing members and if permitted by law.

GST

All fees and other costs quoted include GST net of RITC.

Example – Watermark Absolute Return Fund

Management fees:	1.00% p.a.	\$500
Estimated expense recovery fee:	0.30*% p.a.	\$150
Performance fee:	1.47% p.a.	\$735
Equals Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 at the end of the year, then you would be charged fees of: \$1,385** What it costs you will depend on the fees you negotiate.

* Under the Investment Management Agreement the Manager and the Responsible Entity have agreed that the Manager will reimburse the Fund to the extent that the expense recovery exceeds 0.30%. This means that the management fees (which are fixed at 1.00%) and expense recovery are capped at 1.30% with respect to the Fund as a result of this arrangement.

** Additional fees may apply. Please note that this example does not capture all the fees and costs that may apply to you such as the Buy/Sell Spread.

This example assumes the \$5,000 contribution occurs at the end of the first year, therefore management costs are calculated using the \$5,000,000 balance only. All fees quoted above are inclusive of GST and net of any RITC.

Warning: If you have consulted a financial adviser, you may pay additional fees. You should refer to the Statement of Advice or Financial Services Guide provided by your financial adviser in which details of the fees are set out.

ASIC provides a fee calculator on www.moneysmart.gov.au, which you may use to calculate the effects of fees and costs on your investment in the Fund.

The performance fees stated in this table shows the estimated performance fees for the financial year ended 30 June 2019 as a percentage of the Fund's average NAV. The performance of the Fund, and the performance fees, may be higher or lower or not payable in the future. As a result, the management costs may differ from the figure shown in the table. It is not a forecast of the performance of the Fund or the amount of the performance fees in the future. See also above (next to the heading "Performance fees") our estimated typical ongoing performance fee payable per annum. The actual performance fees for the current financial year and for future financial years may differ. For more information on the performance history of the Fund, visit Equity Trustees' website at www.eqt.com.au/insto. Past performance is not a reliable indicator of future performance.

10. Taxation

The following information summarises some of the Australian taxation issues you may wish to consider before making an investment in the Fund and assumes that you hold your investment in the Fund on capital account and are not considered to be carrying on a business of investing, trading in investments, or investing for the purpose of profit making by sale. The information should be used as a guide only and does not constitute professional tax advice as individual circumstances may differ.

This summary is based on the taxation laws as at the date of this PDS. Investing in a registered managed investment scheme is likely to have tax consequences. However, it is noted that taxation laws can change at any time, which may have adverse taxation consequences for investors concerned. It is recommended that investors seek their own professional advice, specific to their own circumstances, of the taxation implications of investing in the Fund.

Australian Taxation Treatment of the Fund

General

The income tax treatment of the Fund and its investors will depend on whether the Equity Trustees is eligible, and elects, to apply the Attribution Managed Investment Trust ("AMIT") provisions. The AMIT provisions are an elective income tax regime for qualifying managed investment trusts ("MIT") that provide for flow-through taxation to investors. Where the Fund qualifies as a MIT for income tax purposes, the Equity Trustees will seek to make an election to treat the disposal of covered assets (such as shares and units) on capital account. Where the AMIT provisions do not apply, the ordinary trust taxation provisions will apply to the Fund. While the AMIT provisions are not expected to materially change the way in which investors would be taxed (as compared to the ordinary trust taxation provisions), the AMIT provisions are intended to provide more certainty on the application of the income tax provisions to the Fund and its investors.

Attribution Managed Investment Trusts

In May 2016, the Australian Federal Government enacted legislation establishing a new tax system for AMITs. Trusts that meet the eligibility criteria to be an AMIT may elect into the AMIT rules. Equity Trustees is intending that an irrevocable election into AMIT be made once the Fund is eligible and thereafter the following will apply:

Fair and reasonable attribution: Each year, the Fund's determined trust components of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) will be allocated to investors on a "fair and reasonable" attribution basis, rather than being allocated proportionally based on each investor's present entitlement to the income of the Fund.

Unders or overs adjustments: Where the Fund's determined trust components for a year are revised in a subsequent year (e.g. due to actual amounts differing to the estimates of income, gains / losses or expenses), then unders and overs may arise. Unders and overs will generally be carried forward and adjusted in the year of discovery.

Cost base adjustments: Where the Distribution made is less than (or more than) certain components attributed to investors, then the cost base of an investor's units may be increased (or decreased). Details of cost base adjustment will be included on an investor's annual tax statement, referred to as an AMIT Member Annual Statement.

Large redemptions: In certain circumstances, gains may be attributed to a specific investor, for example, gains on disposal of assets to fund a large redemption being attributed to the redeeming investor.

Multi-class AMITs: A choice is available to elect to treat separate classes of units as separate AMITs. Equity Trustees may make the AMIT multi-class election if appropriate depending on the specific circumstances involved.

Penalties: In certain circumstances (e.g. failure to comply with certain AMIT rules), specific penalties may be imposed.

The new rules are intended to reduce complexity, increase certainty and reduce compliance costs for managed investment trusts and their investors.

Non-AMIT Provisions

On the basis that investors are presently entitled to all of the Fund's distributable income (which is the Responsible Entity's intention) and the Fund is not a public trading trust, the Fund should be treated as a flow-through trust for income tax purposes. This means that investors should be taxed on their share of the Fund's net taxable income, and the Fund should not be subject to Australian income tax.

Multi-class non-AMITs

In the absence of an AMIT multi-class election being made, the Fund is treated as a single taxpayer. As the classes are not treated as separate taxpayers, it is possible under the current non-AMIT trust taxation regime that the tax character of Distributions made to a particular class may be impacted by transactions associated with another class.

Taxation of Financial Arrangements ("TOFA")

The TOFA rules may apply to financial arrangements held by the Fund when calculating its assessable income. Broadly, the TOFA rules may impact the timing of the recognition of gains and losses in the Fund for tax purposes and will also treat relevant gains and losses as being on revenue account

Public trading trust rules

The Fund does not intend to derive income other than from an "eligible investment business". Accordingly, it should not be subject to tax as a public trading trust. Further, the Equity Trustees will seek to ensure it does not control entities that carry on trading activities.

Losses

In the case where the Fund makes a revenue tax loss or a net capital loss for Australian income tax purposes, the Fund cannot distribute these tax losses to investors. However, the revenue tax losses may be carried forward by the Fund for offset against taxable income of the Fund in subsequent years, subject to the operation of the trust loss rules.

Australian Taxation of Australian Resident investors

Distributions – AMIT

The AMIT provisions require the taxable income of the Fund to be attributed to investors on a fair and reasonable basis, having regard to their income and capital entitlements in accordance with the constituent documents. The Responsible Entity will seek to allocate taxable income having regard to the units held by investors, entitlements to income and capital, as well as cash Distributions made to such investors during the relevant period. Under the AMIT provisions, an investor may be taxable on their share of the Fund's taxable income prior to receiving Distributions from the Fund.

Distributions – Non-AMIT

Provided that the Fund is treated as a flow-through vehicle, investors will be assessed on the taxable income derived by the Fund, based on their proportionate share of the annual income of the Fund that is distributed to them in that income year. The Fund's investors will be required to include their share of taxable income in their tax return.

Franking Credits and Franked Dividends

Income Distributions from the Fund may include an entitlement to franked dividends. Generally, investors should include the franked dividends and the franking credits (imputation credits) they receive in their assessable income.

Certain additional requirements, including the 45 day holding period rule, may need to be satisfied in order to obtain franking credits in relation to dividends. The investor's particular circumstances (and that of the Fund) will be relevant to determine whether the investor is entitled to any franking credits in respect of the investor's share of the franked dividends. Any excess franking credits may be refundable to some investors, such as individuals and complying superannuation funds.

Foreign Income

The Fund may derive foreign sourced income that might be subject to foreign tax. Australian resident investors should include their share of both the foreign income and the amount of any foreign tax withheld in their assessable income. In such circumstances, investors may be entitled to a Foreign Income Tax Offset ("FITO") for the foreign tax paid, against the Australian tax payable on the foreign sourced income. FITO's that are not utilised cannot be carried forward to a future income year.

Capital Gains

If an investor's share of the taxable income of the Fund includes an amount that consists of discount capital gains derived by the Fund, the investor needs to first 'gross up' the discount capital gain (by multiplying it by 2). However, (after grossing up any discount capital gains) investors may be able to reduce the capital gains distributed by the Fund by any capital losses which are available to them. Furthermore, after applying any loss, individual, trust, and complying superannuation fund investors may then be entitled to discount that capital gain by 50% for individuals and trusts and 33.3% for complying superannuation funds in determining the net capital gain that is to be included in their assessable income.

Non-assessable Distribution payments - AMIT

Under the AMIT provisions, an investor's cost base in their units held is increased where taxable income is allocated to them (inclusive of any tax free component of a discount capital gain). The cost base is decreased where cash Distribution entitlements are made to the unitholder in respect of their units, irrespective of whether the amounts distributed are classified as income or capital. Additional reductions are made for certain tax offsets (such as the franking credit tax offset and foreign income tax offset).

The net annual tax cost base adjustment amount will be detailed in an AMMA tax statement, which will be sent annually to investors after year-end.

Non-assessable Distribution payments – Non-AMIT

Tax-deferred Distributions may occur where the Fund distributes an amount of cash that exceeds the taxable income allocated to an investor. Certain tax-deferred Distributions that are not assessable to an investor result in a reduction in the cost base of the units held by the investor. A capital gain will arise where those tax-deferred Distributions exceed the cost base of the units.

Disposal of units by Australian Resident investors

If an Australian resident investor transfers or redeems their units in the Fund, this will constitute a disposal for tax purposes.

Where an investor holds their units in the Fund on capital account, a capital gain or loss on the disposal may arise and each investor should calculate their capital gain or loss according to their own particular facts and circumstances. As noted above, proceeds on disposal may include a component of distributable income. In calculating the taxable amount of a capital gain, a discount of 50% for individuals and trusts or 33 1/3% for complying Australian superannuation funds may be allowed where the units in the Fund have been held for 12 months or more. No CGT discount is available to corporate investors.

Any capital losses arising from the disposal of the investment may be used to offset other capital gains the investor may have derived. Net capital losses may be carried forward for offset against capital gains of subsequent years but may not be offset against ordinary income.

GST

The Fund will be registered for GST. The acquisition and disposal of units in the Fund by investors should not be subject to GST. Similarly, the Distributions paid by the Fund should not be subject to GST. GST is payable on some ongoing expenses, however the Fund may be able to claim a full input tax credit or RITC of at least 55% of the GST paid depending on the precise nature of the expenses incurred and the nexus with domestic or international equities. All fees and expenses are quoted inclusive of GST.

Duty

The issue or redemption of units should not attract any duty. Duty may be payable on the transfer of units. Investors should confirm the duty consequences of transferring units with their taxation adviser.

Tax File Number ("TFN") and Australian Business Number ("ABN")

It is not compulsory for an investor to quote their TFN or ABN. If an investor is making this investment in the course of a business or enterprise, the investor may quote an ABN instead of a TFN. Failure by an investor to quote an ABN or TFN or claim an exemption may cause the Responsible Entity to withhold tax at the top marginal rate, plus levies, on gross payments including Distributions of income to the investor. The investor may be able to claim a credit in their tax return for any TFN or ABN tax withheld. Collection of TFNs is permitted under taxation and privacy legislation.

By quoting their TFN or ABN, the investor authorises the Responsible Entity to apply it in respect of all the investor's investments with Equity Trustees. If the investor does not want to quote their TFN or ABN for some investments, Equity Trustees should be advised.

New Zealand investors

If you are a New Zealand resident wishing to invest in Australia, we recommend that you seek independent professional tax advice. New Zealand resident investors will be taxed on their units under the foreign investment fund rules or ordinary tax rules, depending on their circumstances. Australian tax at the prescribed rates will be withheld from Distributions to non-residents to the extent that the Distributions comprise of relevant Australian sourced income or gains.

11. Other Important Information

Consents

Watermark Funds Management Pty Ltd has given and, at the date of this PDS, has not withdrawn, its written consent:

- to be named in this PDS as the Investment Manager of the Fund; and
- to the inclusion of the statements made about it and the Fund, in the form and context in which they appear.

Watermark Funds Management Pty Ltd has not otherwise been involved in the preparation of this PDS and has not caused or otherwise authorised the issue of this PDS. Watermark Funds Management Pty Ltd and its employees and officers do not accept any responsibility arising in any way for errors or omissions from this PDS, other than in relation to the statements for which it has provided its consent.

Constitution of the Fund

You will be issued units in the Fund when you invest. Subject to the rights, obligations and restrictions of a class, each unit represents an equal undivided fractional beneficial interest in the assets of the Fund as a whole subject to liabilities, but does not give you an interest in any particular property of the Fund.

Equity Trustees' responsibilities and obligations, as the Responsible Entity of the Fund, are governed by the Constitution as well as the Corporations Act and general trust law. The Constitution contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both Equity Trustees, as the Responsible Entity of the Fund, and investors.

Other provisions relate to your rights under the Constitution, and include:

- your right to share in any Fund income, and how we calculate it;
- what you are entitled to receive when you withdraw or if the Fund is wound up;
- your right to withdraw from the Fund - subject to the times when we can cease processing withdrawals, such as if the Fund becomes 'illiquid';
- the nature of the units - identical rights attach to all units within a class; and
- your rights to attend and vote at meetings – however these rights are mainly contained in the Corporations Act.

There are also provisions governing our powers and duties, including:

- how we calculate unit prices, the maximum amount of fees we can charge and expenses we can recover;
- when we can amend the Constitution - generally we can only amend the Constitution where we reasonably believe that the changes will not adversely affect investors' rights. Otherwise the Constitution can only be amended if approved at a meeting of investors;
- when we can retire as the Responsible Entity of the Fund - which is as permitted by law;
- when we can be removed as the Responsible Entity of the Fund - which is when required by law; and
- our broad powers to invest, borrow and generally manage the Fund.

The Constitution also deals with our liabilities in relation to the Fund and when we can be reimbursed out of the Fund's assets. For example:

- subject to the Corporations Act we are not liable for acting in reliance and good faith on professional advice;

- subject to the Corporations Act we are not liable for any loss unless we fail to act in good faith or we act negligently; and
- we can be reimbursed for any liabilities we incur in connection with the proper performance of our powers and duties in respect of the Fund.

As mentioned above, Equity Trustees' responsibilities and obligations as the Responsible Entity of the Fund are governed by the Constitution of the Fund, the Corporations Act and general trust law, which require that we:

- act in the best interests of investors and, if there is a conflict between investors' interests and our own, give priority to investors;
- ensure the property of the Fund is clearly identified, held separately from other funds and our assets, and is valued regularly;
- ensure payments from the Fund's property are made in accordance with the Constitution and the Corporations Act; and
- report to ASIC any breach of the Corporations Act in relation to the Fund which has had, or is likely to have, a materially adverse effect on investors' interests.

Non-listing of units

Units in the Fund are not listed on any stock exchange and no application will be made to list the units of the Fund on any stock exchange.

Termination of the Fund

The Responsible Entity may resolve at any time to terminate and liquidate the Fund (if it provides investors with notice) in accordance with the Constitution and the Corporations Act. Upon termination and after conversion of the assets of the Fund into cash and payment of, or provision for, all costs, expenses and liabilities (actual and anticipated), the net proceeds will be distributed pro-rata among all investors according to the aggregate of the withdrawal price for each of the units they hold in the Fund.

Our legal relationship with you

Equity Trustees' responsibilities and obligations, as the Responsible Entity of the Fund, are governed by the Constitution of the Fund, as well as the Corporations Act and general trust law. The Constitution of the Fund contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both Equity Trustees, as the Responsible Entity of the Fund, and investors. Equity Trustees may amend the Constitution if it considers that the amendment will not adversely affect an investor's rights. Otherwise the Constitution may be amended by way of a special resolution of investors.

A copy of the Constitution of the Fund is available, free of charge, on request from Equity Trustees.

Compliance Plan

Equity Trustees has prepared and lodged a compliance plan for the Fund with ASIC. The compliance plan describes the procedures used by Equity Trustees to comply with the Corporations Act and the Constitution of the Fund. Each year the compliance plan for the Fund is audited and the audit report is lodged with ASIC.

Unit pricing discretions policy

Equity Trustees has developed a formal written policy in relation to the guidelines and relevant factors taken into account when exercising any discretion in calculating unit prices (including determining the value of assets and liabilities). A copy of the policy and, where applicable and to the extent required, any other relevant documents in relation to the policy (such as records of any discretions which are outside the scope of, or inconsistent with, the unit pricing policy) will be made available to you free of charge on request.

Indemnity

Equity Trustees, as the Responsible Entity of the Fund, is indemnified out of the Fund against all liabilities incurred by it in performing or exercising any of its powers or duties in relation to the Fund. To the extent permitted by the Corporations Act, this indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity. Equity Trustees may retain and pay out any monies in its hands all sums necessary to affect such an indemnity.

Your privacy

The Australian Privacy Principles contained in the Privacy Act 1988 (Cth) ("Privacy Act") regulate the way in which we collect, use, disclose, and otherwise handle your personal information. Equity Trustees is committed to respecting and protecting the privacy of your personal information, and our Privacy Policy details how we do this.

It is important to be aware that, in order to provide our products and services to you, Equity Trustees may need to collect personal information about you and any other individuals associated with the product or service offering. In addition to practical reasons, this is necessary to ensure compliance with our legal and regulatory obligations (including under the Corporations Act, the AML/CTF Act and taxation legislation). If you do not provide the information requested, we may not be able to process your application, administer, manage, invest, pay or transfer your investment(s).

