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FORM ADV PART 2A

Firm Brochure

July 10, 2018

This brochure provides information about the qualifications and business practices of Watermark Funds Management Pty Ltd (“Watermark”). If you have any questions about the contents of this brochure, please contact us at +61 2 9252 0225 and/or info@wffunds.com.au. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Watermark also is available on the SEC’s website at www.adviserinfo.sec.gov.

REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT WATERMARK OR ANY PRINCIPALS OR EMPLOYEES OF WATERMARK POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY BUSINESS OR ANY OTHER BUSINESS.

Item 2 Material Changes

This brochure, dated July 10, 2018, makes the following material changes to the brochure originally filed by Watermark on September 22, 2017:

- Watermark's address has been updated throughout the brochure.
- Watermarks regulatory assets under management in Item 4.E has been updated.
- The list of persons conducting accounts reviews has been updated in Item 13.A.

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Item 4 Advisory Business

A. Watermark is an Australian incorporated company established in 2003 and holder of an Australian financial services licence issued by the Australian Securities and Investments Commission (Licence No. 250 897).

Watermark comprises a team of dedicated and experienced investment professionals based in Sydney, Australia. As a specialist long/short investor, Watermark has an established track record spanning over a decade, managing hedge fund strategies. Employing a fundamental research process, Watermark conducts analysis of listed companies and the industries they operate in, seeking opportunities to invest in or short-sell the shares of those companies when they are mispriced. In doing so, Watermark will seek to embed a clear quality and value bias in its portfolio construction.

Watermark's sole principal owner is Justin Braitling. Justin owns 100% of the capital stock of Watermark indirectly through a personal investment vehicle, First Covenant Pty Ltd.

B. Watermark provides investment management services to private pooled investment vehicles that are offered to investors on a private placement basis ("Private Funds"), Australian investment vehicles, including listed investment companies ("Australian Funds" and together with the Private Funds, the "Funds") and separately managed accounts ("SMAs"). SMAs, Private Funds and Australian Funds are collectively referred to in this brochure as "Clients". Generally, Watermark has been appointed as the investment manager with discretionary trading authorization in connection with the investment management services it provides to Clients.

Watermark may advise other Clients in the future, including pooled investment vehicles and separate accounts, and may provide both discretionary and non-discretionary advisory services to Clients.

Watermark employs multiple strategies on behalf of its Clients, including, but not limited to, long/short equity strategies. Such strategies involve various liquidity profiles.

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, Watermark believes 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
- a capacity to grow.

Consistent with these same principles, in selecting securities to short sell, Watermark will look to 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 Clients 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 share market are mitigated.

Watermark believes these benefits allow it to take full advantage of mispricing opportunities across the value spectrum while retaining less market risk.

Clients, investors and potential clients or investors should refer to the confidential private placement memorandum, limited partnership agreement, memorandum and articles of association, investment management agreement or other governing documents establishing a relationship with Watermark (“Governing Documents”) for more complete information on the investment objectives and investment restrictions with respect to a particular Fund or SMA. There is no assurance that such investment objectives will be achieved.

C. Watermark provides advice to Clients based on specific investment objectives and strategies. Under certain circumstances, Watermark may agree to tailor advisory services to the individual needs of a Client. For example, institutional investors may impose restrictions on their managed accounts, such as prohibiting certain securities or types of securities.

D. Watermark does not participate in a wrap fee program.

E. As at July 1, 2018, Watermark managed regulatory assets under management of approximately \$593,000,000 on a discretionary basis. As at July 1, 2018, Watermark does

not manage Client assets on a non-discretionary basis. Unless otherwise provided herein, all dollar amounts referenced herein will be in U.S. dollars.

Item 5 Fees and Compensation

A. The fees applicable to each Client are set forth in detail in each Client's Governing Documents. A brief summary of those fees is provided below.

Investors in the Funds generally pay a management fee to Watermark on a monthly basis in arrears, equal to an annual rate of between 1.0% to 2.0% of net assets depending on the Fund. Generally, on a biannual basis or annual basis, each investor in any Fund also pays a performance fee to Watermark equal to a percentage between 15.0% and 20.5% (depending on the Fund) of the amount by which the net value of each account as of the end of each measurement period exceeds the net value of the account as of the beginning of that measuring period, subject to a high water mark. With respect to the Australian Funds, management fees are calculated daily and paid monthly and performance fees accrue monthly, but are paid annually. With respect to all Private Funds, performance fees accrue daily and are paid annually (except as otherwise provided in the applicable Governing Documents). Fees applicable to SMAs are negotiable, and individual arrangements are based on specific factors, including, but not limited to, assets under management and risk profile. Fees applicable to SMAs managed by Watermark may include management fees (generally a percentage of assets), performance fees (generally a percentage of profits) or some combination of the two. Clients in SMAs generally pay performance fees on an annual basis unless otherwise provided in the applicable Governing Documents.

Watermark may, in its sole discretion, reduce, waive or calculate differently the management fee or performance fee with respect to certain clients or investors, including shareholders, directors, officers, affiliates or employees of Watermark, its affiliates or the Funds, or such person's family members and trusts or other entities established for the benefit of such person or his or her family.

Watermark may enter into "side letters" or similar agreements with certain investors in the Funds, granting such investors specific rights, benefits or privileges that are not made available to investors generally.

B. Watermark is authorized under the Governing Documents to charge and deduct advisory fees directly from Client assets, at the times and in the amounts described above. Watermark also receives advisory fees from certain Clients, including SMAs, as specified in the relevant investment management agreement governing such relationship. Such fees may be invoiced on a quarterly basis.

C. In addition to the fees payable to Watermark, each Fund (with certain exceptions described in the Governing Documents) bears all other expenses incidental to its respective operations and business, including, without limitation, organizational, operational and other expenses (including, without limitation, any management fee payable to Watermark), administrative fees and related costs, all transactional costs including brokerage, banking, sales and purchase commissions and charges and exchange fees, fees and charges of custodians and clearing agencies, interest and commitment fees on loans and debit balances, income taxes, withholding taxes, transfer taxes and other governmental charges

and duties, tax preparation expenses, any expenses associated with FATCA or CRS, extraordinary expenses, including any litigation or regulatory investigation instituted against the Fund or Watermark in connection with the affairs of the Fund, due diligence and other research costs related to investments, any costs incurred in respect of meetings of the directors of such Fund (including its committees) and meetings, if any, of investors in the Fund, fees of the Fund's legal advisers and auditors, director's fees and expenses, the costs of maintaining ownership of management shares of the Fund, the Fund's registered office in the Cayman Islands and the Fund's registration as a mutual fund with the Cayman Islands Monetary Authority and the costs of printing and distributing any offering materials and any reports and notices to investors in the Fund. In the event a Private Fund is structured in a "master-feeder" arrangement, the Private Fund may bear similar proportionate costs in respect of its affiliated master fund, including, without limitation, administrative and organizational expenses, auditing and tax preparation expenses and extraordinary expenses.

See Item 12 "Brokerage Practices" below for factors Watermark considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

Each Fund also pays or reimburses Watermark where it has paid on behalf of the Fund any of the Fund's fees, expenses or costs.

D. Clients are not required to, and may not, pay fees in advance.

E. Neither Watermark nor its supervised persons will receive any compensation with respect to the purchase or sale of securities or other investment products by any Client that is not otherwise disclosed in the Governing Documents for a particular Client.

Item 6 Performance-Based Fees and Side-By-Side Management

Watermark will generally receive a performance-based fee on any measurement period, which may be on a semi-annual or annual basis, calculated and charged based on a share of net appreciation of the assets of Client funds during such measurement period. Please refer to the Governing Documents of each Fund for more complete information on the performance-based compensation arrangements of each Fund. Different Client accounts, including, without limitation, SMAs, may be subject to different performance-based compensation arrangements.

The performance-based fee arrangements discussed above comply with Rule 205-3 under the Investment Advisers Act of 1940, as amended, or fall within the exception set forth in Section 205(b)(5) thereof.

Performance-based fee arrangements received may create an incentive for Watermark to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement.

Watermark may provide concurrent advisory services to Clients that are not charged a performance-based fee, or are charged a lower fee, at the same time as it provides services to Clients that are charged a higher performance-based fee. The potential for Watermark to receive greater fees from performance-based accounts, or accounts paying higher fees, may create a potential conflict of interest with respect to the allocation of investment opportunities, as Watermark may have an incentive to direct the best investment ideas to, or to allocate investments in favor of, the account that pays a higher performance fee. To alleviate potential conflicts of interest, the allocation of commitments and investment decisions with respect to each Fund are made by Watermark in accordance with Watermark's investment allocation policy, considering all factors potentially applicable to each Client. As a general matter, Watermark allocates securities among the Funds and SMAs on a *pro-rata* basis. This general approach, however, may be subject to change based on other factors. Among the factors that may be considered by Watermark in allocating trades among Client accounts are: investment policies, guidelines, or restrictions applicable to each specific client; tax considerations; cash availability; liquidity requirements for payment of redemptions or other purposes; risk tolerances; restrictions under the Employee Retirement Income Security Act of 1974 or other applicable laws or regulations; available credit lines; counterparty exposure; account size; industry and security weightings; and hedging objectives and activity.

In the event investment opportunities are suitable for more than one Fund, Watermark will allocate such investment opportunities in accordance with its allocation policy in effect from time to time, which provides that such allocation be fair and equitable to each account over time, taking into account all relevant facts and circumstances. Watermark's allocation policy is reviewed periodically and subject to change. Watermark will allocate expenses among participating accounts in proportion to their respective net asset values or in such other manner that it determines to be equitable.