You must therefore ensure that any personal information you provide to Equity Trustees is true and correct in every detail. If any of this personal information (including your contact details) changes, you must promptly advise us of the changes in writing. While we will generally collect your personal information from you, your broker or adviser or the Investment Manager and Administrator directly, we may also obtain or confirm information about you from publicly available sources in order to meet regulatory obligations.

In terms of how we deal with your personal information, Equity Trustees will use it for the purpose of providing you with our products and services and complying with our regulatory obligations. Equity Trustees may also disclose it to other members of our corporate group, or to third parties who we work with or engage for these same purposes. Such third parties may be situated in Australia or offshore, however we take reasonable steps to ensure that they will comply with the Privacy Act when collecting, using or handling your personal information.

The types of third parties that we may disclose your information to include, but are not limited to:

- stockbrokers, financial advisers or adviser dealer groups, their service providers and/or any joint holder of an investment;
- those providing services for administering or managing the Fund, including the Investment Manager, Custodian and Administrator, auditors, or those that provide mailing or printing services;

- our other service providers;
- regulatory bodies such as ASIC, ATO, APRA and AUSTRAC; and
- other third parties who you have consented to us disclosing your information to, or to whom we are required or permitted by law to disclose information to.

Equity Trustees or the Investment Manager may from time to time provide you with direct marketing and/or educational material about products and services they believe may be of interest to you. You have the right to "opt out" of such communications by contacting us using the contact details below.

In addition to the above information, Equity Trustees' Privacy Policy contains further information about how we handle your personal information, and how you can access information held about you, seek a correction to that information, or make a privacy-related complaint.

Full details of Equity Trustees' Privacy Policy are available at www.eqt.com.au. You can also request a copy by contacting Equity Trustees' Privacy Officer on +61 3 8623 5000 or by email to privacy@eqt.com.au.

Anti-Money Laundering and Counter Terrorism Financing ("AML/CTF")

Australia's AML/CTF laws require Equity Trustees to adopt and maintain a written AML/CTF Program. A fundamental part of the AML/CTF Program is that Equity Trustees must hold up-to-date information about investors (including beneficial owner information) in the Fund.

To meet this legal requirement, we need to collect certain identification information (including beneficial owner information) and documentation ("KYC Documents") from new investors. Existing investors may also be asked to provide KYC Documents as part of an ongoing customer due diligence/verification process to comply with AML/CTF laws. If applicants or investors do not provide the applicable KYC Documents when requested, Equity Trustees may be unable to process an application, or may be unable to provide products or services to existing investors until such time as the information is provided.

In order to comply with AML/CTF Laws, Equity Trustees may also disclose information including your personal information that it holds about the applicant, an investor, or any beneficial owner, to its related bodies corporate or service providers, or relevant regulators of AML/CTF Laws (whether inside or outside Australia). Equity Trustees may be prohibited by law from informing applicants or Investors that such reporting has occurred.

Equity Trustees shall not be liable to applicants or investors for any loss you may suffer because of compliance with the AML/CTF laws.

Indirect investors

You may be able to invest indirectly in the Fund via an IDPS by directing the IDPS Operator to acquire units on your behalf. If you do so, you will need to complete the relevant forms provided by the IDPS Operator and not the Application Form accompanying the PDS. This will mean that you are an indirect investor in the Fund and not an investor or member of the Fund. Indirect investors do not acquire the rights of an investor as such rights are acquired by the IDPS Operator who may exercise, or decline to exercise, these rights on your behalf.

Indirect investors do not receive reports or statements from us and the IDPS Operator's application and withdrawal conditions determine when you can direct the IDPS Operator to apply or redeem. Your rights as an indirect investor should be set out in the IDPS Guide or other disclosure document issued by the IDPS Operator.

Information on underlying investments

Information regarding the underlying investments of the Fund will be provided to an investor of the Fund on request, to the extent Equity Trustees is satisfied that such information is required to enable the investor to comply with its statutory reporting obligations. This information will be supplied within a reasonable timeframe having regard to these obligations.

Foreign Account Tax Compliance Act ("FATCA")

In April 2014, the Australian Government signed an intergovernmental agreement ("IGA") with the United States of America ("U.S."), which requires all Australian financial institutions to comply with the FATCA Act enacted by the U.S. in 2010.

Under FATCA, Australian financial institutions are required to collect and review their information to identify U.S. residents and U.S. controlling persons that invest in assets through non-U.S. entities. This information is reported to the Australian Taxation Office ("ATO"). The ATO may then pass that information onto the U.S. Internal Revenue Service.

In order to comply with the FATCA obligations, we may request certain information from you. Failure to comply with FATCA

obligations may result in the Fund, to the extent relevant, being subject to a 30% withholding tax on payment of U.S. income or gross proceeds from the sale of certain U.S. investments. If the Fund suffers any amount of FATCA withholding and is unable to obtain a refund for the amounts withheld, we will not be required to compensate investors for any such withholding and the effect of the amounts withheld will be reflected in the returns of the Fund.

Common Reporting Standard ("CRS")

The CRS is developed by the Organisation of Economic Co-operation and Development and requires certain financial institutions resident in a participating jurisdiction to document and identify reportable accounts and implement due diligence procedures. These financial institutions will also be required to report certain information on reportable accounts to their relevant local tax authorities.

Australia signed the CRS Multilateral Competent Authority Agreement and has enacted provisions within the domestic tax legislation to implement CRS in Australia. Australian financial institutions need to document and identify reportable accounts, implement due diligence procedures and report certain information with respect to reportable accounts to the ATO. The ATO may then exchange this information with foreign tax authorities in the relevant signatory countries.

In order to comply with the CRS obligations, we may request certain information from you. Unlike FATCA, there is no withholding tax that is applicable under CRS.

12. Glossary of Important Terms

AFSL Licence

Australian financial services licence issued by ASIC under section 913B of the Corporations Act.

Application Form

The Application Form used by investors who wish to subscribe for units directly in the Fund and accompanying this PDS.

ASIC

The Australian Securities and Investments Commission.

Asset allocation

The weighting of assets in an investment portfolio among different asset classes (such as shares, bonds, property and cash).

Business Day

Any day (except any weekend or public holiday) on which trading banks are open for usual business in Sydney, Australia.

Buy/Sell Spread

The difference between the Application Price and Withdrawal Price of units in the Fund, which reflects the estimated transactions costs associated with buying and selling the assets of the Fund, when investors invest in or withdraw from the Fund.

Constitution

The Constitution of the Fund which describes the rights, responsibilities and beneficial interest of both investors and the Responsible Entity in relation to the Fund.

Corporations Act

The Corporations Act 2001 (Cth) and Corporations Regulations 2001 (Cth), as amended from time to time.

Derivatives

Generally, a derivative is a financial contract whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index. Derivatives may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indexes. Examples include options contracts, futures contracts, options on futures contracts, swap agreements (including, but not limited to, long and short credit default swaps and forward swap spread locks) and options on swap agreements.

Distribution

The amount that is paid to investors after the end of a distribution period. This generally includes any income and realised capital gains.

Hedge

The practice of undertaking one investment activity in order to protect against loss in another. While hedges can reduce potential losses, they can also reduce potential profits.

IDPS

Investor-Directed Portfolio Service or investor-directed portfolio-like managed investment scheme. An IDPS is generally the vehicle through which an investor purchases a range of underlying investment options from numerous investment managers. In New Zealand, the IDPS needs to be licensed as a Discretionary Investment Management Service provider.

Liquidity

The ability of an investment to be easily and quickly converted into cash with little loss of capital.

Long Portfolio

A portfolio of shares which the investor owns.

Long positions

A long position is one in which the investor owns shares in a company. The investor will seek to profit as the price of the shares appreciates.

Net Asset Value (NAV)

The value of assets of the Fund less the value of the liabilities of the Fund (excluding net assets attributable to investors).

Retail Client

Persons or entity which is a retail client as defined under section 761G of the Corporations Act.

RITC

Reduced Input Tax Credit. Equity Trustees will apply for reduced input tax credits on behalf of the Fund, where applicable, to reduce the GST cost to the Fund.

Short Portfolio

A portfolio of shares that the investor has borrowed and short sold

Short positions

A short position is one in which the investor has sold shares that the investor doesn't own. The investor seeks to profit as the value of the shares falls, thereby reducing the size of the liability to re-purchase the shares. Short sales are generally covered, that is, the seller will "borrow" the investment to settle the sale and then will buy the same investment in the open market to return the borrowed investment. The difference between the sale price and the purchase price of the investment in the open market is the profit or loss earned by the investor.

US person

A person so classified under securities or tax law in the United States of America ("US") including, in broad terms, the following persons:

- (a) any citizen of, or natural person resident in, the US, its territories or possessions; or
- (b) any corporation or partnership organised or incorporated under any laws of or in the US or of any other jurisdiction if formed by a US Person (other than by accredited investors who are not natural persons, estates or trusts) principally for the purpose of investing in securities not registered under the US Securities Act of 1933; or
- (c) any agency or branch of a foreign entity located in the US; or
- (d) a pension plan primarily for US employees of a US Person; or
- (e) a US collective investment vehicle unless not offered to US Persons; or
- (f) any estate of which an executor or administrator is a US Person (unless an executor or administrator of the estate who is not a US Person has sole or substantial investment discretion over the assets of the estate and such estate is governed by non-US law) and all the estate income is non-US income not liable to US income tax; or
- (g) any trust of which any trustee is a US Person (unless a trustee who is a professional fiduciary is a US Person and a trustee who is not a US Person has sole or substantial investment discretion over the assets of the trust and no beneficiary (or settlor, if the trust is revocable) of the trust is a US Person); or
- (h) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US Person; or

(i) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the US for the benefit or account of a US Person.

Wholesale Client

Person or entity which is a wholesale client as defined under the Corporations Act.

Wholesale Investor

In the case of a New Zealand investor, means a Wholesale Client who also meets the definition of wholesale investor under clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand).

Withdrawal Form

The Withdrawal Form used by investors who wish to withdraw units directly from the Fund and accompanying this PDS.

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Watermark Absolute Return Fund

Withdrawal Form

Investor details

Investment held in the name of

Investor number (HIN/SRN)

Contact name

Phone number

Address

Withdrawal details

Fund name

Amount (shares)

Bank account details

Only Australian financial institution account details will be accepted and no payments to third party bank accounts. Please check the bank details below match your bank details on the Boardroom Investor portal

Financial institution name and branch location*

BSB number*

Account number*

Account name

* This account must match the portal. In the event that your banking details have changed, you must update the portal with your new banking details.

Declaration and signatures

I/We hereby instruct a withdrawal from the Watermark Absolute Return Fund in accordance with the instructions set above.

Investor 1

Name of individual /entity

Capacity (e.g. Director, Secretary, Authorised signatory)

Signature

Date

Investor 2

Name of individual/entity

Capacity (e.g. Director, Secretary, Authorised signatory)

Signature

Date

Joint investor must both sign. Company investors must be signed by two Directors, a Director and Secretary or the Sole Director of the company. If this Form is signed under a Power of Attorney it must be accompanied by a certified copy of the Power of Attorney.

ANNEXURE H – FUND CONSTITUTION

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Constitution of the Watermark Absolute Return Fund

Equity Trustees Limited (ACN 004 031 298)

King & Wood Mallesons

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Melbourne VIC 3000
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40127187_2

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Constitution of the Watermark Absolute Return Fund Details

Responsible Entity	Name	Equity Trustees Limited
	ACN	004 031 298
	Address	Level 1, 575 Bourke Street, Melbourne, Victoria 3000
	Telephone	(03) 8623 5000
	Fax	(03) 8623 5200
	Attention	Harvey Kalman
Governing law	Victoria	
Date of deed	See Signing page	

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Constitution of the Watermark Absolute Return Fund

This deed poll is declared by the Responsible Entity to be the constitution of the Watermark Absolute Return Fund.

1 Interpretation

1.1 Definitions

In this constitution these words and phrases have the following meaning unless the contrary intention appears:

Accept means:

- (a) in respect of an application for Units, the doing of any act by the Responsible Entity or its agent that constitutes an acceptance of the application or evidence that the application has been accepted, including recording a determination or notifying the applicant that the application is accepted or recording in the Register the issue of Units in response to the application;
- (b) in respect of a request for redemption of Units by a Member, the doing of any act by the Responsible Entity or its agent that constitutes an acceptance of the request or evidence that the request has been accepted, including notifying the Member or recording a determination that the request will be met in whole or in part, recording the redemption of Units in the Register or paying the redemption proceeds to or at the direction of the Member or former Member;

and **Acceptance** and **Accepted** have corresponding meanings.

AMIT has the meaning given to that word in the Tax Act.

AMIT Class Election means an election made by the Responsible Entity under section 276-20 of the Tax Act.

AMIT Income Year means a year of income for the purposes of the Tax Act that the Trust is an AMIT.

AMIT Regime means the regime for the taxation of AMITs, as set out in the following legislation:

- (a) Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016 (Cth);
- (b) Income Tax Rates Amendment (Managed Investment Trusts) Act 2016 (Cth);
- (c) Medicare Levy Amendment (Attribution Managed Investment Trusts) Act 2016 (Cth); and
- (d) Income Tax (Attribution Managed Investment Trusts – Offsets) Act 2016 (Cth).

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AMMA Statement has the meaning given to that phrase in section 276-460 of the Tax Act.

Application Price means the Unit price calculated in accordance with clause 6.

Applications Account means an account in which the Responsible Entity or, if permitted, its agent holds money on trust for applicants for Units in accordance with section 1017E of the Corporations Act or otherwise.

Apportionment Factor means, for a Class at a Valuation Time, the Apportionment Value for the Class at the Valuation Time divided by the aggregate of the Apportionment Values for all Classes at the Valuation Time.

Apportionment Value means, for a Class at a Valuation Time, the Class Net Asset Value for the Class at the immediately preceding Valuation Time adjusted for the Class Inflows and Outflows that have arisen for the Class since the previous Valuation Time.

ASIC means the Australian Securities and Investments Commission or any regulatory body which replaces it or performs its functions.

ASIC Relief means an exemption or declaration granted by ASIC which gives relief from certain requirements of the Corporations Act.

Assets means all the property, rights and Income of the Trust, but not application money or property in respect of which Units have not yet been issued.¹

Bonus Unit means a Unit in respect of the Trust described in clause 4.10(a).

Bonus Unit Issue Day means the day determined by the Responsible Entity for the purposes of clause 4.9(b).

Business Day means a day other than a Saturday or a Sunday on which banks are open for general banking business in Sydney or if the administrator of the Trust primarily performs its administrative functions in respect of the Trust in a city other than Sydney, the city in which the administrator performs such functions.

Class means a class of Units.

Class Asset means an Asset which is the subject of a determination by the Responsible Entity in respect of a Class pursuant to clause 10.3(b).

Class Expenses means, for a Class, any fees, expenses or other reductions to the Income of the Trust for the period which the Responsible Entity regards as being attributable to the Class Assets or Class Liabilities for the relevant Class.

Class Income means, for a Class and a period, any Income (positive) or reductions to Income (negative) of the Trust for the period which the Responsible Entity regards as being attributable to holding or disposing of Class Assets or Class Liabilities for the Class, reduced by any Class Expenses.

Class Inflows and Outflows means, for a Class at a Valuation Time, any aggregate net increase or decrease in the Net Asset Value of the Trust that has arisen since the last Valuation Time that the Responsible Entity determines has arisen as a result of:

¹ See Clause 7.7 for the time at which Units are issued, and clause 9.12 for the times when Units are redeemed.

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- (a) the issue of Units of the Class since the last Valuation Time;
- (b) the redemption of Units of the Class since the last Valuation Time;
- (c) any distributions made by the Trust in respect of Units of the Class since the last Valuation Time;
- (d) any change in the value of a Class Asset of the Class where the Class Asset was a Class Asset of the Class at the immediately preceding Valuation Time;
- (e) any Class Assets of the Class that have arisen for the Class since the immediately preceding Valuation Time, where the Class Asset arose from the Trust holding an Asset that was a Class Asset of the Class; and
- (f) the accrual or payment of any fees, expenses or other amounts which the Responsible Entity regards as being reasonably attributable to the Class, including Class Liabilities.

Class Liability means a Liability which is the subject of a determination by the Responsible Entity in respect of a Class pursuant to clause 10.3(a).

Clearly Defined Rights means where the rights to income and capital arising from each of the Units in the Trust are “clearly defined” at all times during the relevant Financial Year, for the purposes of section 276-10(1)(b) of the Tax Act.

Complaint² means an expression of dissatisfaction made to the Responsible Entity, related to its products or services or to the complaints handling process itself, where a response or resolution is explicitly or implicitly expected.

Compliance Committee Member means a member of a compliance committee established by the Responsible Entity in connection with the Trust.

Constituent Documents has the same meaning as the phrase “constituent documents” in section 276-210(3) of the Tax Act.

Corporations Act means the Corporations Act 2001 (Cwlth) and a reference to the Corporations Act or a provision of it includes a reference to the Corporations Act or that provision as modified by any applicable ASIC Relief.

Custodian means a person holding or appointed to hold Assets as custodian for the Responsible Entity.

Cut-off Time means 2:00 pm on each Business Day or such other time as determined by the Responsible Entity from time to time for the purposes of processing applications and redemption requests.

Deferred Distribution Amount means, in respect of an Interim Distribution Period, any Income of the Trust for the Distribution Period which the Responsible Entity determines to defer the distribution of, pursuant to clause 11.2.

Determined Member Component has the meaning given to that phrase in section 276-205 of the Tax Act.

Determined Trust Component has the meaning given to that phrase in section 276-255 of the Tax Act.