Watermark may manage SMAs or dedicated investment vehicles for institutional investors that pursue strategies similar to, or that overlap with, those of other Funds. These Clients may have access to detailed information about their accounts, including current portfolio holdings, which Watermark does not customarily make available to investors in the Funds or other pooled investment vehicles. Such Clients may be able to take action, including more timely action, with respect to their accounts that investors in pooled vehicles with similar or parallel strategies cannot take.

Watermark may purchase on behalf of Clients, different classes of equity of the same issuer. These and other investments may be deemed to create a conflict of interest. Watermark may be required to take certain actions for some Clients with respect to one class of equity that may be adverse to other Clients who hold other classes of equity of the same issuer.

Item 7 Types of Clients

Watermark provides advice to pooled investment vehicles, including the Funds. The shareholders of the Funds may include corporations, endowments, foundations, trusts, estates, individuals and pension and profit sharing plans. The Private Funds are offered in the United States to “accredited investors” as defined under Regulation D under the Securities Act of 1933, and to “qualified purchasers” as defined under Section 2(a)(51) of the Investment Company Act of 1940 (the “Investment Company Act”), and are therefore not required to register as investment companies under the Investment Company Act in reliance upon the exemption under Section 3(c)(7) for funds whose securities are not publicly offered.

Watermark has provided and may in the future provide investment management and supervisory services to SMAs from time to time. Certain of Watermark’s SMAs may invest in existing or future Watermark Funds.

Investors in the Funds are generally required to make a minimum initial investment between \$50,000 and \$500,000, depending on the particular Fund, although Watermark may accept lower amounts in its discretion. Certain of the Funds are subject to “investor level gates” which provide that an investor may only redeem up to the applicable percentage set forth in the Governing Documents of the cumulative net asset value of their shares in the Fund as of successive fiscal quarter ends, but in no event will it take more than four fiscal quarters from the applicable redemption day for which a redemption in full is timely requested for such a redemption request to be completed.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

A. Watermark generally implements a long/short biased strategy in managing Client assets. Watermark looks to invest Client assets in companies with strong business fundamentals on attractive terms. By constructing a portfolio of undervalued shares, Watermark seeks to deliver superior returns to its Clients over time. Client assets will typically be invested in securities listed on the Securities Exchanges of developed countries or countries with regulation and disclosure requirements comparable to the Australian Securities Exchange.

The primary goal of Watermark's investment process is the identification of mispriced securities. Watermark looks to buy good companies on occasions when they are undervalued by the market. Watermark also seeks to sell (short) the shares of businesses that are fundamentally challenged, where these shares can be sold for more than they are worth.

This is a more active approach to portfolio construction and balance sheet management than a traditional fund. It is intended to allow Clients to profit from mispricing in all segments of the market, not just from buying undervalued shares, but from short selling expensive ones as well. It also provides greater flexibility in managing portfolio risk through the cycle as short positions are a natural hedge for Client assets if shares fall in value.

The Funds typically utilize a market neutral structure, where returns are derived from the difference in performance between a long and a short portfolio of shares. As both portfolios are of equal size, the Fund is fully hedged, retaining little or no net exposure to the share market. Irrespective of whether the portfolios are rising or falling, a positive return is achieved when the long portfolio outperforms the short. In this way, returns from a market neutral strategy will have no correlation with the performance of the broader share market, reflecting instead the Watermark's success in selecting the right securities.

A market neutral strategy is not managed relative to an equity market index and will retain regional and sector exposures which are largely hedged at all times. In this way Watermark can build its coverage of global shares around areas of specialized skills and experience, rather than tackling the daunting challenge of establishing complete global coverage of all sectors and regions.

Watermark typically looks to construct well diversified portfolios across sectors and industries and will generally hold between 40-80 positions in each of its long and short portfolios.

There can be no assurance that the objectives associated with any strategies described above will be met. At any time, Watermark may add, remove or modify any of the strategies it employs, and this includes any of the strategies discussed above.

The risk of loss in investing in the strategies can be substantial, including the potential loss of the entire amount invested by a Fund client. SMA clients can potentially lose more than their investment. Prospective clients should therefore

carefully consider whether such an investment is suitable for them in light of their financial condition. Before investing in the strategies, prospective clients should be aware of the risks associated with an investment in the strategies, which include, but are not limited to, the risk factors listed below.

B. *General Investment Risk*

The value of investments may fall or fluctuate widely. Changes in economic, political or market conditions or the regulatory environment may adversely impact investments. In addition, other factors may affect particular investments (i.e., interest rates and exchange rates) and consequently their value may fall. There are no assurances that Watermark will anticipate these developments and Watermark does not guarantee the performance of any particular investment it may recommend to a Client.

Failure of investment strategies

Watermark may recommend investment, trading and risk management strategies and methods it determines are most appropriate in the market circumstances. However there can be no assurance that these strategies will be successful. Watermark may employ additional strategies or change strategies following an assessment of market and other conditions and investment opportunities available to Clients.