² This definition is sourced from ASIC Regulatory Guide 165 paragraph 79, and is based on Australian Standard AS ISO 10002 – 2006.

Distribution Calculation Date means:

- (a) the last day of each Financial Year; and
- (b) if there is only one Class on issue at the relevant time, such other days as the Responsible Entity designates from time to time with respect to the Trust; and
- (c) if there is more than one Class on issue at the relevant time, then for each Class, such other days as the Responsible Entity designates from time to time with respect to the Class.

Distribution Period means:

- (a) for the first distribution period, the period from the commencement of the Trust to the next Distribution Calculation Date;
- (b) for the last distribution period, the period from the day after the preceding Distribution Calculation Date to the date of distribution on winding up of the Trust; and
- (c) in all other circumstances, the period from the day after the preceding Distribution Calculation Date to the next occurring Distribution Calculation Date;

where any references to Distribution Calculation Date mean the Distribution Calculation Date for a Class where there is more than one Class on issue at the relevant time.

Eligible Person means any person:

- (a) other than a U.S. Person; or
- (b) other than a person that the Responsible Entity has determined is not eligible to hold Units from time to time.

Eligible Person Statement means a statement in writing, in the form determined by the Responsible Entity from time to time, in relation to whether a person is an Eligible Person.

Final Distribution Period means a Distribution Period that ends on a Financial Year Termination Date.

Financial Year means:

- (a) for the first financial year, the period from the date the Trust commences to the next Financial Year Termination Date;
- (b) for the last financial year, the period from the day after the preceding Financial Year Termination Date to the date of distribution on winding up of the Trust; and
- (c) in all other circumstances, the period from the day after the preceding Financial Year Termination Date to the next occurring Financial Year Termination Date.

Financial Year Termination Date means any of the following as the context requires:

- (a) 30 June; and

- (b) if applicable, the day on which the Trust becomes a “subsidiary member” of a “consolidated group” or “consolidatable group” (as defined in the Tax Act); and
- (c) the day on which the Trust ceases to be a “subsidiary member” of a “consolidated group” or “consolidatable group” (as defined in the Tax Act); and
- (d) for the purposes of determining Income Entitlements in respect of Units of a Class, where the Responsible Entity has made a determination to redeem all Units in that Class, the Distribution Calculation Date determined by the Responsible Entity in respect of those Units.

Fractional Unit means a Unit designated upon issue as a Fractional Unit.

Gross Asset Value means in relation to the Trust at a Valuation Time, the sum of the value of the Assets.

GST means a goods and services tax or similar tax imposed in Australia.

Income means an amount determined for a Distribution Period or a Financial Year in accordance with clause 11.1(b).

Income Component has the meaning given in clause 9.14(a).

Income Entitlement means, in respect of a Member or former Member and a Distribution Period, the amount calculated in respect of the Member or former Member in accordance with clause 11.5.

Interim Distribution Period means a Distribution Period that does not end on a Financial Year Termination Date.

Liabilities means all present liabilities of the Trust including:

- (a) any provision taken into account in determining the liabilities of the Trust;
- (b) any liability to any Member or former Member in respect of proceeds of redemption of Units which have not been paid; and
- (c) any liability to any Member or former Member in respect of distributions;

but not liabilities:

- (d) to applicants for Units in respect of application money or property in respect of which Units have not yet been issued;³ or
- (e) to Members, arising by virtue of the right of Members to request redemption of their Units (where the Units have not yet been redeemed) or to participate in the distribution of the Assets on winding up of the Trust.

Liquid has the same meaning as in the Corporations Act.⁴

Management Services Agreement means an agreement entered into between the Responsible Entity as responsible entity of the Trust and the Manager

³ See clause 7.7 for the time at which Units are issued.

⁴ Refer to the Corporations Act Part 5C.6. In this constitution, section references are to the Corporations Act unless otherwise specified.

relating to management services provided by the Manager for the benefit of the Trust.

Manager means Watermark Funds Management Pty Limited (ACN 106 302 505).

Market Value of an Asset means:

- (a) in the case of an Asset that is cash or a deposit with an Australian authorised deposit-taking institution, its face value plus any accrued interest;
- (b) in the case of an Asset that is a financial product traded on a financial market, the latest closing price on that market that is readily available to the Responsible Entity, unless:
 - (i) applicable accounting standards require the value to be a different amount (such as the bid price gross of transaction costs) in which case the value is that other amount; or
 - (ii) the Responsible Entity reasonably believes that the closing price or the value under applicable accounting standards does not represent the true value of the Asset, in which case the value will be as determined by a Valuer (which must be reasonably current and determined in accordance with ordinary commercial practice, have regard to the type of assets involved and prevailing market conditions) at the expense of the Trust;
- (c) in the case of an Asset that is an interest in a fund that is not listed or quoted for dealing on any financial market, the redemption price of the interest as last quoted by the manager, trustee or responsible entity of the fund plus any income entitlements accrued at that date as last advised by the manager, trustee or responsible entity;
- (d) in the case of any other Asset, the value of the Asset determined in accordance with relevant accounting standards or, if the Responsible Entity is of the opinion that such valuation does not truly reflect the value of the Asset, such value as last determined by a Valuer (which must be reasonably current and determined in accordance with ordinary commercial practice, have regard to the type of assets involved and prevailing market conditions) at the expense of the Trust.

Member means a person Registered as the holder of a Unit that has not been redeemed⁵ (including persons jointly Registered) or otherwise stated to be a Member in accordance with clause 7.7 or any other provision of this constitution.

Member Component has the meaning given to that phrase in section 276-210 of the Tax Act.

Member Objection Choice means a choice made by a Member under the AMIT Regime for the Member's Determined Member Component to be the Member's Member Component, including a choice made by a Member under section 276-205(5) of the Tax Act.

Net Asset Value means the value of the Assets calculated in accordance with clause 10 less the Liabilities.

Net Class Value means, for a Class at a Valuation Time, the aggregate of:

⁵ See clause 9.12 for the time at which Units are redeemed.

- (a) the Net Class Value for the Class at the last Valuation Time;
- (b) the Class Inflows and Outflows for the Class since the last Valuation Time; and
- (c) the product of the Portfolio Return for the Trust at the Valuation Time and the Apportionment Factor for the Valuation Time.

Non-AMIT Income Year means a Financial Year which is not an AMIT Income Year.

Non-Class Income means, for a period, the amount determined by the Responsible Entity as being the Income of the Trust for the period calculated without reference to any amounts that are used in the calculation of Class Income for any Class for the period.

Over has the meaning given to that phrase in section 276-345 of the Tax Act.

Portfolio Return means, at a Valuation Time, the net increase or decrease in the Net Asset Value of the Trust since the last Valuation Time that the Responsible Entity determines is not attributable to Class Inflows and Outflows.

Redemption Payment has the meaning given in clause 9.14(a).

Redemption Price means the redemption price of a Unit.

Relevant Class has the meaning, for the purposes of clause 11.5, given in clause 11.5.

Register means the register of Members kept by or on behalf of the Responsible Entity.

Registered means recorded in the Register and **Registration** has a corresponding meaning.

Resolution and required majority means:

- (a) a resolution passed at a meeting of Members (or at a meeting of Members holding Units of a Class) in the Trust:
 - (i) on a show of hands, by the required majority of Members (or the Class) present in person or by proxy and voting on the show of hands; or
 - (ii) on a poll, by the required majority of votes cast by Members (or the Class) present in person or by proxy and voting on the poll; or
- (b) unless the law requires otherwise, a resolution in writing signed by Members holding the required majority of the Units in the Trust (or in the Class).

Except where this constitution or any applicable law provides otherwise, the "required majority" is a simple majority of votes validly cast.⁶

⁶ Circumstances where a special resolution is required while the Trust is a Registered Scheme include a vote on amendments to this constitution if necessary (see section 601GC(1)(a)). For voting on winding up by Members and choosing a new responsible entity see sections 601FL and 601NB.

Responsible Entity means the company which is registered with ASIC as the single responsible entity of the Trust under the Corporations Act.

Retail Client has the same meaning that it has in the Corporations Act.⁷

Tax means all kinds of taxes, duties, imposts, deductions and charges imposed by a government (including GST), together with interest and penalties.

Tax Act means the Income Tax Assessment Act 1936 ("**1936 Act**"), the Income Tax Assessment Act 1997 ("**1997 Act**") or both the 1936 Act and the 1997 Act, as appropriate.

Taxation Amount means for a Member or a former Member ("**Relevant Person**"), an amount of Tax which is payable or which is anticipated to become payable by the Responsible Entity on its own account or out of the Trust and which is referable to the Relevant Person. A Taxation Amount includes an amount of Tax imposed on account of or in respect of:

- (a) the Relevant Person;
- (b) an amount paid or payable to the Relevant Person; or
- (c) a Unit held by the Relevant Person.

Transaction Costs means a percentage equal to the percentage of the Net Asset Value per Unit that the Responsible Entity considers represents a fair allowance for brokerage, stamp duty and other costs of acquisition (where calculating Application Price) or disposal (where calculating Redemption Price) of investments, and, subject to the Corporations Act, the Responsible Entity may in connection with any particular application or request for redemption of Units deem these costs to be a lesser sum or zero.

Trust means the trust which is the subject of this constitution.

Trust Component has the meaning given to that phrase in section 276-260 of the Tax Act.

Under has the meaning given to that phrase in section 276-345 of the Tax Act.

Undistributed Deferred Distribution Amount means, in respect of a Distribution Period, any Deferred Distribution Amounts from a prior Distribution Period in the Financial Year which have not otherwise been distributed or allocated to a Member as an Income Entitlement, including as an Income Component, at the end of the Distribution Period.

Unit means a unit in the Trust.

U.S. Person means a "U.S. Person" as defined in Rule 902 in Regulation S under the Securities Act of 1933, of the United States of America.

User Pays Fees means any cost incurred in relation to:

- (a) an entitlement to a payment or a payment to or from the Trust in respect of a Member; or
- (b) anything a Member asks the Responsible Entity to do or omit to do,

which the Responsible Entity considers should be borne by that Member.

⁷ See sections 761A, 761G and 761GA.

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Valuation Time means a time at which the Responsible Entity calculates the Net Asset Value.

Valuer means an independent qualified valuer appointed by the Responsible Entity.

1.2 Interpretation

Unless the contrary intention appears, in this constitution:

- (a) terms defined in the Corporations Act are used with their defined meaning;
- (b) the word "law" includes common law, principles of equity and legislation and a reference to legislation includes regulations as modified by applicable instruments under them and any variation or replacement of any of them;
- (c) the singular includes the plural and vice versa;
- (d) the meaning of general words is not limited by specific examples introduced by "including", "for example" or "such as" or similar expressions;
- (e) amend includes vary, delete or replace;
- (f) person includes a firm, a body corporate, an unincorporated association and an authority;
- (g) the cover page, contents, headings, footnotes and finding lists are for convenience only and do not affect interpretation;
- (h) a reference to a year (other than a Financial Year), quarter or month means a calendar year, calendar half-year, calendar quarter or calendar month respectively;
- (i) a reference to a monetary amount is a reference to the currency of Australia unless otherwise specified;
- (j) a reference to a document (including this constitution) includes any variation or replacement of it; and
- (k) the word "present" in the context of a person being present at a meeting includes participating using technology approved by the Responsible Entity for the purposes of the meeting.

1.3 Other documents

A document does not become part of this constitution by reason only of that document referring to this constitution or vice versa, or any electronic link between them.

1.4 Constitution legally binding⁸

This constitution binds the Responsible Entity, each present and future Member and any person claiming through any of them in accordance with its terms as if they were a party to this constitution.

⁸ Refer Section 601GB

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1.5 Corporations Act prevails to the extent of inconsistency

Despite anything in this constitution, to the extent that a clause of this constitution is inconsistent with the provisions of the Corporations Act applicable to registered managed investment schemes, that provision is of no effect to the extent of the inconsistency, but not otherwise.⁹

1.6 Other restrictions and obligations excluded

To the maximum extent permitted by law, all restrictions on the exercise of the Responsible Entity's powers or obligations which might otherwise be implied or imposed by law are expressly excluded, including any restriction or obligation of the Responsible Entity in its capacity as responsible entity of the Trust arising under any legislation other than the Corporations Act.

1.7 Severance

If all or part of any provision of this constitution is void or invalid or would otherwise result in all or part of this constitution being void or invalid in a jurisdiction for any reason, then it is severed for that jurisdiction. This does not affect the validity or operation of any other provision of this constitution or of that provision in any other jurisdiction.

1.8 Governing law

This constitution is governed by the law in force in the place set out in the Details.

2 Name of Trust

2.1 Name

The Trust is called the Watermark Absolute Return Fund or any other name as the Responsible Entity determines.¹⁰

2.2 Change of Responsible Entity

If a Responsible Entity retires or is removed, its successor as Responsible Entity must, unless otherwise approved by the former Responsible Entity, change the name of the Trust to a name that does not imply an association with the former Responsible Entity or its business.

3 Assets held on trust

3.1 Holding of Assets

The Assets must be held by the Responsible Entity on trust for Members¹¹.

3.2 Identification

Any Assets held by the Responsible Entity as responsible entity of the Trust must be clearly identified as property of the Trust and held separately from the assets of the Responsible Entity and any other managed investment scheme if and to

⁹ ASIC RG 134.214

¹⁰ See Corporations Regulation 5C.1.02

¹¹ See section 601FC(2)

the extent that the Corporations Act so requires.¹² Subject to the law, the Responsible Entity may have Assets held by a custodian.

4 Units

4.1 Nature of Units

The beneficial interest in the Trust is divided into Units.

4.2 Interest in Assets

- (a) Subject to paragraph (b) and to any rights, obligations or restrictions attaching to any particular Unit which are specified in this constitution, each Unit confers an equal undivided interest in the Assets as a whole, subject to the Liabilities. It does not confer an interest in a particular Asset.
- (b) Where Units are taken to be issued under clause 7.7 and the issue has not yet been recorded in the Register, the person to whom the Units are taken to have been issued has an interest of the kind referred to in paragraph (a) based on the net amount of application money that person has contributed to acquire the Units, divided by the relevant Application Price, whether or not the Application Price has been ascertained at that time.

4.3 Units and classes of Units

The Responsible Entity may issue Units of a single Class or different Classes, with different rights, obligations and restrictions as specified in this constitution. All Units in a Class rank equally. A separate Class does not constitute a separate trust.

4.4 Rights attaching to Units

A Member holds a Unit subject to the rights, restrictions and obligations attaching to that Unit which are specified in this constitution.

4.5 Fractions of Units

Fractions of a Unit (calculated to two decimal places or other number of decimal places as determined by the Responsible Entity) may be issued by the Responsible Entity.

4.6 Consolidation and division

Units may be consolidated or divided as determined by the Responsible Entity.

4.7 Treatment of fractions

The provisions of this constitution relating to Units and Members apply to fractions of Units in the proportion which the fraction bears to one Unit.

4.8 No Certificates

No certificates will be issued in respect of Units in the Trust.

¹² See section 601FC(1)(i)

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4.9 Re-classification

- (a) Subject to the Corporations Act and clause (b), the Responsible Entity may at the request of, or with the consent of, a Member re-classify Units of one Class held by the Member as Units of another Class.
- (b) If there is more than one Class of Units on issue, the Responsible Entity may only re-classify Units of a Member under clause (a) on a Bonus Unit Issue Day following the issue of Bonus Units (if any).
- (c) Units will be taken to have been re-classified under clause (a) when the re-classification is recorded in the Register.

4.10 Bonus Units

- (a) The Responsible Entity may determine on a Bonus Unit Issue Day to issue Bonus Units in the Trust:
 - (i) to the Members of a Class; or
 - (ii) where there are more than two Classes, to the Members of each Class,

other than to Members of the Class with the lowest Redemption Price.
- (b) The number of Bonus Units of the Class issued in the Trust:
 - (i) must be such that the Application Price for a Unit of the Class is, after the issue of the Bonus Units, equal to the Application Price for a Unit of the Class with the lowest Redemption Price, calculated as if the Transaction Costs are nil; and
 - (ii) to each Member of the Class must be proportionate to the number of Units of the Class held by the Member,

calculated to two decimal places or such other number of decimal places as the Responsible Entity determines.
- (c) If the Responsible Entity makes a determination in accordance with clause (a), the Responsible Entity must apply the whole or any part of the capital of the Trust in or towards paying up in full the Bonus Units to be issued to Members under clause (a).

5 Transfer, transmission and joint holders

5.1 Transfer of Units

Units may be transferred subject to their terms and this clause 5.

5.2 Form of transfer

Transfers must be:

- (a) in a form approved by the Responsible Entity;
- (b) accompanied by any evidence the Responsible Entity reasonably requires to show the right of the transferor to make the transfer; and
- (c) if the Responsible Entity requires, be presented for Registration duly stamped.

5.3 Responsible Entity may refuse

The Responsible Entity may refuse to record any transfer of Units in the Register without giving any reason for the refusal.

5.4 When transfer is effective

A transfer is not effective until Registered.

5.5 Joint tenancy

Persons Registered jointly as holders of a Unit hold as joint tenants and not as tenants in common unless the Responsible Entity otherwise agrees.

5.6 Death or legal disability of Member

- (a) If a Member dies or becomes subject to a legal disability such as bankruptcy or insanity, only the survivor (where the deceased was a joint holder) or the legal personal representative (in any other case) will be recognised as having any claim to Units Registered in the Member's name.
- (b) A person who becomes entitled to a Unit because of the death, bankruptcy, insanity or other disability of a Member is entitled to receive and may give a discharge for all money payable in respect of the Unit, but, subject to the Corporations Act, is not entitled to receive notices of or to attend or vote at any meetings of Members until that person is registered as the holder of the Unit.

6 Application Price for Units¹³

6.1 Application Price formula

- (a) If the Trust has one Class of Units on issue at a Valuation Time, a Unit must only be issued at an application price calculated as:

$$\left[\frac{\text{Net Asset Value}}{\text{number of Units in issue}} \right] \times (1 + \text{Transaction Costs})$$

or the appropriate proportion of that amount in the case of a Fractional Unit. For example, half of that amount for a 0.50 Fractional Unit.

- (b) If the Trust has more than one Class of Units on issue at a Valuation Time, a Unit of a Class of Units must only be issued at an application price calculated in accordance with the following formula:

$$\left[\frac{\text{Net Class Value}}{\text{number of Units in issue for the Class}} \right] \times (1 + \text{Transaction Costs})$$

- (c) Notwithstanding clause 6.1(a) and clause 6.1(b), the opening Application Price at a Valuation Time for a new Class of Units which are to be issued immediately after the Valuation Time under valid applications (accompanied by the relevant application money) received before the Cut-off Time immediately preceding the Valuation Time, is the highest

¹³ Required to be included by section 601GA(1)(a)

Application Price for a Unit in a Class of Units on issue at the Valuation Time.

6.2 Time for Calculation

- (a) Each of the variables in clause 6.1(a) and clause 6.1(b) (whichever is applicable) must be determined as at the next Valuation Time after:
- (i) the application for Units has been, or is taken to have been, received and Accepted by the Responsible Entity; or
 - (ii) the Responsible Entity receives the application money (even if paid or to be paid into the Applications Account) or the property against which Units are to be issued is vested in the Responsible Entity,
- whichever happens later.
- (b) For the purposes of determining the application price for Units to be issued on the reinvestment of Income for a Distribution Period ("**Relevant Distribution Period**"), the Responsible Entity must calculate the Net Asset Value or Net Class Value (as appropriate), and a Valuation Time is taken to have occurred, as at the time immediately after the end of the last day of the Relevant Distribution Period.
- (c) For the purposes of the calculation under clause 6.1, if at the relevant Valuation Time Units have been issued under clause 7.7 but the Application Price of those Units has not yet been ascertained, the application money or property relating to those Units and the Units are to be excluded from the calculation.

6.3 Time of receipt

Unless the Responsible Entity determines otherwise, for the purposes of clause 6.2 the time of receipt of an application or money or property is taken to be:

- (a) immediately before the Cut-off Time for the Business Day of receipt, if the application, money or property (as applicable) is received before the Cut-off Time on that Business Day; and
- (b) immediately before the Cut-off Time on the next following Business Day if the application, money or property (as applicable) is received on a day which is not a Business Day or is received on or after the Cut-off Time on a Business Day.

6.4 Rounding

The Application Price may be rounded as the Responsible Entity determines but the amount of the rounding must not be more than 1% of the Application Price. Any excess application money or property which results from rounding becomes an Asset.¹⁴

¹⁴ See notional section 601GAB in ASIC Class Order [CO 05/26].

7 Application procedure

7.1 Application form

An applicant for Units must complete a form approved by the Responsible Entity if the Responsible Entity so requires. The form may be transmitted electronically if approved by the Responsible Entity.

7.2 Payment

Payment in respect of an application in a form acceptable to the Responsible Entity, or a transfer of property of a kind acceptable to the Responsible Entity and able to be vested in the Responsible Entity or a Custodian appointed by it must:

- (a) accompany the application;
- (b) be received by or made available to the Responsible Entity or the Custodian within such period before or after the Responsible Entity receives the application form as the Responsible Entity determines from time to time or as the terms of issue of the relevant Unit contemplate; or
- (c) comprise a reinvestment of distribution in accordance with clauses 11.14(a) to 11.14(c).

If the Responsible Entity accepts a transfer of property other than cash:

- (d) the value attributed to the property must be based on a valuation which is consistent with the range of ordinary commercial practice for the valuation of assets of that type and is reasonably current, having regard to the type of assets involved and prevailing market conditions and, if the Responsible Entity requires, must be accompanied by such a valuation;¹⁵ and
- (e) any additional costs associated with the valuation or transfer of the property (beyond the amount of the Transaction Costs factor in the Application Price for the Units) must be paid by the applicant either directly or by deducting the costs from the value of the property before the number of Units to be issued is calculated.

7.3 Responsible Entity may reject

The Responsible Entity may reject an application in whole or in part without giving any reason for the rejection.

7.4 Eligible Person

- (a) No application will be Accepted from and no Units will be issued to any person other than an Eligible Person, unless otherwise determined by the Responsible Entity.
- (b) The Responsible Entity may determine that it will not permit a person:
 - (i) to become a Member; or
 - (ii) to acquire or be issued with further Units,

¹⁵ ASIC RG 134.43

unless the Responsible Entity has received an Eligible Person Statement (or such other document as the Responsible Entity may require) from that person.

7.5 Less than whole Units

Where an application, cancellation or redemption would result in the issue of less than a whole Unit to a Member, the Responsible Entity in its absolute discretion may:

- (a) issue a Fractional Unit;
- (b) contribute its own funds to round up the number of Units issued to a whole number;
- (c) round the Unit up or down; or
- (d) hold the residual amount free of interest and apply it to the next application, cancellation or redemption made by the Member or pay the amount to the Member when moneys are next paid by the Responsible Entity under this constitution.

7.6 Minimum amounts

Subject to the Corporations Act, the Responsible Entity may set a minimum application amount, minimum additional application amount and a minimum holding amount for the Trust and alter or waive those amounts at any time or determine that a different minimum application amount or a different minimum holding will apply for one or more applicants or members (as the case may be).

7.7 Issue date

- (a) Except in the case of a reinvestment of distribution in accordance with this constitution, Units are taken to be issued at the time which is the earlier of:
 - (i) the time the issue of Units is recorded in the Register; and
 - (ii) the time immediately after the Valuation Time applicable to the application for Units has occurred.
- (b) Units which are issued on a reinvestment of distribution in accordance with this constitution are taken to be issued on the first Business Day after the end of the Distribution Period to which the distribution relates.
- (c) At the time when Units are taken to be issued under paragraph (a)(ii) or (b):
 - (i) the applicant becomes a Member in respect of the Units, which are taken to be issued¹⁶ even though the number of Units may not yet have been ascertained and the issue has not yet been entered in the Register; and
 - (ii) the applicant becomes entitled to be recorded in the Register as the holder of those Units as soon as it is reasonably practicable for the Responsible Entity or its agent to make the entry.

¹⁶ For the purposes of section 761E(2)

7.8 Uncleared funds

Units issued against application money paid other than in cleared funds, or in consideration of a transfer of property, are void if the funds are not subsequently cleared or the property does not vest in the Responsible Entity within one month of receipt of the application.

7.9 Currency

Where it is necessary for the purposes of an application for Units to convert one currency to another, the conversion is to be made at a rate determined by the Responsible Entity.

7.10 Defective Applications

Where, within 10 Business Days (or such longer period as the Responsible Entity determines) of the creation and issue of Units in the Trust, the Responsible Entity determines that:

- (a) the applicant was not entitled to hold the Units issued;
- (b) the application was incorrectly executed or executed without power or authority; or
- (c) the application form was defective and was accepted in error,

then the Responsible Entity may in its sole discretion cancel those Units, make an appropriate entry in the Register of the Trust and repay the application money to the applicant out of the Trust. If Units are cancelled under this clause, the Responsible Entity is not required to adjust any Application Price or Redemption Price determined before the cancellation of the Units.

8 Redemption Price of Units¹⁷

8.1 Redemption Price formula

- (a) If the Trust has one Class of Units on issue at a Valuation Time, a Unit must only be redeemed at a redemption price calculated as:

$$\left[\frac{\text{NetAssetValue}}{\text{numberofUnitsin issue}} \right] \times (1 - \text{Transaction Costs})$$

or the appropriate proportion of that amount in the case of a Fractional Unit. For example, half of that amount for a 0.50 Fractional Unit.

- (b) If the Trust has more than one Class of Units on issue at a Valuation Time, a Unit of a Class of Units must only be redeemed at a redemption price calculated in accordance with the following formula:

$$\left[\frac{\text{Net Class Value}}{\text{number of Units for the Class in issue}} \right] \times (1 - \text{Transaction Costs})$$

- (c) Notwithstanding clause 8.1(a) and 8.1(b), for the purposes of determining the Redemption Price of Units of a particular Class at the first Valuation Time immediately after the creation and issue of a new

¹⁷ Required to be included by Section 601GA(4)

Class of Units, the Net Class Value of that new Class of Units at the immediately preceding Valuation Time is the opening Application Price for that Class of Units determined in accordance with clause 6.1(b) (calculated as if the Transaction Cost is nil) multiplied by the number of Units of that Class at that immediately preceding Valuation Time.

8.2 Time for Calculation

- (a) Subject to clause 8.2(b), each of the variables in clause 8.1(a) and clause 8.1(b) (whichever is applicable) must be determined:
- (i) while the Trust is Liquid, as at the next Valuation Time after the redemption request has been, or is taken to have been, received and Accepted by the Responsible Entity; or
 - (ii) while the Trust is not Liquid, at the last Valuation Time before the redemption offer is made.
- (b) Without limiting the Responsible Entity's discretion to determine a Valuation Time under this constitution, where:
- (i) a redemption request for 5% or more of the Gross Asset Value of the Trust is received and Accepted on a day; or
 - (ii) the Responsible Entity receives and Accepts a redemption request on a day which in aggregate with all other redemption requests received and Accepted on that day represents 5% or more of the Gross Asset Value of the Trust,

the Responsible Entity may defer the date on which the variables in clause 8.1(a) and clause 8.1(b) are determined in respect of the redemption request (whichever is applicable) to the next Valuation Time following the expiry of five Business Days after the Responsible Entity has received and Accepted the redemption request.

For the purposes of the calculation under clause 8.1, if at the relevant Valuation Time Units have been issued under clause 7.7 but the Application Price of those Units has not yet been ascertained, the application money or property relating to those Units and the Units are to be excluded from the calculation.

8.3 Time of receipt

Unless the Responsible Entity determines otherwise, for the purposes of clause 8.1(c) the day and time of receipt of a redemption request is taken to be:

- (a) immediately before the Cut-off Time for the Business Day of receipt, if the request is received before the Cut-off Time on a Business Day; or
- (b) immediately before the Cut-off Time on the next following Business Day if the request is received on a day which is not a Business Day or is received on or after the Cut-off Time on a Business Day.

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8.4 Rounding

The Redemption Price may be rounded as the Responsible Entity determines but the amount of the rounding must not be more than 1% of the Redemption Price. Any excess which results from rounding becomes an Asset of the Trust.¹⁸

9 Redemption procedures¹⁹

9.1 Request for redemption

A Member may make a request for the redemption of some or all of the Units by giving the Responsible Entity notice in writing²⁰ of the request, specifying the number or value of Units to be redeemed and sufficient details to identify the Member, or in any other manner approved by the Responsible Entity. The Responsible Entity is not obliged to satisfy any such request.

9.2 Redemption of request

A Member may not withdraw a redemption request unless the Responsible Entity agrees.

9.3 When Trust is Liquid²¹

Clauses 9.1, 9.3 and 9.4 apply only while the Trust is Liquid²²; and also in circumstances where the redemption request was received and Accepted by the Responsible Entity²³ and the Redemption Price in respect of that redemption request was calculated at a time when the Trust was Liquid (even if it is no longer Liquid at the time the Responsible Entity exercises its powers and discretions under those clauses).

9.4 Responsible Entity may redeem

- (a) Subject to the Corporations Act, the Responsible Entity may decide to Accept a request from a Member to redeem some or all of their Units, in whole or in part. The Responsible Entity is not required to Accept any such request. The Responsible Entity may determine to Accept all or part of a request over a number of Business Days (including non-consecutive Business Days) and for the purposes of this constitution the request will be taken to be several requests from the Member that are Accepted over those Business Days and each request will be taken to be in respect of such number of the Member's Units as the Responsible Entity determines.
- (b) If the Responsible Entity determines to Accept a redemption request in respect of a Unit, it must pay from the Assets to the Member or former Member the Redemption Price of that Unit calculated in accordance with clause 8. The payment must be made within 21 days of the date on which the Responsible Entity Accepts the request, or such longer period as allowed by clause 9.5.

¹⁸ See notional section 601GAC in ASIC Class Order [CO 13/655].

¹⁹ These procedures must be fair to all Members: Section 601GA(4)

²⁰ See clause 16.

²¹ Required to be included by Section 601GA(4)(b) and 601KA(1)

²² For a definition of a liquid Trust see section 601KA.

²³ See clause 9.12.

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9.5 Delayed payment

- (a) Subject to paragraph 9.5(b), the Responsible Entity may at any time suspend consideration of redemption requests, or defer its obligation to pay the Redemption Price in respect of a redemption request it has Accepted if it is not possible, or not in the best interests of Members and former Members who have not yet received the Redemption Price for their Units at the time the circumstances arise, for it to process redemption requests or make the payment (as applicable) due to one or more circumstances outside its control, (such as restricted or suspended trading or extreme price fluctuation or uncertainty in the market for an Asset) but not due to any event which was reasonably foreseen by the Responsible Entity at the time it Accepted the redemption request. The period allowed under clause 9.4 for consideration of the redemption request or payment of the Redemption Price may be extended by the number of days during which such circumstances apply.
- (b) In relation to a redemption offer to which Part 5C.6 of the Corporations Act applies, the Responsible Entity must pay the redemption proceeds to the withdrawing Member or former Member within 21 days of the date on which the redemption offer closes.²⁴
- (c) If Acceptance of a redemption request would result in the Member holding Units with an aggregate Redemption Price which is less than the then current minimum holding amount, the Responsible Entity may treat the redemption request as relating to the balance of the Member's holding.

9.6 Increased minimum

If the Responsible Entity increases the minimum holding amount, the Responsible Entity may, after giving 30 days' notice to a Member who holds Units with an aggregate Redemption Price less than the then current minimum holding amount, redeem that Member's holding without the need for a redemption request.

9.7 Payment from the Assets

The Responsible Entity is not obliged to pay any part of the Redemption Price out of its own funds.

9.8 While Trust is not Liquid²⁵

- (a) While the Trust is not Liquid,²⁶ a Member may withdraw from the Trust in accordance with the terms of any current redemption offer made by the Responsible Entity in accordance with the provisions of the Corporations Act regulating offers of that kind.²⁷ If there is no redemption offer currently open for acceptance by Members, a Member has no right to request redemption from the Trust.
- (b) The Responsible Entity is not at any time obliged to make a redemption offer. If it does, it may do so by sending a copy of the offer to all Members, or making a copy of the offer available by electronic means and giving notice to Members that it is available.

²⁴ Section 601KD.

²⁵ Required to be included by section 601GA(4)(c) if Members are to have right to redeem while the Trust is a Registered Scheme.

²⁶ For a definition of a liquid Trust see section 601KA(1).

²⁷ Refer to sections 601KB to 601KE.

9.9 Cancellation of redemption offer

- (a) The Responsible Entity may cancel a redemption offer at any time. If it does, it may do so by sending a copy of the offer to all Members, or making a copy of the offer available by electronic means and giving notice to Members that it is available.
- (b) The cancellation of a redemption offer by the Responsible Entity does not affect the rights of Members whose acceptance of the offer has been received by the Responsible Entity in accordance with clause 16 after the offer period has opened but before the date on which the offer is cancelled to withdraw from the Trust in accordance with the terms of the redemption offer.

9.10 Treatment of request

If the Responsible Entity receives a redemption request, and the Trust subsequently ceases to be Liquid before that request has been Accepted or rejected, the request lapses.

9.11 Sums owed to Responsible Entity

- (a) The Responsible Entity may deduct from the proceeds of redemption or money paid pursuant to a redemption offer any money due to it by the Member.
- (b) While the Trust is Liquid, the Responsible Entity may redeem without a redemption request some or all of the Units held by a Member to satisfy any amount of money due to it by the Member, including an entitlement to be indemnified by a Member under clause 13.9(b)(viii) or 13.9(b)(ix) or under the AMIT Regime more generally. In these circumstances the Responsible Entity will be taken to have received and Accepted a redemption request in respect of the Units for the purposes of this clause 9.

9.12 When Units are redeemed

Units are taken to be redeemed:

- (a) where the redemption is to occur in response to a redemption request from a Member, at the time as at which the Responsible Entity has:
 - (i) received and Accepted the redemption request in respect of the Units; and
 - (ii) calculated the Redemption Price of the Units;²⁸ or
- (b) if paragraph (a) does not apply, at the time at which the Redemption Price is known and the redemption is recorded in the Register,

and from that time until payment of the Redemption Price, the former holder of the redeemed Units ceases to be a Member in respect of those Units and is a creditor of the Trust in respect of the redemption proceeds.

If Units are redeemed at the time referred to in paragraph (a), the Responsible Entity must as soon as is reasonably practicable arrange for the redemption of the Units to be recorded in the Register.

²⁸ ASIC RG 134.168.

9.13 Cooling Off

Nothing in this clause 9 prevents the Responsible Entity from complying with any requirement to return application money to Members in accordance with Part 7.9 of the Corporations Act or with any similar requirement that applies to the Responsible Entity.