Competition and Supply for Investments

Successful management of Client assets will depend, in part, on Watermark's ability to obtain investments on advantageous terms. In selecting investments, Watermark will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, investments which meet Watermark's investment criteria could result in lower yields on such investments, which could reduce returns to Clients. In addition, there can be no assurance that Watermark will be able to fully invest all available Client capital.

Undervalued/Overvalued Securities

An inherent part of Watermark's investment strategy involves the identification of, and investment in, undervalued and/or overvalued securities. The identification of investment opportunities in mis-valued securities is a difficult task and there can be no assurance that such opportunities will be successfully recognized, that the securities purchased and sold will in fact be mis-valued or that the anticipated value of such investments will be realised. While purchases of undervalued securities and short sales of overvalued securities offer opportunities for above-average capital appreciation, these investments may involve a high degree of financial risk and can result in substantial losses.

Investment Selection

Watermark may select investments for Clients in part based on available information. Although Watermark may generally evaluate such information and data and seek independent corroboration when it considers appropriate and practicable to do so, Watermark may not be in a position to confirm the completeness, genuineness or accuracy of all such information and data, thereby increasing the risk of such investments failing to perform as expected.

Volatility

Watermark may invest in securities and markets which are subject to a high degree of volatility and therefore the performance of Client portfolios may be volatile.

Concentration of Investments

Although Watermark intends to recommend a diversified portfolio of investments to its Clients, some Clients may at certain times (subject to the restrictions described in their Governing Documents) hold a small number of relatively large investments. Any such concentration of investments subjects such Clients to increased exposure to significant adverse movements in the value of one investment. Such concentration may result in significant losses for such Client.

Additionally, the extent to which the performance of individual investments has been historically correlated with other investments may, in practice, undergo dramatic change, thereby reducing expected diversification benefits based on these historical correlations.

Leverage

Watermark uses leverage in the form of short selling to minimize market risk in the portfolio. Watermark does not intend to borrow funds for investment. Leverage through short selling can magnify gains in the portfolio, but will also magnify losses.

Hedging Transactions

Watermark may use hedging strategies to reduce exposure to certain risks. The success of any hedging strategies will be subject to Watermark's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of Watermark's hedging strategy will also be subject to its ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner.

While Watermark may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance than if it had not engaged in any such hedging transactions.

For a variety of reasons, Watermark may not seek to hedge certain (or any) portfolio holdings or may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent Clients from achieving the intended hedge or expose Clients to risk of loss.

It should be noted that Client portfolios will always be exposed to certain risks that cannot be hedged or fully hedged, including, but not limited to, credit risk (relating both to particular securities and counterparties), equity price risk, interest rate risk, volatility risk, currency risk and liquidity risk.

Liquidity

Watermark may recommend investments in securities and financial instruments that are not publicly traded or where no liquid market exists and, in some circumstances, it may be difficult to obtain price quotes for these instruments. Even where there is an established market, the price and/or liquidity of instruments in that market may be materially affected by a variety of factors. Securities and commodity exchanges typically have the right to suspend or limit trading in any instrument traded on that exchange. It is also possible that a governmental authority may suspend or restrict trading on an exchange or in particular securities or other instruments traded.

In such circumstances it may be difficult to acquire or dispose of such investments readily at the prices at which they are recorded on Watermark's or the Client's books and records, and such transactions may be subject to increased transaction costs and/or delayed settlement. Accordingly, the value of Client investments and the ability to respond to market movements may be impaired and Clients may experience adverse price movements upon liquidation of such investments.

Short Selling

Watermark may engage in short selling. Selling securities short creates the risk of losing an amount greater than the initial investment, and can also involve borrowing and other costs which can reduce profits or create losses in particular positions.

Interest Rate Risk

Interest rate fluctuations may affect the income derived or value of certain Client investments and the costs of implementing the investment strategies recommended by Watermark. For example, an increase in interest rates may result in the market value of fixed interest investments to fall. Alternatively, a reduction in interest rates may result in a decrease in income on one investment but the increase in the value of another investment. During declining interest rate environments it may not be possible to invest at the same interest rates as the investments that are maturing. Accordingly, new investments may be made at the lower prevailing rates.

Market Risk

Client portfolios may be exposed to certain markets that are subject to inefficiency, volatility, unpredictability and/or political instability, all of which could cause loss of capital. There can be no guarantee that losses equivalent to or greater than the overall market will not be incurred as a result of investing in such investments.

Risk of Government Intervention

The prices of instruments in which Watermark may trade or invest Client assets are subject to certain risks arising from government regulation of, or intervention in, the relevant capital markets through regulation of their local markets, restrictions on investments by foreigners or limits on flows of investment funds or risk of government expropriation of the assets of the companies in which a Client holds interests. Such regulation or intervention could adversely affect the performance of a Client's portfolio.