9.14 Distribution of Income

- (a) If, during a Distribution Period, the Responsible Entity Accepts a redemption request from a Member and:
- (i) where there is only one Class on issue at the time, the redemption request is in respect of 5% or more of the Units on issue at the start of the Distribution Period or such other amount as may be determined by the Responsible Entity and notified to Members from time to time; or
 - (ii) where there is more than one Class on issue at the time, the redemption request is in respect of 5% or more of the Units on issue in the relevant Class at the start of the Distribution Period for the Class or such other amount as may be determined by the Responsible Entity and notified to Members from time to time,
- (“Redemption Request”) then, subject to the Corporations Act and clause 9.14(b), the Responsible Entity must determine at or before the end of the relevant Distribution Period:
- (iii) what amount (“Income Component”) of the payment in satisfaction of the Redemption Request (“Redemption Payment”) in respect of the Units or the Class (as the case may be) represents a distribution of the Income for that Financial Year; and
 - (iv) whether the Income Component of the Redemption Payment will comprise a distribution of Income for the Financial Year of any particular character for tax purposes.
- (b) Despite clause 9.14(a), where there is more than one Class on issue at the time the Responsible Entity Accepts a redemption request and the redemption request relates to two or more Classes then, unless clause 9.14(a)(ii) is satisfied in relation to each of those Classes, the Responsible Entity must only make a determination, that an amount of the payment in satisfaction of the redemption request represents a distribution of the Income for that Financial Year, in respect of that part of the payment which is referable to the Class or Classes for which clause 9.14(a)(ii) is satisfied.
- (c) Where the Responsible Entity makes a determination under clause 9.14(a) in respect of a Member or former Member, the Responsible Entity must:
- (i) make the determination by reference to:
 - (A) where there is only one Class on issue:
 - (aa) that component of the Income of the Trust for the Financial Year to date that has not been distributed at the time the Redemption Price in respect of the Redemption Request is

determined under clause 8 that the Responsible Entity determines is referable to:

- (AA) capital gains; or
- (BB) amounts which reflect gains (which are not capital gains) on the disposal or realisation of Assets; and

- (ab) the increase in the component of the Income of the Trust referred to in clause 9.14(c)(i)(A)(aa) as a result of the Responsible Entity realising sufficient assets to satisfy the Redemption Request; and

- (ac) the number of Units specified in the Redemption Request and the number of Units on issue at the time the Redemption Request is made; and

- (B) where there is more than one Class on issue:

- (aa) the component of the Income of the Trust referred to in clause 9.14(c)(i)(A)(aa) that the Responsible Entity determines is referable to the Class for which the Member has submitted the Redemption Request; and

- (ab) the increase in the component of the Income of the Trust referred to in clause 9.14(c)(i)(B)(aa) as a result of the Responsible Entity realising sufficient assets to satisfy the Redemption Request; and

- (ac) the number of Units of the relevant Class or Classes of Units specified in the Redemption Request and the number of Units in the relevant Class or Classes of Units at the time the Redemption Request is made; and

- (ii) notify the Member or former Member of the composition of the Redemption Payment.

9.15 When Member ceases to be eligible to hold Units

- (a) Where:

- (i) a Member advises the Responsible Entity that the Member is not an Eligible Person; or

- (ii) the Responsible Entity forms the view that the Member is not an Eligible Person;

the Responsible Entity may request that the Member:

- (A) dispose of all Units held by the Member within 30 days (or such longer period as the Responsible Entity may determine from time to time) to a person who is an Eligible Person; or

(B) if the Trust is Liquid at the relevant time, lodge a redemption request in respect of all of the Units held by the Member, within 30 days (or such longer period as the Responsible Entity may determine from time to time).

(b) Where a Member fails to comply with a request under clause 9.15(a) and the Trust is Liquid at the relevant time, the Responsible Entity may compulsorily redeem all of the Units held by the Member. The Responsible Entity is deemed to have received and Accepted a redemption request from the Member immediately before the next Valuation Time after the Responsible Entity determined to compulsorily redeem all of the Units held by the Member.

10 Valuation of assets and determination of pricing variables

10.1 Periodic valuations

The Responsible Entity may cause an Asset to be valued at any time, and must do so as and when required by the Corporations Act.²⁹

10.2 Net Asset Value and Value of Assets and Liabilities

The Responsible Entity may determine Net Asset Value at any time, including more than once on each day.

10.3 Class Liabilities and Class Assets

- (a) The Responsible Entity may determine that a Liability or any part of a Liability is properly attributable to a Class for the purposes of this constitution, having regard to the rights, obligations and restrictions that attach to Units of the relevant Class. Any Liability or part of a Liability that is subject to such a determination becomes a Class Liability of the Class from that time.
- (b) The Responsible Entity may determine that an Asset is properly attributable to a Class for the purposes of this constitution, having regard to the rights, obligations and restrictions that attach to Units of the relevant Class. Any Asset that is subject to such a determination is a Class Asset of the Class from that time.
- (c) The determination by the Responsible Entity that an Asset or a Liability of the Trust is a Class Asset or a Class Liability of a Class:
 - (i) does not result in the Asset or Liabilities ceasing to be an Asset or Liability of the Trust more generally;
 - (ii) does not settle those Assets or Liabilities on a separate trust for the benefit only of Members of the relevant Class;
 - (iii) does not provide for Members of the relevant Class to have a beneficial interest in those Class Assets and Class Liabilities at the exclusion of Members of other Classes; and

²⁹ See section 601FC(1)(j) for Scheme Operator's obligations concerning valuation

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- (iv) applies under this constitution only for the purposes of determining the Application Price, Redemption Price and Income Entitlements of Units of the relevant Class.
- (d) Class Liabilities of a particular Class may be satisfied by the Responsible Entity using Class Assets of a different Class or Assets which are not Class Assets.
- (e) Liabilities of the Trust (that are not Class Liabilities) may be satisfied by the Responsible Entity using Class Assets of a particular Class or Assets which are not Class Assets.

10.4 Valuation methods

The Responsible Entity's policy for the valuation of Assets must be based on the range of ordinary commercial practice for valuing the relevant type of asset and, where used to calculate the Application Price or Redemption Price of a Unit, the value must be reasonably current.³⁰ In the absence of any other determination by the Responsible Entity, the value of an Asset will be its Market Value.

10.5 Currency conversion

Where it is necessary for the purposes of a valuation to convert one currency to another, the conversion is to be made at a time and at the rate quoted by a bank or an independent pricing provider (such as Reuters) nominated by the Responsible Entity. Where the value of an Asset denominated in foreign currency is converted for the purposes of calculating the Redemption Price of a Unit, the currency valuation applied must be consistent with the range of ordinary commercial practice for valuing currency.³¹

10.6 Financial Year Determination

The determination of a Financial Year for the application of clause 11 or complying with the income tax obligations in relation to the Trust do not affect the Responsible Entity's determination as to the financial year of the Trust for the purposes of preparing accounts and lodging returns required for registered schemes under the Corporations Act.

11 Income and distributions to Members

11.1 Income

- (a) The Responsible Entity must determine the Income of the Trust for each Distribution Period and Financial Year. Where there is more than one Class on issue, the Responsible Entity must determine the Income of the Trust for each Distribution Period for every Class on issue in the Trust during the Financial Year.
- (b) Unless the Responsible Entity determines otherwise prior to the end of the relevant Distribution Period or Financial Year, Income is:
- (i) for a Financial Year, the aggregate of:
- (A) where the Financial Year is an AMIT Income Year, the amount determined by the Responsible Entity as being the minimum amount which, if distributed by the

³⁰ ASIC RG 134.111 provides guidance on the meaning of "reasonably current".

³¹ ASIC RG 134.109.

Responsible Entity in respect of the Financial Year, would prevent there being an adjustment to the tax cost base of any Units in the Trust under the AMIT Regime for the Financial Year, assuming that the Determined Member Components for each Member for the Financial Year equal the Member's entitlement to the distribution;

- (B) where the Financial Year is not an AMIT Income Year, the amount which the Responsible Entity determines to be the "net income of the trust estate" for the Trust for the purposes of section 95 of the Tax Act for the Financial Year, but disregarding:
 - (aa) any amounts the Responsible Entity determines are included in the "net income of the trust estate" of the Trust for the Financial Year that represent either or both franking credits or foreign tax offsets; and
 - (ab) any reduction in the net capital gain for the Trust for the Financial Year which the Responsible Entity determines arises as a result of the discount capital gains concession; and
 - (C) any additional amount that the Responsible Entity considers appropriate for distribution for the Financial Year; and
- (ii) for a Distribution Period, an estimate of the Income for the Distribution Period determined as if the Distribution Period is a Financial Year and a "year of income" for the purposes of the Tax Act.
- (c) The preparation of the accounts of the Trust in accordance with any current or past Australian accounting standards and generally accepted accounting principles is not to be regarded as a determination of the method for calculating the Income under clause (b).

11.2 Power to defer distributions

- (a) The Responsible Entity may, for any Interim Distribution Period, including an Interim Distribution Period for a particular Class, determine to defer the distribution of any amount of the Income of the Trust for the Interim Distribution Period as a Deferred Distribution Amount for the Distribution Period. Any such determination must be made by the Responsible Entity prior to the end of the Interim Distribution Period.
- (b) The Responsible Entity may not defer the distribution of any amounts under clause 11.2(a) which the Responsible Entity has distributed as an Income Component or an Income Entitlement, including an Income Entitlement for another Class.
- (c) If the Responsible Entity determines a Deferred Distribution Amount for an Interim Distribution Period:
 - (i) the amount of Income of the Trust for the Interim Distribution Period that is to be distributed for the Interim Distribution Period will be reduced by the Deferred Distribution Amount in accordance with clause 11.5;

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- (ii) the Responsible Entity may distribute the Deferred Distribution Amount in another Interim Distribution Period in the same Financial year in accordance with clause 11.5, including, where there is more than one Class on issue, in an Interim Distribution Period for another Class; and
 - (iii) the Responsible Entity must distribute the Deferred Distribution Amount by the Final Distribution Period for the Financial Year, unless the Responsible Entity determines to accumulate the Deferred Distribution Amount pursuant to clause 11.3.
- (d) Deferred Distribution Amounts continue to form part of the Assets and no Member has any particular right or interest in a Deferred Distribution Amount. Deferred Distribution Amounts are not Liabilities of the Trust.

11.3 Power to accumulate amounts

- (a) The Responsible Entity may, for any AMIT Income Year, determine at any time prior to the end of the Financial Year that all or part of the Income of the Trust for the Financial Year will be accumulated, provided that the Income has not already been distributed to Members as an Income Entitlement or Income Component.
- (b) The effect of the Responsible Entity exercising its power to accumulate an amount under clause 11.3(a) is to exclude the relevant amount from being distributed as Income for the Financial Year, including for any Distribution Period for any Class in the Financial Year.
- (c) For the purposes of identifying the Members to whom any Trust Components that are reflected in the amounts accumulated under paragraph 11.3(a) are to be attributed under the AMIT Regime, any amounts accumulated are to be treated as having been accumulated for the benefit of Members at the date specified by the Responsible Entity for these purposes at the time the Responsible Entity determined to accumulate the amount.
- (d) If the Responsible Entity mistakenly seeks to exercise its power to accumulate an amount in a Non-AMIT Income Year, the Responsible Entity's exercise of the power will be treated as invalid and will, to the extent possible, be treated as if it were an exercise of the Responsible Entity's power to determine a Deferred Distribution Amount pursuant to clause 11.2.

11.4 Classification of amounts

Without limiting clauses 11.1 to 11.3, the Responsible Entity has the power to determine:

- (a) the classification of any item as being Income or otherwise;
- (b) the extent to which reserves or provisions need to be made;
- (c) whether any item should be recognised as it is received or as it accrues (but not yet received); and
- (d) the character for tax purposes of any Deferred Distribution Amounts, or any Income which the Responsible Entity chooses to accumulate pursuant to clause 11.3.

11.5 Income Entitlements

(a) If there is only one Class on issue at the end of a Distribution Period, the Income Entitlement for a Member or former Member for the Distribution Period is an amount calculated by the Responsible Entity as follows:

(i) in respect of an Interim Distribution Period, the aggregate of:

(A) where the Responsible Entity has made a determination under clause 9.14(a) at or before the end of the Distribution Period in respect of the Member or former Member, the aggregate of the Income Components determined by the Responsible Entity, in respect of the Member or former Member, during the Distribution Period; and

(B) the amount calculated as follows:

$$\frac{A \times C}{B}$$

where:

A is the number of Units held by the Member at the end of the Distribution Period;

B is the total number of Units on issue at the end of the Distribution Period; and

C is the aggregate of the following amounts, but only to the extent to which they have not already been distributed by the Responsible Entity at the end of the Distribution Period as an Income Component:

(1) the Income of the Trust for the Distribution Period, determined disregarding:

- any Deferred Distribution Amounts for the Distribution Period;
- any Income of the Trust for the Distribution Period which the Responsible Entity has determined to accumulate pursuant to clause 11.3; and

(2) so much of the Undistributed Deferred Distribution Amounts for the Distribution Period that the Responsible Entity determines, in its absolute discretion, is appropriate to distribute for the Distribution Period; and

(ii) in respect of a Final Distribution Period, the aggregate of:

(A) where the Responsible Entity has made a determination under clause 9.14(a) at or before the end of the Distribution Period in respect of the Member or former

Member, the aggregate of the Income Components determined by the Responsible Entity, in respect of the Member or former Member, during the Distribution Period; and

(B) the amount calculated as follows:

$$\frac{A \times C}{B}$$

where:

- A is the number of Units held by the Member at the end of the Distribution Period;
- B is the total number of Units on issue at the end of the Distribution Period; and
- C is the amount (if any) by which the Income for the Financial Year exceeds the aggregate of:
 - (1) all Income Entitlements that have arisen in the Trust for previous Distribution Periods in the Financial Year;
 - (2) the aggregate of the Income Components determined by the Responsible Entity, in respect of all Members and former Members for the Distribution Period; and
 - (3) all of the Income of the Trust for the Financial Year that the Responsible Entity has determined to accumulate pursuant to clause 11.3.

(b) If there is more than one Class on issue at the end of a Distribution Period for a Class, the Income Entitlement for a Member or former Member in respect of Units of the Class ("**Relevant Class**") for the Distribution Period is an amount calculated by the Responsible Entity as follows:

(i) in respect of an Interim Distribution Period, the aggregate of:

(A) where the Responsible Entity has made a determination under clause 9.14(a) in respect of Units of the Relevant Class at or before the time of calculation of Income Entitlements for the Distribution Period, the aggregate of the Income Components determined by the Responsible Entity, in respect of Units in the Relevant Class held by the Member or former Member, during the Distribution Period; and

(B) the amount calculated as follows:

$$\frac{A}{B} \times [(AF \times C) + D]$$

where:

- A is the number of Units in the Relevant Class held by the Member at the end of the Distribution Period;
- B is the total number of Units in the Relevant Class on issue at the end of the Distribution Period;
- AF is the Apportionment Factor for the Relevant Class at the end of the Distribution Period;
- C is the aggregate of the following amounts, but only to the extent that they have not already been distributed by the Responsible Entity by the end of the Distribution Period as an Income Component or an Income Entitlement for another Class:
- (1) the Non-Class Income of the Trust for the Distribution Period, reduced by:
 - so much of any Deferred Distribution Amounts for the Distribution Period as the Responsible Entity determines are Non-Class Income; and
 - so much of the Non-Class Income that the Responsible Entity has determined to accumulate pursuant to clause 11.3; and
 - (2) so much of any Undistributed Deferred Distribution Amounts for the Distribution Period that the Responsible Entity determines:
 - is appropriate to distribute for the Distribution Period; and
 - represent Non-Class Income;
- D is the aggregate of the following amounts, but only to the extent that they have not already been distributed by the Responsible Entity by the end of the Distribution Period as an Income Component:
- (1) the Class Income for the Relevant Class for the Distribution Period, reduced by:
 - so much of any Deferred Distribution Amounts for the Distribution Period as the Responsible Entity determines are Class Income for the Class; and

- so much of the Class Income for the Relevant Class for the Distribution Period that the Responsible Entity has determined to accumulate pursuant to clause 11.3; and
- (2) so much of any Undistributed Deferred Distribution Amounts for the Distribution Period that the Responsible Entity determines:
- is appropriate to distribute for the Distribution Period; and
 - represent Class Income for the Relevant Class;
- (ii) in respect of a Final Distribution Period, the aggregate of:
- (A) where the Responsible Entity has made a determination under clause 9.14(a) in respect of Units of the Relevant Class at or before the time of calculation of Income Entitlements for the Distribution Period, the aggregate of the Income Components determined by the Responsible Entity, in relation to Units of the Relevant Class, to the Member or former Member during the Distribution Period; and
- (B) the amount calculated as follows:

$$\frac{A}{B} \times [(AF \times C) + D]$$

where:

- A is the number of Units in the Relevant Class held by the Member at the end of the Distribution Period;
- B is the total number of Units in the Relevant Class on issue at the end of the Distribution Period;
- AF is the Apportionment Factor for the Relevant Class at the end of the Distribution Period;
- C is the amount (if any) by which the Non-Class Income of the Trust for the Financial Year exceeds the aggregate of:
- (1) the aggregate of all Income Entitlements for previous Distribution Periods in the Financial Year, to the extent that the Responsible Entity determines that they were sourced from the Non-Class Income of the Trust for the Financial Year;

- (2) the aggregate of the Income Components determined by the Responsible Entity, in respect of all Members and former Members for the Distribution Period, to the extent that they were sourced from the Non-Class Income of the Trust for the Financial Year; and
 - (3) any Non-Class Income of the Trust for the Financial Year which the Responsible Entity has determined to accumulate pursuant to clause 11.3;
 - D is the Class Income of the Relevant Class for the Financial Year, reduced by the aggregate of:
 - (1) the aggregate of all Income Entitlements for previous Distribution Periods in the Financial Year, to the extent that the Responsible Entity determines that they were sourced from the Class Income of the Relevant Class for the Financial Year;
 - (2) any Income Components for all Members or former Members that arose during the Distribution Period, to the extent that they were sourced from Class Income of the Relevant Class for the Financial Year; and
 - (3) any Class Income of the Relevant Class for the Financial Year which the Responsible Entity has determined to accumulate pursuant to clause 11.3.
- (c) If as a result of one or more redemption requests received by the Responsible Entity on a day, in relation to Units of a Class of Units the Responsible Entity determines that all the Units of that Class will be redeemed, the Responsible Entity may determine a Distribution Calculation Date for the Class immediately prior to calculation of the Redemption Price for all Units of that Class and the Responsible Entity may determine to treat that Distribution Period as a Final Distribution Period for the purposes of determining variable "D" in paragraph (b) above.
- (d) The treatment of an amount of Income as Class Income of a Class:
 - (i) applies exclusively for the purposes of determining which Members are entitled to receive an Income Entitlement that includes those amounts of Income, in accordance with clause 11.5(b); and
 - (ii) does not, of itself, settle the Class Income on the terms of a separate trust for Members of the relevant Class at the exclusion of Members of other Classes, until such time as an Income Entitlement arises in respect of the Class Income.