There has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry. Such scrutiny may increase the exposure of Watermark and its respective affiliates to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight and scrutiny can also impose administrative burdens on Watermark and disrupt its business including, without limitation, responding to investigations and examinations and implementing new policies and procedures. Certain regulatory inquiries or actions, even in the absence of wrongdoing, can lead to adverse impacts on Watermark and its Clients, and affect Watermark's ability to carry out its investment strategy.

Limited Diversification

Watermark's goal is to have well diversified long and short portfolios populated with a broad range of investment ideas. Watermark's Client portfolios will generally 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 are populated with 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 broken down into industries with similar dynamics. In total there are twenty seven industry groups making up these four sectors. It is Watermark's intention to construct long and short portfolios with a broad representation of industries across these sectors. The gross exposure to individual sectors and the net sector weights are monitored carefully.

Size Bias

Client portfolios are well represented across the full size-spectrum. The market is broken down by company size into the shares of larger companies, smaller companies and micro-cap companies. Watermark aims to hold between 40-70% of a Client's gross exposure in the shares of the 100 largest companies listed on the Australian Securities Exchange, with the balance in smaller companies. Watermark aims to have a balance in terms of long/short exposures to large and small companies, to ensure that there is no material size bias in the overall portfolio structure.

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 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

Watermark does not intend to trade, directly or indirectly, portfolio securities for the purpose of realizing short-term profits. However, Watermark will adjust Client portfolios as considered advisable in view of prevailing or anticipated market conditions and a Client's investment objective, and there is no limitation on the length of time securities must be held, directly or indirectly, by a Client 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 Client. In addition, a Client may realize significant short term and long term capital gains.

Economic Conditions

Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and tax laws can affect substantially and adversely the business and prospects of a Client. None of these conditions is within the control of Watermark and no assurances can be given that Watermark will anticipate these developments.

Risk Management

Watermark intends to apply a risk management approach that it believes is appropriate for its Clients. The application of any risk management approach involves numerous judgments and qualitative assessments. No risk management system is fail-safe, and no assurance can be given that Watermark's risk control framework will achieve its objectives. From time to time, without notice to its Clients (or investors in the Funds) Watermark may modify or change its risk management system and procedures.

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 incorporated a number of qualitative and quantitative elements including financial leverage, earnings visibility, business transparency and earnings quality.

Margin Risk

Client portfolios may be subject to additional risks, including the possibility of a "margin call", pursuant to which a Client must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for a decline in value. In the event of a sudden, precipitous drop in the value of a Client's assets, Watermark may not be able to liquidate that Client's assets quickly enough to pay off its margin debt. Such an event would adversely affect the Client's investment and result in substantial losses.

C. In implementing its strategies, Watermark may recommend a number of different securities to Clients. The securities typically recommended by Watermark involve additional risks, including, but not limited to the following.

Equity Securities

Equity securities fluctuate in value in response to many factors, including the activities, results of operations, and financial condition of individual companies; the business market in which individual companies compete; industry market conditions; interest rates; and general economic environments. In addition, events such as domestic and international political instability, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by a Client.

Currency Risks

Client assets may be invested in securities and other investments denominated in currencies other than the reporting currency. The value of such investments may be affected favorably or unfavorably by fluctuations in exchange currencies. Watermark will evaluate the foreign exchange exposures and may undertake hedging transactions that aim to minimize the impact of any substantial movements in exchange rates. However, there is no assurance that the hedging strategy will be successful or that currency risks will be mitigated. It may not be possible or practicable to hedge successfully against currency exposure in all circumstances. The cost of hedging is an expense that is borne by Clients.

Risks of Derivatives

Watermark may recommend Client trading and investment in derivative instruments. Derivatives are financial instruments or arrangements in which risk and return are related to changes in the value of other assets such as stocks or indices. A Client's ability to profit or avoid risk through investment or trading in derivatives will depend on the ability of Watermark to anticipate changes in the underlying assets, reference rates or indices.

Other Risks Relating to Derivative Instruments

Watermark may utilize derivative instruments which seek to modify or replicate the investment performance of particular securities, commodities, currencies, interest rates, indices or markets on a leveraged or unleveraged basis. Other risks related to the use of derivative instruments include, but are not limited to:

- Tracking – When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent a Client from achieving the intended hedging effect or expose a Client to the risk of loss.
- Liquidity – Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets Watermark may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which Watermark may conduct Client transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Client to the potential of greater losses.

- Leverage – Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments will magnify the gains and losses experienced by a Client and could cause the value of a Client's portfolio to be subject to wider fluctuations than would be the case if Watermark did not use the leverage feature in derivative instruments.
- Over-the-Counter Trading – Derivative instruments that may be purchased or sold by Watermark may include instruments not traded on an exchange. The risk of non-performance by the obligor on such an instrument may be greater and the ease with which Watermark can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange traded instrument. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

Initial Public Offerings

Watermark may recommend that Clients purchase securities of companies in initial public offerings. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company, and limited operating history. Some companies in initial public offerings may be involved in relatively new industries or lines of business, may be undercapitalized, or may be development stage companies, with limited revenues or operating income. These factors may contribute to substantial price volatility for the shares of these companies.

International Investing

Watermark expects to invest on a global basis. Consequently, Client portfolios may be adversely affected by events resulting from international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries in which it has invested.

Emerging Markets

Watermark may invest Client assets in companies that are domiciled, resident or conduct material business activities in countries or regions considered to be “emerging markets”. Many emerging markets are developing both economically and politically and may have relatively unstable governments and economies or may be vulnerable to developments such as nationalisation of key industries. Investments in companies in emerging markets may involve a high degree of risk and may be speculative.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS TO WATERMARK'S CLIENTS. POTENTIAL CLIENTS AND INVESTORS MUST READ THE APPLICABLE GOVERNING

DOCUMENTS, INCLUDING ALL ATTACHMENTS, AND MUST CONSULT THEIR OWN PROFESSIONAL ADVISERS, BEFORE DECIDING TO INVEST WITH WATERMARK.

Item 9 Disciplinary Information

Watermark and its principals have not been the subject of any material legal proceeding required to be disclosed in response to this item.

Item 10 Other Financial Industry Activities and Affiliations

A. None of Watermark or its principals or management persons are registered as a broker-dealer or a registered representative of a broker-dealer.

B. None of Watermark or any of its principals or employees are registered as or affiliated with a registered futures commission merchant, commodity pool operator or commodity trading advisor.

C. The principals of Watermark may serve as officers, advisors, directors or in comparable management functions for Funds in which Watermark acts as investment manager. The principals of Watermark are non-executive directors of the board of certain Australian Funds, and are required to act professionally in their conduct complying with the Code of Conduct and Ethics. The Code of Conduct and Ethics requires that the principals, among other things, act with high standards of honesty, integrity and fairness, avoiding conflicts of interest. The Fund boards upon which Watermark principals serve as directors are comprised of a majority of independent directors. Watermark principals do not hold majority voting rights over any Fund for which it also serves as an investment manager.

D. Watermark does not recommend or select investment advisers for its clients or receive compensation from such advisers in a manner that would create a material conflict of interest. Watermark does not have other business relationships with other advisers that create a material conflict of interest.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. Watermark operates under a code of ethics that complies with Rule 204A-1 of the Investment Advisers Act of 1940.

The code sets forth, among other things, fiduciary standards that apply to all employees and governs outside employment and receipt of gifts. Additionally, the code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of Clients first; all personal securities transactions must be conducted in a manner consistent with the code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; and information concerning the identity of securities and financial circumstances of Clients, including investors in the Funds, must be kept confidential. The code also imposes restrictions on the personal securities trading of employees, including requiring that they disclose their personal securities holdings and transactions to Watermark on a periodic basis.

The code is reviewed and updated (if necessary) at least annually. Watermark will provide a copy of its Code of Ethics to any Client or prospective client upon request at no charge.

B. Watermark may cause one or more of its Clients to buy securities from, or sell securities to, other Clients of Watermark at current market prices, including accounts in which Watermark, its principals or employees are investors or in which such persons have a financial interest, directly or indirectly, due to the payment of a performance fee to Watermark by such Client. Watermark will only engage in "cross trades" if the sale or purchase is consistent with Watermark's fiduciary obligations to each Client. Cross transactions may include rebalancing transactions that are undertaken so that, after redemptions or contributions occur, the portfolio compositions of similarly managed accounts remain substantially similar. Watermark has a potentially conflicting division of loyalty and responsibility regarding both parties to any cross transactions. Where required by applicable law, any such transaction will be approved in advance by the Client in accordance with Section 206(3) of the Investment Advisers Act of 1940.

C. On occasion, Watermark and its principals and employees may buy and sell securities for themselves that they also recommend to Clients. Watermark and its principals and employees are investors in some of the Funds managed by Watermark. The Code of Ethics contains policies and procedures designed to prevent improper practices with respect to such transactions, and compliance with the Code of Ethics by Watermark, its principals and employees is the primary method employed by Watermark to address the conflicts of interest that arise with respect to these transactions.

D. On occasion, related persons of Watermark may purchase interests in portfolio investments held by one or more Fund. All such purchases are subject to compliance with Watermark's Code of Ethics. Additionally, Watermark and/or certain shareholders or employees of Watermark may, directly or indirectly, sell securities in which they have a direct or indirect ownership interest to certain Funds. Where required by applicable law,

such transactions will be fully disclosed in writing and the written consent of the appropriate Client will be obtained in accordance with Section 206(3) of the Investment Advisers Act of 1940.

Item 12 Brokerage Practices

A. Subject to the investment objectives, policies and restrictions of each Fund as set forth in its Governing Documents, Watermark has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of most Funds, including the selection of, and commissions paid to, brokers.