11.6 Satisfaction of Income Entitlements

Income Entitlements must be paid to a Member or former Member within three months after the relevant Distribution Calculation Date, or if the audit (if any) for that Distribution Period has not been completed, as soon as reasonably practicable after its completion, other than the component of the Income Entitlements of a Member or former Member which represents Income Components, the payment of which is satisfied by the payment of the relevant Redemption Payment.

11.7 Other distributions

The Responsible Entity may at any time distribute any amount other than Income to Members of the Trust by the payment of cash or the issue of additional Units of an amount determined in accordance with the following formula:

$$CE = \frac{DA \times UV}{AUV}$$

where

- CE is the proportion of the distribution to which the Member is entitled;
- DA is the amount other than Income determined by the Responsible Entity to be distributed to Members;
- UV is the sum of the Redemption Price for all Units held by the Member in the Trust at the date of distribution calculated by:
- (i) disregarding clause 6.2;
 - (ii) determining each of the variables in clause 8.1(a) and clause 8.1(b) (whichever is applicable) at the date of distribution; and
 - (iii) assuming all Units held by the Member at the relevant time were to be redeemed at the date of distribution;
- AUV is the aggregate of the Redemption Price for all Units on issue in the Trust at the date of distribution calculated by:
- (i) disregarding clause 6.2;
 - (ii) determining each of the variables in clause 8.1(a) and clause 8.1(b) (whichever is applicable) at the date of distribution; and
 - (iii) assuming all Units held by the Member at the relevant time were to be redeemed at the date of distribution.

11.8 Separate accounts

- (a) Subject to clause 11.8(b), the Responsible Entity may:
- (i) keep separate accounts of different categories or sources of Income, or deductions or credits for tax purposes, and may allocate Income, deductions or credits from a particular category or source, or both, for tax purposes to particular Members, including, without limitation, of capital gains and franked dividends; and
 - (ii) allocate items of Income, deductions or credits from a particular category or source, or both, for tax purposes to particular

Members, including, without limitation, as part of the Income Entitlements of Members, provided that the allocation is not inconsistent with the entitlements of Members or former Members to Income as determined in accordance with clause 11.5 above.

For any Non-AMIT Income Year, where the Responsible Entity allocates items of Income, deductions or credits from a particular category or source for tax purposes to a Member other than pro rata with all other Members, the Responsible Entity must:

- (iii) notify the Member; and
 - (iv) record, in the accounts and records of the Trust, the allocation of the items of Income, deduction or credit from the particular category or source to the Member.
- (b) For any Non-AMIT Income Year, where, pursuant to clause 9.14(a), the Responsible Entity determines that:
- (i) an Income Component is to arise in respect of a Member or a former Member; and
 - (ii) the Income Component is to comprise Income of the Trust for the Financial Year from a particular category or source, or both, for tax purposes;

then the Responsible Entity must, pursuant to clause 11.8(a):

- (iii) maintain separate accounts of the different categories or sources of Income for tax purposes;
- (iv) allocate items of Income from the relevant categories or sources to the Member or former Member as part of the relevant Income Entitlements of the Member or former Member;
- (v) notify the Member or former Member; and
- (vi) record, in the accounts and records of the Trust, the allocation of the items of Income from the particular category or source to the Member or former Member.

11.9 Attribution of income under AMIT Regime – basis for attribution

- (a) For any AMIT Income Year, the Responsible Entity must, following the end of the Financial Year, attribute all of the Trust Components and Determined Trust Components of the Trust, or each Class in the Trust where there is an AMIT Class Election in force, to the Members or former Members under the AMIT Regime.
- (b) The Responsible Entity undertakes to perform attribution under clause 11.9(a) in accordance with the following principles:
 - (i) the amount of each Member's or former Member's Member Components and Determined Member Components of a particular character is so much of the Trust's Determined Trust Component of that particular character as is attributable to the units in the Trust held by the Member or former Member, having regard to the provisions of this constitution;

- (ii) the attribution must be worked out on a fair and reasonable basis, in accordance with this constitution and any other documents that constitute Constituent Documents for the Trust;
 - (iii) the Responsible Entity must not attribute any part of a Determined Trust Component to a Member or former Member because of the tax characteristics of the Member or former Member; and
 - (iv) if there is more than one Class on issue in the Trust and the Responsible Entity elects for each Class on issue in the Trust to be a separate AMIT under the AMIT Regime, each Class will be treated as a separate AMIT for the purposes of determining the attribution under clause 11.9(a).
- (c) Subject to clause 11.10, but without limiting the generality of paragraph 11.9(b), the Responsible Entity must attribute in respect of an AMIT Income Year:
- (i) to each Member or former Member, so much of the Determined Trust Components of the Trust or the relevant Class (where there is an AMIT Class Election in effect) as are reflected in any Income Entitlements that the Member or former Member has become entitled to during the Financial Year, including any Income Components arising on the redemption of Units in the Trust; and
 - (ii) to each Member or former Member of the Trust at a time or times specified in clause 11.3(c) ("**Relevant Time**"), so much of the Determined Trust Components of the Trust or the relevant Class (where there is an AMIT Class Election in effect) for the Financial Year as the Responsible Entity reasonably determines are reflected in any Income Entitlements that the Member or former Member would have received at the Relevant Time, if the Relevant Time was the end of a Distribution Period of the Trust or for each Class in the Trust if there is more than one Class on issue at the Relevant Time and the amount accumulated under clause 11.3(a) were the only amounts distributed for that Distribution Period.

11.10 Attribution of income under AMIT Regime – AMIT Class Election

Where there is an AMIT Class Election in effect, and without limiting the generality of clause 11.9:

- (a) in calculating the Determined Trust Components of each Class, the Responsible Entity must:
 - (i) in respect of Class Income of a Class, only include any Determined Trust Components that are reflected in that Class Income in the Determined Trust Components of that Class (and not any other Class); and
 - (ii) in respect of Class Expenses of a Class, only take those Class Expenses into account in determining the Trust Components of that Class (and not any other Class); and
- (b) the Responsible Entity must only attribute Determined Trust Components of a particular Class to Members of that Class (and not any other Class).

11.11 Attribution of income under AMIT Regime – Member objections

If a Member or former Member makes an objection or proposed objection in relation to how the Responsible Entity attributes the Trust Components and Determined Trust Components of the Trust or a particular Class (where there is an AMIT Class Election in effect) under the AMIT Regime for an AMIT Income Year:

- (a) the Member or former Member must:
 - (i) provide the Responsible Entity with written notice of the Member's or former Member's intention to make an objection at least five Business Days prior to notifying the Commissioner of Taxation of its objection;
 - (ii) include, in the notice provided to the Responsible Entity, a summary of the reasons why the Member or former Member considers the attribution to be inappropriate;
 - (iii) provide to the Responsible Entity any information the Responsible Entity reasonably requests in relation to the Member's or former Member's objection or proposed objection and proceeding in relation to the objection;
 - (iv) consent to the Responsible Entity becoming a party to any proceedings with the Commissioner of Taxation relating to the objection;
 - (v) indemnify the Responsible Entity against all costs and liabilities incurred by the Responsible Entity as a result of the objection or proposed objection; and
 - (vi) do, or omit to do, any other such acts, matters or things as the Responsible Entity reasonably requests in order to appropriately protect the interests or rights of other Members or former Members of the Trust in relation to the objection, proposed objection or any proceedings arising in relation to the objection;
- (b) the Responsible Entity may take such actions as it considers necessary, appropriate or reasonable to provide for the rights and interests of other Members or former Members of the Trust to be protected, including in dealings with the Commissioner of Taxation; and
- (c) the Responsible Entity may amend its attribution of income for tax purposes to Members based on the Responsible Entity's determination of what attribution is appropriate, and take such actions as the Responsible Entity determines is necessary to give effect to the amended attribution, including issuing or reissuing AMMA Statements to Members.

11.12 Unders/Overs

The Responsible Entity must address any Unders or Overs that arise in respect of an AMIT Income Year in accordance with the AMIT Regime. Subject to the Corporations Act, the Responsible Entity is not liable to any Member or former Member with respect to how it addresses any Unders or Overs provided that the Responsible Entity addresses them in accordance with the AMIT Regime and irrespective of whether any choices made by the Responsible Entity results in a different attribution outcome for the Member than if the Responsible Entity had not made the choice, or had made the choice in a different way.

11.13 Present entitlement – Division 6

- (a) Subject to clause 11.8, for any Financial Year that is not an AMIT Income Year, a person who at any time during the Financial Year is or has been a Member, is presently entitled to the Income of the Trust for the Financial Year as at the last day of the Financial Year, in the proportion that the Income Entitlements of the person in respect of the Financial Year bear to the sum of the Income Entitlements of all persons who are or have been Members at any time during the Financial Year.
- (b) The present entitlement of a person who at any time during the Financial Year is a Member to the Income of the Trust for a Financial Year is satisfied by the payment of the Income Entitlements to the person in respect of the Financial Year.

11.14 Reinvestment

- (a) The Responsible Entity may decide whether to permit or require the Members to reinvest some or all of any distribution to acquire Units.
- (b) If the Responsible Entity decides to permit or require reinvestment, it must notify Members of the procedure for reinvestment and any change in the procedure.
- (c) If reinvestment applies, the Responsible Entity is deemed to have received and Accepted an application to reinvest and the relevant application money at the end of the relevant Distribution Period.

11.15 Position on transfer of Units

A person who is or was a Member as at a Distribution Calculation Date remains entitled to their share (if any) of the Income under clause 11.5 despite any transfer, transmission or redemption of Units by or in respect of the person, being Units which gave rise to the entitlement.

11.16 Indefeasibility

Despite any other provision of this constitution, a person cannot be defeased of any share of the Income to which the person is entitled under clause 11.5.

11.17 Fractions

If the share of Income for a Member determined under clause 11.5 includes a fraction of a cent, the share is to be adjusted to the nearest cent below the amount calculated under clause 11.5 and the fraction of the cent becomes an Asset of the Trust.

11.18 Liability

The Responsible Entity does not incur any liability nor is it obliged to account to anyone (including any Member or former Member) nor is it liable for any loss or damage as a result of the exercise of any discretion or power under this clause 11 or under the AMIT Regime in respect of an AMIT Income Year, or in respect of any determination of fact or law made as part of, or as a consequence of, the exercise of such discretion or power despite any error or miscalculation in any provision made for Tax.

11.19 Member may direct

The Responsible Entity may act on a direction given by a Member in any form as the Responsible Entity requires to pay to a third party nominated in the direction

all or part of the Member's entitlement to Income and distributions of other amounts under this clause 11 or under clause 23 on winding up.

12 Payments

12.1 Payment method

Money payable by the Responsible Entity to a Member may be paid in any manner the Responsible Entity decides.

12.2 Cheques

Cheques issued by the Responsible Entity that are not presented within six months may be cancelled. Where a cheque which is cancelled was drawn in favour of a Member, the money is to be held by the Responsible Entity for the Member or paid by the Responsible Entity in accordance with the legislation relating to unclaimed moneys.

12.3 Electronic transfers

Where the Responsible Entity attempts to make a payment by electronic transfer of funds to a Member and the transfer is unsuccessful on three occasions, the money may be held by the Responsible Entity for the Member or paid by the Responsible Entity in accordance with the legislation relating to unclaimed moneys.

12.4 Rounding

Only whole cents are to be paid and any remaining fraction of a cent becomes an Asset.

12.5 Third party arrangements

The Responsible Entity may from time to time make available to Members a third party payment facility on terms and conditions determined by the Responsible Entity. Where, under the terms of a third party payment facility the Member requests that the proceeds of a redemption of Units be paid to a third party, the redemption proceeds may be paid to a third party in accordance with that request.

12.6 Transfer of Assets

- (a) The Responsible Entity may transfer Assets to a Member rather than pay cash in satisfaction of all or part of a redemption request, in payment of a distribution or as part of the winding up of the Trust, either:
 - (i) with the consent of the Member; or
 - (ii) if the Responsible Entity reasonably considers the transfer of Assets rather than cash is in the best interests of Members as a whole, without the consent of the Member which is to receive the transfer of Assets.
- (b) The Assets transferred, together with any cash paid, must be of equal value to the total amount due to the Member (based on a valuation which is consistent with the range of ordinary commercial practice for valuation of assets of that type and is reasonably current, having regard to the

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type of asset involved and prevailing market conditions³²). If paragraph (a)(i) applies, the costs involved in the transfer of these Assets must be paid by the Member or deducted from the amount due to the Member.

- (c) For the purposes of this clause 12.6 the Responsible Entity will be taken to have the transferred Assets to a Member or former Member where the Responsible Entity has done everything reasonably necessary on its part to convey the Assets to the Member or former Member.

12.7 Joint Members

A payment to any one of joint Members will discharge the Responsible Entity in respect of the payment.

12.8 Deduction of Tax or amounts owing

The Responsible Entity may deduct from any amount to be paid to a person who is or has been a Member, or received from a person who is or has been a Member, any amount of Tax (or an estimate of it) or any other amount owed by the Member to the Responsible Entity or any other person which the Responsible Entity is required or authorised to deduct by law or by this constitution or which the Responsible Entity considered should be deducted.

13 Powers of the Responsible Entity

13.1 General powers

- (a) Subject to this constitution, the Responsible Entity has all the legal capacity and powers both inside and outside Australia in respect of the Trust that it is possible under the law to confer on a trustee and as though the Responsible Entity were an individual who is the absolute owner of the Assets acting in their personal capacity.
- (b) The Responsible Entity is not and nothing in this constitution entitles the Responsible Entity to act as, the agent of any Member or Members.

13.2 Contracting powers³³

Without limiting clause 13.1, the Responsible Entity in its capacity as responsible entity of the Trust has power to incur all types of obligations and liabilities including:

- (a) to borrow and raise money (whether or not on a secured basis and in any manner whatsoever including all forms of financial accommodation and debt facilities);
- (b) to grant all types of security (whether for the obligations of the Responsible Entity or another person);
- (c) to grant guarantees and indemnities; and
- (d) to enter into derivatives.

³² ASIC RG 134.179

³³ Required to be included by Section 601GA(3)

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13.3 Investment and lending powers

Without limiting clause 13.1, the Responsible Entity may in its capacity as responsible entity of the Trust invest in, dispose of or otherwise deal with property and rights in its absolute discretion.³⁴ This includes power to:

- (a) invest the whole or part of the Assets in a single type of asset, or in trusts managed or controlled by the Responsible Entity or its related body corporate, or such other investments as the Responsible Entity determines; and
- (b) lend money and on-lend or provide financial accommodation to any person.

13.4 Power of delegation³⁵

- (a) The Responsible Entity may authorise any person to act as its agent or delegate (in the case of a joint appointment, jointly and severally) to hold title to any Asset, perform any act or exercise any discretion within the Responsible Entity's power, including the power to appoint in turn its own agent or delegate.
- (b) The Responsible Entity may include in the authorisation provisions to protect and assist those dealing with the agent or delegate as the Responsible Entity thinks fit.
- (c) The agent or delegate may be an associate of the Responsible Entity.³⁶

13.5 Terms of delegation

The Responsible Entity may include provisions in the authorisation provisions to protect and assist those dealing with the agent or delegate and to limit the Responsible Entity's liability, as the Responsible Entity thinks fit.

13.6 Exercise of discretion

Subject to this constitution, the Responsible Entity may in its absolute discretion decide how, when and how often to exercise its powers.

13.7 Underwriting

Subject to the Corporations Act, the Responsible Entity may enter into an agreement with a person (including an associate of the Responsible Entity) to underwrite the subscription or purchase of Units or to manage the offer of Units on such terms as the Responsible Entity determines. Unless the agreement expressly states otherwise, the underwriter or offer manager will not be an agent or delegate of the Responsible Entity.

13.8 Voting

Subject to the Corporations Act, and without limiting clause 13.1, the Responsible Entity may exercise all voting rights conferred by the Assets at its absolute discretion.

³⁴ Subject to Section 601FC(4)

³⁵ See also Section 601FB.

³⁶ Subject to Part 5C.7

13.9 AMIT powers

- (a) The Responsible Entity has, in addition to its other rights and powers provided for under the constitution:
- (i) the power make an election to determine the Trust to be an AMIT
 - (ii) where there is more than one Class on issue, the power to make an AMIT Class Election; and
 - (iii) in respect of an AMIT Income Year, all of the powers and rights which are necessary or desirable to enable the Trust to:
 - (A) be eligible to apply the AMIT Regime;
 - (B) comply with the requirements of the AMIT Regime;
 - (C) be properly administered and operated under the AMIT Regime; and
 - (D) maintain equity between the Members as a result of the operation of the AMIT Regime.
- (b) The Responsible Entity may under the AMIT Regime in respect of an AMIT Income Year:
- (i) determine the taxable income of the Trust or each Class (as appropriate) for each Financial Year, including a determination of the taxable income of a particular category, source or character for tax purposes. This includes all of the relevant Determined Trust Components and Trust Components;
 - (ii) make an attribution of the taxable income of the Trust or each Class to Members under the AMIT Regime, including an attribution of taxable income of a particular category, source or character for tax purposes. This includes all of each Member's Determined Member Components and Member Components;
 - (iii) make an alteration to the Responsible Entity's determination of the taxable income of the Trust or each Class for a Financial Year, or the Responsible Entity's attribution of the taxable income of the Trust or each Class to Members under the AMIT Regime, including a determination or attribution of taxable income of a particular category, source or character for tax purposes. This includes making alterations to the relevant Determined Trust Components and Determined Member Components as a result of any Unders or Overs;
 - (iv) determine whether to issue an AMMA Statement to any Member of the Trust;
 - (v) determine what information should be contained in any such AMMA Statement, and any other content of the AMMA Statement;
 - (vi) issue an AMMA Statement to any Member;
 - (vii) amend an AMMA Statement that has been issued to Members, and the basis on which the AMMA Statement issued to Members will be amended;

- (viii) require a Member to provide the Responsible Entity with an indemnity in respect of any Tax incurred by the Responsible Entity as a result of the application of the AMIT Regime. This includes any Tax paid by the Responsible Entity as a result of:
- (A) the Trust or each Class having a shortfall for the purposes of section 276-405, 276-415, 276-420 or 276-425 of the Tax Act;
 - (B) the Trust or each Class having an excess for the purposes of section 276-410 of the Tax Act;
 - (C) the Trust or each Class having a trust component deficit relating to a tax offset under section 276-340 of the Tax Act; or
 - (D) the Responsible Entity making a deemed payment under section 12A-205 of the TAA 1953 to an entity covered by section 12-410 of the TAA 1953 or an entity that is not an Australian resident for the purposes of the Tax Act,
- (ix) require a Member to provide the Responsible Entity with an indemnity in respect of any cost or expenses incurred by the Responsible Entity as a result of the Member making a Member Objection Choice; and
- (x) determine how the Member must indemnify the Responsible Entity, pursuant to an indemnity required by the Responsible Entity under clauses 13.9(b)(viii) or 13.9(b)(ix) above.

13.10 Limitation of liability for AMIT Regime powers

To the maximum extent permitted by law including the Corporations Act, the Responsible Entity does not incur any liability nor is it obliged to account to anyone (including any Member or former Member) nor is it liable for any loss or damage as a result of the exercise of any power, discretion or choice under clause 13.9, or in respect of any determination of fact or law made as part of, or as a consequence of, any exercise of such a power, discretion or choice despite any error or miscalculation in any provision made for Tax.

13.11 Clearly Defined Rights

Any power, right or discretion conferred on the Responsible Entity under the terms of this Constitution will be read down or regarded as void to the extent necessary to ensure that the Trust will have Clearly Defined Rights.

14 Retirement of Responsible Entity

14.1 Voluntary retirement

The Responsible Entity may retire as the responsible entity of the Trust as permitted by law³⁷.

³⁷ See Section 601FL. The change does not take effect until the ASIC alters its records: Section 601FJ

14.2 Compulsory retirement

The Responsible Entity must retire as the responsible entity of the Trust when required by law³⁸.

14.3 New responsible entity

Any replacement Responsible Entity must execute a deed by which it covenants to be bound by this constitution as if it had originally been a party to it.

14.4 Release

When it retires or is removed, the Responsible Entity, subject to the Corporations Act, is released from all obligations in relation to the Trust arising after the time it retires or is removed.³⁹

15 Notices to Members

15.1 Form

Subject to the Corporations Act, a notice or other communication required to be given to a Member in connection with the Trust must be given in writing (including by fax, email or other electronic means) or in any other manner as the Responsible Entity determines (including a notification that it is available by electronic means). It must be delivered or sent to the Member at their physical or electronic address last advised to the Responsible Entity for delivery of notices.

15.2 Cheques

A cheque payable to a Member may be posted to their physical address or handed to them or a person authorised in writing by them.

15.3 Joint Members

In the case of joint Members, their physical or electronic address means the physical or electronic address of the Member first named in the Register.

15.4 When notice received

Subject to the Corporations Act a notice or other communication sent to a Member:

- (a) by post is taken to be received on the Business Day after it is posted;
- (b) by fax is taken to be received in one hour; and
- (c) by email or other electronic means is taken to be received one hour after it is sent if the sender has not received a notice of non-delivery.

A cheque is taken to be received on the Business Day after it is posted.

Proof of actual receipt is not required. Subject to the law, the Responsible Entity may determine the time at which other forms of communication will be taken to be received.

³⁸ See Section 601FM and 601FA.

³⁹ See section 601FR for the Responsible Entity's obligation to transfer records, etc. Section 601FS restricts this release.

16 Notices to the Responsible Entity

16.1 Form of Notice

A notice required under this constitution to be given to the Responsible Entity must be given in writing including by fax, or in such other manner as the Responsible Entity determines.

16.2 When notice received

A notice to the Responsible Entity is effective only at the time of receipt in legible form.

16.3 Signature

The notice must bear the actual, facsimile or electronic signature of the Member or their duly authorised officer or representative⁴⁰ unless the Responsible Entity dispenses with this requirement.

17 Meetings of Members

17.1 Convening of meetings

The Responsible Entity may at any time convene a meeting of Members and must do so if required by the Corporations Act.⁴¹

17.2 Members' request for meeting

The provisions of the Corporations Act apply to determine the circumstances if any in which a meeting must be convened on the request of Members.

17.3 Notice Period

The requirements for notice of meetings of Members are governed by the Corporations Act.

17.4 Responsible Entity may determine

Subject to this clause 17 and the Corporations Act⁴², the Responsible Entity may determine the time and place at which a meeting of Members will be convened and the manner in which the meeting will be conducted, including a meeting of Members at two or more venues using any technology that gives the members as a whole a reasonable opportunity to participate.

17.5 Quorum

- (a) The quorum for a meeting of:
 - (i) Members of the Trust is at least 2 Members of the Trust present in person or by proxy together holding at least 5% of all Units of the Trust; and

⁴⁰ See Clause 18.3(c)

⁴¹ Refer Part 2G.4

⁴² Refer Part 2G.4

- (ii) Members of a Class in the Trust, is at least 2 Members present in person or by proxy together holding at least 5% of all Units in that Class,

or such other quorum as is specified in the Corporations Act.

- (b) If the Trust or a Class has only one Member who may vote on a Resolution, the Member constitutes a quorum at a meeting of the Members or the Members of the Class.

17.6 No quorum

If a quorum is not present within 15 minutes after the scheduled time for the meeting, the meeting is:

- (a) if convened on the requisition of Members - dissolved; or
(b) otherwise - adjourned to any place and time as the Responsible Entity decides.

At any adjourned meeting, those Members present in person or by proxy constitute a quorum.

17.7 Chairman

Subject to the Corporations Act⁴³ the Responsible Entity may appoint a person to chair a meeting of Members.

17.8 Conduct of meeting

The decision of the chairman on any matter relating to the conduct of the meeting is final.

17.9 Adjournment

The chairman has power to adjourn a meeting for any reason to a place and time as the chairman thinks fit.

17.10 Postponement or cancellation

The chairman has power to cancel a meeting or postpone a meeting for any reason to a place and time as the chairman thinks fit.

17.11 Voting

Subject to clause 17.14 the provisions of the Corporations Act governing voting for meetings of members of Registered Schemes apply to the Trust.

17.12 Proxies

Subject to clause 17.13, the provisions of the Corporations Act governing proxies for meetings of members of Registered Schemes apply to the Trust.⁴⁴

⁴³ Refer Part 2G.4 and Section 601FC(1)

⁴⁴ This provision is included for completeness – while the Trust is a Registered Scheme, the law operates of its own force.

17.13 Validity of proxy

The Responsible Entity may determine that the appointment of a proxy is valid even if it contains only some of the information required by the Corporations Act.

17.14 Demand for a poll

A poll may be demanded by the chairman, or by the Members present in person proxy at least 5% of Units.

17.15 Resolutions binding

A Resolution by:

- (a) Members, binds all Members; or
- (b) Members of a Class, binds all Members of that Class,

whether or not they voted or were present at the meeting (in the case of a Resolution passed at a meeting) or whether or not they signed the Resolution (in the case of a Resolution in writing).

17.16 Objection at meeting

No objection may be made to any vote cast unless the objection is made at the meeting.

17.17 Non-receipt

If a Member does not receive a notice (including if a notice was accidentally omitted to be given to them) the meeting is not invalidated.

18 Rights and liabilities of Responsible Entity

18.1 Holding Units

The Responsible Entity and its associates may hold Units in the Trust or interests in any trust or company which is an associate of any of them in any capacity⁴⁵.

18.2 Other capacities

Subject to the Corporations Act⁴⁶, the Responsible Entity (and any of its associates to the extent applicable) may:

- (a) deal with itself (as responsible entity of the Trust or in another capacity), its associates or with any Member, including to engage any of its associates to provide services to the Responsible Entity;
- (b) be interested in any contract or transaction with itself (as responsible entity of the Trust or in another capacity), its associates or with any Member or any other person including without limitation a contract or arrangement under which the Responsible Entity is entitled to receive fees or reimbursement of expenses in relation to the Trust or its office as responsible entity from a third party such as a sponsor or investment manager of the Trust; or

⁴⁵ See Section 601FG, Section 253E and Part 5C.7

⁴⁶ Refer Part 5C.7

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- (c) act in the same or a similar capacity in relation to any other managed investment scheme or trust,

or retaining for its own benefit any profits or benefits derived from any such contract or transaction.

18.3 Responsible Entity may rely

The Responsible Entity may take and may act on:

- (a) the opinion or advice of counsel or solicitors, whether or not instructed by the Responsible Entity, in relation to the interpretation of this constitution or any other document or generally in connection with the Trust;
- (b) advice, opinions, statements or information from any bankers, accountants, auditors, valuers and other persons consulted by the Responsible Entity who are believed by the Responsible Entity in good faith to be expert in relation to the matters on which they are consulted;
- (c) a document which the Responsible Entity believes in good faith to be the original or a copy of an appointment by a Member of a person to act as their agent for any purpose connected with the Trust; and
- (d) any other document provided to the Responsible Entity in connection with the Trust on which it is reasonable for the Responsible Entity to rely;

and the Responsible Entity will not be liable for anything done, or omitted by it in good faith in reliance on any opinion, advice, statement, information or document.

19 Limitation of liability and indemnity in favour of Responsible Entity

19.1 Limitation on Responsible Entity's liability

- (a) The Responsible Entity is not liable in contract, tort or otherwise to Members for any loss suffered in any way relating to the Trust except to the extent that the Corporations Act imposes such liability.
- (b) Subject to the Corporations Act, the liability of the Responsible Entity to any person other than a Member in respect of the Trust (including in respect of any contracts entered into as responsible entity of the Trust or in relation to any Assets) is limited to the Responsible Entity's ability to be indemnified from the Assets.

19.2 Indemnity in favour of Responsible Entity

The Responsible Entity is entitled to be indemnified out of the Assets for any liability incurred by it in:

- (a) properly performing its duties in relation to the Trust; or
- (b) exercising any of its powers in the proper performance of its duties in relation to the Trust⁴⁷.

⁴⁷ See Section 601GA(2)

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19.3 Liability for agents

To the extent permitted by the Corporations Act⁴⁸, and otherwise without limitation the indemnity under clause 19.2 includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity.

19.4 Indemnity continues

The indemnity is in addition to any indemnity allowed by law. It continues to apply after the Responsible Entity retires or is removed as responsible entity of the Trust.

19.5 Right of indemnity not affected by unrelated breach

Where a Liability is incurred pursuant to the proper performance of the Responsible Entity's duties in relation to the Trust or the exercise of the Responsible Entity's powers in the proper performance of its duties in relation to the Trust, the Responsible Entity may exercise any of its rights of indemnification or reimbursement out of the Assets to satisfy that Liability to any creditor or the Responsible Entity (in its capacity as responsible entity of the Trust), despite any loss the Trust may have suffered or any diminution in the value of Assets as a consequence of any unrelated act or omission by the Responsible Entity or by any person or entity acting on behalf of the Responsible Entity.

20 Liability of Members

20.1 Liability limited

Subject to clauses 20.3, 20.4 and 20.6 and any separate agreement or acknowledgement by the Member, the liability of a Member is limited to the amount if any which remains unpaid in relation to the Member's subscription for their Units.

20.2 Member need not indemnify

Subject to clauses 20.3 and 20.4, a Member need not indemnify the Responsible Entity if there is a deficiency in the Assets or meet the claim of any creditor of the Responsible Entity in respect of the Trust.

20.3 Tax or User Pays fees

The Responsible Entity is entitled to be indemnified by a Member or a person who was at any time a Member in respect of a Taxation Amount to the extent that the Responsible Entity incurs any liability for Tax or User Pays Fees, as applicable, as a result of:

- (a) that Member's or person's action or inaction; or
- (b) an act or omission requested by that Member or person; or
- (c) any other matter arising in connection with Units held by that Member or person.

but, in the absence of any separate agreement with the Member or person, is not otherwise entitled to be indemnified by them.

⁴⁸ See Sections 601FB(2) and 601GA(2)

20.4 Right of indemnity for tax – AMIT

- (a) Without limiting the generality of clause 20.3, each Member is required to indemnify the Responsible Entity for:
 - (i) any Tax payable by the Responsible Entity for an AMIT Income Year in the circumstances contemplated in clause 13.9(b)(viii) which the Responsible Entity reasonably determines relates to the Member, Units held by the Member, or an attribution of taxable income made to the Member; and
 - (ii) any other costs, expenses or liabilities incurred by the Responsible Entity as a result of being liable to such Tax, and claiming on the indemnity provided by the Member under clause 20.4(a)(i).
- (b) The Responsible Entity may prescribe particular terms and conditions which apply in the event that the Responsible Entity is entitled to be indemnified by a Member under this clause 20.4, or under the AMIT Regime for an AMIT Income Year.
- (c) Each Member agrees that the Responsible Entity may, if it is entitled to be indemnified by the Member under clause 20.4, or under the AMIT Regime for an AMIT Income Year, undertake the following actions in order to satisfy that indemnity:
 - (i) deduct from any amounts owing to the Member the aggregate of any amounts which the Responsible Entity is entitled to be indemnified under clause 20.4, or under the AMIT Regime; and
 - (ii) compulsorily redeem such number of Units held by the Member which the Responsible Entity reasonably determines is sufficient to cover the amounts which the Responsible Entity is entitled to be indemnified under clause 20.4, or under the AMIT Regime.

20.5 Joint Members

Joint Members are jointly and severally liable in respect of all payments including payments of Tax and User Pays Fees to which clauses 20.3 or 20.4 apply.

20.6 Recourse

In the absence of separate agreement with a Member and subject to clauses 20.3 and 20.4, the recourse of the Responsible Entity and any creditor, and any person claiming through them against a Member is limited to the Assets.

20.7 Restrictions

A Member:

- (a) must not interfere with any rights or powers of the Responsible Entity under this constitution;
- (b) must not exercise a right in respect of an Asset or lodge a caveat or other notice affecting an Asset or otherwise claim any interest in an Asset; and
- (c) may not require an Asset to be transferred to them.

21 Remuneration and expenses of Responsible Entity

21.1 Fees payable from the Assets

The fees in clauses 21.3, 21.4 and 21.5 are payable to the Responsible Entity out of the Assets.

21.2 Fees subject to Corporations Act

The fees in clauses 21.3, 21.4 and 21.5 may only be paid to the Responsible Entity to the extent they are payable in relation to the proper performance of the Responsible Entity's duties as responsible entity of the Trust.⁴⁹

21.3 Application fee

- (a) The Responsible Entity is entitled to be paid in respect of the processing of each application for Units which it Accepts a fee of up to 6% of the application money.
- (b) The application fee is payable from the Assets immediately after the Units are issued. When calculating the number of Units to be issued an amount equal to the GST-inclusive application fee less the corresponding input tax credit (if any) to which the Trust is entitled must first be deducted from the value of the application money or property.

21.4 Management fee

The Responsible Entity is entitled to a management fee of 2% per annum of the Gross Value of the Assets calculated and accrued daily. The management fee is payable within 14 days of the end of the month, first out of income of the Trust and then out of capital.

21.5 Redemption fee

- (a) The Responsible Entity is entitled to be paid in respect of each Unit redeemed a redemption fee of 6% of the Redemption Price for processing the redemption request.
- (b) The redemption fee is payable from the Assets immediately after the relevant redemption has been effected, and the amount of the GST-inclusive redemption fee attributable to the Units redeemed (less the corresponding input tax credit if any to which the Trust is entitled) is to be deducted from the amount of redemption proceeds payable to the Member or former Member whose Units have been redeemed.

21.6 Separate Arrangements for fees

Subject to the Corporations Act and any ASIC Relief, the Responsible Entity may make separate arrangements from time to time with any Member concerning the payment by the Member of management fees to the Responsible Entity whether on a uniform or differential basis. Such fee must not be paid out of the Assets.