In selecting broker-dealers to effect securities transactions, Watermark seeks to obtain best execution by considering such factors as price, transaction costs, a broker's or dealer's ability to effect the transactions, its facilities, reliability and financial responsibility, commitment of capital and the provision or payment by the broker of the costs of research and research-related services which are of benefit to Watermark or its Clients, as well as such other factors as Watermark considers relevant and beneficial to its Clients. Watermark may consider referrals of Fund investors in determining its selection of brokers. Accordingly, the commission rates (or dealer markups and markdowns) charged to Clients by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services.

Watermark may receive benefits from brokers and counterparties selected to execute transactions on behalf of Clients. In selecting brokers or dealers to effect portfolio transactions, Watermark need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

The use of commission or "soft" dollars (or dealer markups and) for research and research-related services are expected to generally come within the safe harbor for the use of soft dollars provided under Section 28(e) of the Securities Exchange Act of 1934. Under Section 28(e), research obtained with soft dollars generated by certain Clients may be used by Watermark to service accounts other Client accounts. Where a product or service obtained with commission dollars provides both research and non-research assistance to Watermark, a reasonable allocation of the cost which may be paid for with commission dollars will be made among Client accounts.

Watermark does not currently intend to engage in arrangements under which non-research related assistance is obtained with commission dollars.

Receipt of research services from brokers may provide Watermark with a benefit because it will not have to produce or pay for the research, products or services. Watermark may have an incentive to select a broker-dealer based on its interest in receiving the research or other products or services, rather than on a Client's interest in receiving most favorable execution.

Research services obtained with the use of commissions arising from portfolio transactions may be used by Watermark in its investment activities for all of its Clients, and, therefore, any particular client may or may not, in any particular instance, be the direct or indirect beneficiary of the research or services provided.

Subject to the considerations described above, the selection of a broker, including a prime broker, to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker of the following: capital introduction, marketing assistance and consulting services with respect to technology, operations, commitment of capital, access to company management, and access to deal flow. Generally, neither Watermark nor any Client of Watermark (including the Funds) separately compensates any broker for any of these other services. In view of the fact that the investment programs of Watermark Clients include trading as well as investments, short-term market considerations will frequently be involved, and the turnover rate of the portfolios of the Funds in certain circumstances may be substantially greater than the turnover rates of other types of investment vehicles.

Certain clients require us to direct brokerage to a specific broker-dealer and we permit such practice in limited circumstances, such as an SMA. In those instances, we may be unable to achieve most favorable execution of brokerage transactions for the Client. Consequently, directed brokerage activities may cost Clients more money. For instance, in a directed brokerage account, the Client may pay higher brokerage commissions because Watermark may not be able to aggregate orders to reduce transaction costs.

Other than certain Clients who have directed brokerage to a specific broker-dealer, Watermark does not have any arrangements with any Clients that require it to execute transactions through a specified broker-dealer.

B. With respect to Funds that invest directly in investment securities or other assets and with respect to SMAs, if Watermark believes that the purchase or sale of a security is in the best interest of more than one Fund or more than one SMA, it may (but is not obligated to) aggregate the orders to be sold or purchased to obtain favorable execution or lower brokerage commissions, to the extent practicable and when permitted by applicable laws and regulations.

Where trades are aggregated, the transactions, as well as the expenses incurred in the transactions, will be allocated by Watermark according to a policy designed to seek to ensure that such allocation is fair and equitable over time and consistent with Watermark's fiduciary duty and client guidelines in order to construct a fully invested portfolio (including its duty to seek to obtain best execution of trades).

Depending upon market conditions, the aggregation of orders may result in higher or lower average prices paid or received. Orders which are not aggregated are entered at the market prices prevailing at the time of the transaction. Accordingly, trades that are not aggregated and entered at different times during the same day may result in different pricing.

In addition, derivative transactions may be priced by the counterparty or pursuant to the respective documentation for the derivative transactions. Thus, client portfolios may be priced at different levels. While Watermark seeks to minimize the price disparity that may result, there can be no assurance that consistent pricing will be achieved among Clients. Further, there is no assurance that Clients with similar strategies will hold the same investments or perform in a similar manner.

Allocations are made in a manner which Watermark deems to be fair and equitable over time. Due to the nature of certain assets as well as specific client guidelines, pro rata allocation of trading opportunities is not always feasible, therefore such allocations are driven primarily by a number of factors, including Client guidelines, Client documentation, legal and tax concerns and Watermark's internal investment policies. Watermark's internal investment policies are based in general on its overall view of market conditions relative to the investment portfolio, including, such factors as, the nature and size of existing holdings and cash positions. For example, consideration may be given to Funds which are ramping up or have sizable inflows or outflows of funds. Allocations may be made to accounts managed in a similar manner in order to provide similar size exposure to investments.