21.7 Adviser Monitoring Fee

The Responsible Entity may make separate arrangements from time to time with any Member concerning the payment by the Member of adviser monitoring fees. Where such an arrangement is entered into between a Member and the Responsible Entity, the fee may be paid by the cancellation of the required

⁴⁹ See section 601GA(2) and ASIC RG 134.122

number of Units held by the Member to satisfy the payment of the fee or by such other means as determined by the Responsible Entity and agreed by the Member. Adviser monitoring fees must not be paid out of the Assets.

21.8 Deferral and waiver of fees

- (a) The Responsible Entity may accept lower fees than it is entitled to receive under this constitution, or may defer payment for any period and may also charge variable fees in relation to any Class or Members generally, if and to the extent permitted by the Corporations Act (including the conditions of any applicable ASIC Relief), based on bands, tiers or other criteria nominated in the relief instrument or by the Responsible Entity.
- (b) If payment is deferred, the relevant fee accrues daily until paid.

21.9 Expenses

All expenses incurred by the Responsible Entity in connection with the Trust are payable or reimburseable out of the Assets but reimbursement or payment is only available in relation to the proper performance of the Responsible Entity's duties as responsible entity of the Trust. This includes expenses connected with:

- (a) this constitution and the formation of the Trust;
- (b) the preparation, review, distribution and promotion of any product disclosure statement, reference guide or offering memorandum in respect of Units or other promotion of the Trust;
- (c) the acquisition, disposal, insurance, custody (including custodian fees) and any other dealing with Assets;
- (d) any proposed acquisition, disposal or other dealing with an investment
- (e) borrowing arrangements and raising money on behalf of the Trust or guarantees in connection with the Trust, including hedging costs, and costs relating to interest rate swaps or any gearing facility;
- (f) the negotiation, amendment, variation or termination of the Management Services Agreement;
- (g) the payment of any base or performance fees and expenses payable to the Manager;
- (h) the administration or management of the Trust or its Assets and Liabilities, including expenses in connection with maintaining the Register and dealings with Units;
- (i) underwriting or managing any subscription or purchase of Units, including underwriting, offer management and brokerage fees and commission, handling fees, costs and expenses, amounts payable under indemnity or reimbursement provisions in an underwriting, offer management or broking agreement and any amounts becoming payable in respect of any breach (other than for negligence, fraud or breach of duty) by the Responsible Entity of its obligations, representations or warranties under such agreement;
- (j) convening and holding meetings of Members, the implementation of any Resolutions and communications with Members;

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- (k) Tax, including any amount charged by a person making a supply to the Responsible Entity (by way of or as a reimbursement for GST) and financial institution fees;
- (l) the engagement of agents, valuers, contractors and advisers (including legal advisers), whether or not the agents, valuers, contractors or advisers are associates of the Responsible Entity;
- (m) accounting and compliance with taxation laws and procedures (whether internal expenses of the Responsible Entity or paid to third parties) and the preparation and audit of the taxation returns and accounts of the Trust;
- (n) termination of the Trust and the retirement or removal of the Responsible Entity and the appointment of a replacement;
- (o) any court proceedings, arbitration or other dispute concerning the Trust including proceedings against the Responsible Entity, except to the extent that the Responsible Entity is found by a court to be in breach of trust or to have been grossly negligent, in which case any expenses paid or reimbursed under this paragraph must be repaid;
- (p) all damages, expenses, payments, legal and other costs and disbursements incurred by the Responsible Entity in relation to or in connection with any claim, dispute or litigation (“**Claim**”) arising as a result of or in connection with any untrue representation or warranty contained in any document relating to any investment by the Trust including any project document in connection with the investment and any offering document or borrowing document in connection with the Trust except where the Claim arises out of the fraud or wilful default of the Responsible Entity;
- (q) any compliance committee established by the Responsible Entity in connection with the Trust, including any fees paid to or insurance premiums⁵⁰ in respect of Compliance Committee Members;
- (r) while there is no compliance committee, any costs and expenses associated with the board of directors of the Responsible Entity carrying out the functions which would otherwise be carried out by a compliance committee, including any fees paid to or insurance premiums in respect of external directors whose appointment or tenure satisfies the requirements of Chapter 5C of the Corporations Act;
- (s) fees payable to any audit committee of the Trust
- (t) the preparation, implementation, amendment and audit of the compliance plan;
- (u) the cost of handling complaints from Members and resolving disputes with them, including the cost of membership of an external dispute resolution scheme; and
- (v) the cost of the Responsible Entity employing a compliance officer to carry out compliance duties under the compliance plan, in so far as the allocation of their time is attributable to matters connected with the Trust.

⁵⁰ See Section 601JG

In this clause 21.9, "Expenses" includes amounts paid by the Responsible Entity to related bodies corporate for services where the expenses would have been reimbursable had they been incurred by the Responsible Entity.

21.10 GST

Except where stated otherwise, all amounts in this constitution do not include any amount payable on account of GST. If the Responsible Entity is or becomes liable to pay GST in respect of any supply under or in connection with this constitution then, in addition to any fee or other amount or consideration payable to the Responsible Entity in respect of the supply, the Responsible Entity is entitled to be paid out of the Assets an additional amount on account of GST. This amount to be calculated by multiplying the fee, amount or consideration for the part of the supply which is a taxable supply for GST purposes by the prevailing rate of GST. This clause does not apply to supplies in respect of which the relevant fees are expressed as GST inclusive in this constitution.

In relation to fees that are expressed as GST inclusive in this constitution this clause applies only to the extent to which there has been an increase in the rate of GST, so that the new GST inclusive fee is determined by converting the existing GST inclusive fee to a GST exclusive figure and multiplying it by the new prevailing rate of GST.

If the Responsible Entity is not entitled to an input tax credit in respect of the amount of any GST charged or recovered from the Responsible Entity by any person, or payable by the Responsible Entity by way of reimbursement of GST referable directly or indirectly to any supply made under or in connection with this constitution, the Responsible Entity is entitled to recover from the Trust by way of reimbursement an additional amount equivalent to the amount of the input tax.

21.11 Amendment of fee provisions is contemplated

Without limiting clause 24, the Responsible Entity has power to amend any part of this clause 21 with the effect of increasing or decreasing any amount of fees due to it, or introducing new types of fees, or to otherwise amend, delete or replace any of the provisions of this clause 21, if the Responsible Entity complies with any applicable requirements of the Corporations Act relating to:

- (a) amending the constitution of a Registered Scheme,⁵¹ and
- (b) increasing fees or charges in relation to a Registered Scheme.

22 Duration of the Trust

22.1 Initial settlement

The Trust commences when a person subscribes \$10 (or another amount determined by the Responsible Entity), or, at the discretion of the Responsible Entity, transfers property acceptable to the Responsible Entity for Units in the Trust and the Responsible Entity issues Units to that person in return for that payment or transfer. The Application Price for Units issued under this clause is \$1.00.

22.2 Termination

The Trust terminates on the earliest of:

⁵¹ Section 601GC.

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- (a) a date which the Members determine by extraordinary resolution (as defined in the Corporations Act); or
 - (b) a date determined by the Responsible Entity and advised to Members by notice in writing not less than 60 days before the proposed date of termination; and
 - (c) the date on which the Trust terminates in accordance with another provision of this constitution or by law.⁵²

22.3 Change in taxation

If at any time legislation is enacted the result of which is that the Responsible Entity is liable to pay any income tax or capital gains tax (other than withholding tax or tax of a similar nature) on the income of the Trust other than income not distributed to Members or under the AMIT Regime, the Responsible Entity may call a meeting of the Members to consider winding up the Trust and if by special resolution the meeting so decides, the Responsible Entity may wind up the Trust.

22.4 Restriction on issue and redemption of Units

Despite any other provisions in this constitution, no Units may be issued or redeemed after the 80th anniversary of the day preceding the day the Trust commenced, unless that issue or redemption would not offend the rule against perpetuities, or any other rule of law or equity.

The perpetuity period for the purposes of section 5 of the *Perpetuities and Accumulations Act 1968 (Vic)* is the period of 80 years from the day before the commencement of the Trust. The specification of a perpetuity period in this clause 22.4 does not require that the Trust terminate on the expiration of that period.

23 Procedure on termination

23.1 Realisation of Assets and payment of expenses

Following termination, the Responsible Entity must:

- (a) realise the Assets, except to the extent that it determines to distribute Assets to Members in accordance with clause 12.6 pro rata according to their holding of Units as part of the winding up of the Trust; and
- (b) make payments (or set aside estimated amounts) from the Assets to pay the Trust's expenses and liabilities, and the costs or anticipated costs of winding up the Trust. These amounts will reduce the proceeds of winding up that a Member may otherwise receive, but a Member is not required to pay any of these amounts from their own funds.⁵³

To the extent that realisation of Assets is required, it must be completed in 180 days if practical and in any event as soon as possible after that. The Responsible Entity may, however, postpone realisation of the Assets or any Asset if the Responsible Entity reasonably considers it would be in the best interests of Members to do so, and the Responsible Entity is not responsible for any consequent loss or damage attributable to that postponement.

⁵² See Part 5C.9 on winding up.

⁵³ ASIC RG 134.193.

23.2 Auditor and liquidator

- (a) The Responsible Entity must arrange for an independent audit of the final accounts of the Trust by a registered company auditor.⁵⁴
- (b) If the Trust is to be wound up because its Liabilities exceed its Assets or there is expected to be insufficient cash for the Responsible Entity to meet Liabilities from the Assets as and when they fall due, the Responsible Entity may appoint an appropriately qualified liquidator to carry out the winding up, and delegate to the liquidator the powers of the Responsible Entity under this constitution as necessary to facilitate the winding up.⁵⁵

23.3 Distribution following termination

Subject to any rights, obligations and restrictions attaching to any particular Unit or Class which are specified in this constitution, the net proceeds of realisation, after making allowance for all Liabilities of the Trust (actual and anticipated) including entitlements of Members to a share of Income, meeting the expenses (including anticipated expenses) of the termination and taking into account Assets which are to be distributed pro rata to Members in accordance with the following formula for the amount a particular Member is to receive:

$$CE = \frac{UV}{AUV}$$

where

CE is the proportion of the distribution to which the Member is entitled;

UV is the sum of the Redemption Price for all Units held by the Member in the Trust at the date of distribution calculated by:

- (i) disregarding clause 8.2(a);
- (ii) determining each of the variables in clauses 8.1(a) and clause 8.1(b) (whichever is applicable) at the date of distribution; and
- (iii) assuming all Units held by the Member at the relevant time were to be redeemed at the date of distribution;

AUV is the aggregate of the Redemption Price for all Units on issue in the Trust at the date of distribution calculated by:

- (i) disregarding clause 8.2(a);
- (ii) determining each of the variables in clause 8.1(a) and clause 8.1(b) (whichever is applicable) at the date of distribution; and
- (iii) assuming all Units held by the Member at the relevant time were to be redeemed at the date of distribution.

The Responsible Entity may distribute any Assets and the net proceeds of realisation in instalments.

⁵⁴ ASIC RG 134.201, 134.202.

⁵⁵ See ASIC RG 134.199.

23.4 Provisions continue to apply

Subject to the Corporations Act and this constitution, the provisions of this constitution continue to apply from the date of termination until the date of final distribution under clause 23.3, but during that period:

- (a) the Responsible Entity may not accept any applications for Units from a person who is not an existing Member and the Responsible Entity is under no obligation to consider or process redemption requests received; and
- (b) the Responsible Entity may not accumulate an amount under clause 11.3 for the last Distribution Period of the Trust.

24 Amendments to this constitution

24.1 Responsible Entity may amend

Subject to the Corporations Act⁵⁶, this constitution may be amended:

- (a) by Resolution;⁵⁷ or
- (b) by deed executed by the Responsible Entity.

If the constitution is amended by Resolution, the Responsible Entity may give effect to the amendments by executing a supplemental deed.

25 Regulatory provisions and paramountcy

25.1 Corporations Act and ASIC Relief

- (a) If the Corporations Act requires that this constitution contain certain provisions, or if ASIC Class Order [CO 13/655] or any other ASIC Relief on which the Responsible Entity has determined it wishes to rely or which is expressly applicable to the Trust and the Responsible Entity requires provisions to a certain effect to be contained in this constitution in order for the ASIC Relief to apply ("**Required Provisions**"); or
- (b) if any part of this constitution (a "**Required Part**") is included to comply with the requirements of the Corporations Act or ASIC ("**Regulatory Requirement**") and that Regulatory Requirement ceases or changes,

then, to the extent the Corporations Act allows, this constitution is taken to be amended so that the Required Provisions are included as separate provisions, or the Required Part is deleted or amended to reflect the amended Regulatory Requirement. The Required Provisions prevail over any other provisions of this constitution to the extent of any inconsistency.

The Members:

- (i) authorise the Responsible Entity to make the amendments referred to in this clause 25.1 in a deed and, if required, to lodge it with ASIC; and
- (ii) agree that, subject to the Corporations Act, their rights under this constitution do not include or extend to a right not to have this

⁵⁶ See Section 601GC for power to amend the constitution. The amendment cannot take effect until a copy of the modification is lodged with the ASIC

⁵⁷ The required majority under section 601GC(1)(a) is 75%.

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constitution amended to comply with a Regulatory Requirement or to include Required Provisions.

Changes in the text of the constitution to which this clause 25.1 applies are made pursuant to the power in clause 24.1, but in respect of those changes, the requirements of clause 24.1 are to be read subject to this clause 25.1.

25.2 Paramountcy of provisions

Subject to the Corporations Act, clause 25.1 and provisions taken to be included or amended under it prevail over other provisions of this constitution to the extent of any inconsistency.

26 Compliance committee

If any Compliance Committee Member incurs a liability in that capacity in good faith, the Compliance Committee Member is entitled to be indemnified out of the Assets in respect of that liability to the extent permitted by the Corporations Act⁵⁸.

27 Complaints

If a Member or former Member submits to the Responsible Entity a Complaint, in relation to the Trust, the Responsible Entity:

- (a) must, if the Member or former Member is a Retail Client, comply with the requirements of section 912A(2) of the corporations Act applicable to the Complaint;⁵⁹ and
- (b) in respect of a Complaint from a Member or former Member who is not a Retail Client:⁶⁰
 - (i) must acknowledge receipt of the Complaint as soon as possible and in any event within 14 days from receipt;⁶¹
 - (ii) must ensure that the Complaint receives proper consideration resulting in a determination by a person or body designated by the Responsible Entity as appropriate to handle complaints;
 - (iii) where the Complaint relates to an error which is capable of being corrected without affecting the rights of third parties, act in good faith to deal with the Complaint by endeavouring to correct the error;
 - (iv) may give any of the following remedies to the complainant:
 - (A) information and explanation regarding the circumstances giving rise to the Complaint;

⁵⁸ See section 601JF.

⁵⁹ See ASIC RG 134.336.

⁶⁰ The Responsible Entity may treat retail and wholesale clients differently for this purpose – see RG 134.146 and [CO 13/656].

⁶¹ Australian compliance standard AS ISO 10002 – 206 was adopted in ASIC RG 165 (for financial services licensees) effective 1 January 2010. It states that the provider should “aim” to respond to complaints immediately. The Responsible Entity may wish to include this in their complaints handling policy.

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- (B) an apology; or
- (C) compensation for loss incurred by the Member or former Member as a direct result of any breach; and
- (v) must communicate to the complainant as soon as practicable and in any event not more than 45 days after receipt by the Responsible Entity of the Complaint:
- (A) the determination in relation to the Complaint;
- (B) any remedies available to the Member or former Member; and
- (C) information regarding any further avenue for complaint.

EXECUTED as a deed poll⁶²

⁶² See ASIC RG 134.209.

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Constitution of the Watermark Absolute Return Fund

Schedule 1 – Finding list – Corporations Act

This list is included to assist ASIC in identifying the provisions in this constitution which satisfy the requirements of the Corporations Act for constitutions of registered managed investment schemes.

Corporations Act	Constitution
601GA	
(1)(a)	6.1 - 6.4
(1)(b)	13.1 - 13.3
(1)(c)	27
(1)(d)	23
(2)	19.2 - 19.5, 21.1 - 21.11
(3)	13.2, 13.3
(4)(a)	Not Applicable
(4)(b)	Not Applicable
(4)(c)	9.8 - 9.11, 8.1 - 8.4
601GB	1.4

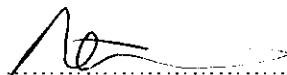
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Constitution of the Watermark Absolute Return Fund

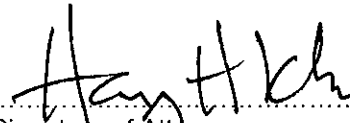
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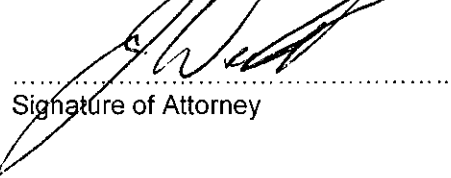
DATED: 18/01/2019

EXECUTED by EQUITY TRUSTEES
LIMITED ACN 004 031 298 by its
attorneys under Power of Attorney
dated 27th May 2016 in the presence of:


.....
Signature of witness

REBECCA MCCRATH
.....
(Print name)


.....
Signature of Attorney
Harvey Hillary Kalman
Authorised Person - Schedule II
Equity Trustees Limited
ACN 004 031 298
.....
Name of Attorney & Schedule Number


.....
Signature of Attorney
Janine West
Authorised Person - Schedule II
Equity Trustees Limited
ACN - 004 031 298

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