Pursuant to this policy, each Client that participates in an aggregate order will participate on a pro rata basis at the average share price for the aggregated order in that security on a given business day, by broker, with transaction costs shared pro rata based on each Fund's or on each SMA's participation in the transaction. If the order is partially filled, it generally will be allocated pro rata in proportion to the size of the orders placed for each participating Client. The accounts aggregated may include investment companies managed by Watermark's affiliates and accounts in which Watermark and its affiliates and their respective officers, directors, agents or employees own interests or may benefit directly or indirectly

Item 13 Review of Accounts

A. Watermark performs various daily, weekly, monthly, quarterly and periodic reviews of the Clients' portfolios. Such reviews are carried out by Watermark's investment professionals, outsourced service providers and Custodians of the Funds. Among other criteria, the portfolios are revised in the context of each Watermark Fund's adherence to the investment objectives and guidelines as set forth in the Governing Documents of each Client.

Each review is conducted by one or more of the following persons or service providers:

- Justin Braitling, Director and Chief Investment Officer
- Harvey Migotti, Head of International Equities/Sector Head – Industrials
- Tom Richardson, Deputy Portfolio Manager/Sector Head – Basic Industries
- Willy Mulyadi, Portfolio Analyst/Trader
- Link Fund Solutions, Outsourced middle office and Fund Administrator
- UBS Nominees, Custodian
- Morgan Stanley International PLC, Custodian

B. Accounts are reviewed on a daily basis by one or more of the individuals and one or more of the service providers names in 13.A above.

C. Investors in the Funds receive either monthly and quarterly written reports, although Watermark may provide certain investors with information on a more frequent and detailed basis if agreed to by Watermark. In addition, each Fund issues tax reports and audited financial statements to investors generally within 180 days of its fiscal year-end.

Investors should refer to the Governing Documents of the relevant Fund for further information on the reports provided by a particular Fund to its investors. SMA Client reports will be subject to the terms of the Governing Document establishing the relationship between Watermark and the SMA Client.

Item 14 Client Referrals and Other Compensation

A. Watermark is compensated exclusively by its Clients for providing investment advice.

B. Watermark does not compensate persons who are not supervised persons for Client referrals. On occasion, employees of Watermark may refer investors to the Funds. Employees are not compensated directly for these referrals (e.g., through commissions), but Client or investor referrals may be considered by Watermark as a qualitative factor, among others, in determining an employee's annual discretionary compensation.

Item 15 Custody

Watermark will not have physical custody of any Client assets. Watermark may be deemed to have custody of the assets of the Funds as a result of its authority over the Funds.

It is Watermark's policy to cause each Fund with assets over which Watermark is deemed to have "custody" to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles, to investors no later than 120 days after the end of each fiscal year. However, the SEC has advised that offshore advisers (such as Watermark) which are registered with the SEC are not subject to Rule 206(4)-2 of the Investment Advisers Act of 1940, with respect to offshore funds (such as the Funds).

For SMAs, Watermark does not have custody, since it does not have the authority to hold, directly or indirectly, such Client funds or securities or have the authority to obtain possession of them.

Item 16 Investment Discretion

Subject to the investment objectives, policies and restrictions of each Client as set forth in the Governing Documents applicable to such Client, Watermark generally has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Client for which it serves as discretionary investment manager, including the selection of, and commissions paid to, broker-dealers. Watermark generally enters into a written investment management agreement with each Client granting such discretionary authority.

Item 17 Voting Client Securities

Because Watermark has, or will accept, authority to vote securities held by any Client, it has adopted policies and procedures that have been designed to ensure that Watermark complies with the requirements of Rule 206(4)-6 and Rule 204-2(c)(2) under the Investment Advisers Act of 1940, and reflect Watermark's commitment to vote all Client securities for which it exercises voting authority in a manner consistent with the best interest of the Client.

Watermark's general policy is to vote proxy proposals, amendments, consents or resolutions relating to Client securities (collectively, "proxies"), in a manner that serves the best interests of the Funds, as determined by Watermark in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the effect on liquidity; and (iv) industry and business practices. In limited circumstances, Watermark may refrain from voting proxies where it believes that voting would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to the Funds.

Prior to exercising its voting authority, if any, Watermark reviews the relevant facts and determines whether a material conflict of interest may arise due to business, personal or family relationships of Watermark, its owners, its employees or its related persons, with persons having an interest in the outcome of the vote. If a material conflict exists, Watermark takes steps to ensure that its voting decision is based on the best interests of the client and is not a product of the conflict. Watermark may, at its discretion, defer to the voting recommendation of an independent third party provider of proxy voting services, or take any other action which would serve the best interest of the Client. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts may be similar or identical.

Watermark will deliver to each Client upon written request a complete copy of its proxy voting policies and/or information on how it voted proxies for the applicable Client.

Item 18 Financial Information

Not applicable.

Item 19 Requirements for State-Registered Advisers

Not applicable.