WATERMARK
GLOBAL LEADERS FUND

Watermark Global Leaders Fund

ABN 71 614 536 560

Annual Report 2018

YEAR ENDED 30 JUNE 2018

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COMPANY PARTICULARS

Watermark Global Leaders Fund Limited
A.B.N. 71 614 536 560

DIRECTORS:	Philip Howard(Chairman, Independent Director) John Abernethy (Independent Director) Justin Braitling (Non-Independent Director) Tim Bolger (Non-Independent Director)
COMPANY SECRETARY	Mark Licciardo
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SHARE REGISTER	Boardroom Pty Limited Level 12 225 George Street Sydney NSW 2000 Phone: (02) 9290 9600 Fax: (02) 9279 0664 For enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan) and related matters, please contact the share registrar.
AUDITORS	Pitcher Partners Level 22 MLC Centre 19 Martin Place Sydney NSW 2000 Phone: (02) 9221 2099
SECURITIES EXCHANGE LISTING	Australian Securities Exchange (ASX) The home exchange is Sydney ASX code: WGF ordinary shares ASX code: WGFO options $1.10 expiring 16 November 2018

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Chairman's Letter

Dear fellow shareholders,

On behalf of the Board of Watermark Global Leaders Fund Limited (WGF, the 'Company'), I would like to thank you for your continued support. I also extend thanks to Rohan Hedley, founding Chairman, for his work and guidance during the Company's establishment phase. Rohan stepped down in February to pursue personal business interests in the funds management space. I wish him well in his new endeavour. John Abernethy joined the board in February as an independent non-executive director and took up the responsibility of Chair of the Audit and Risk Committee.

Watermark Global Leaders Fund Limited reported an after-tax loss of $2.2 million for the 12 months to the end of June 2018. As at the end of the period, WGF's after-tax Net Tangible Asset Backing (NTA) was $1.07, down from $1.08 in the previous year.

Investment Strategy Review

The gross value of the Company's portfolio fell by 1.8% in the 12 months to June 30, 2018. In considering this result, it is useful to remember how the Company generates profit from its investment strategy. The task of the Investment Manager is twofold - to build a long portfolio of shares that outperforms the broader global share market; and to build a short portfolio that underperforms the share market. The 'spread' that is created between the performance of the two portfolios represents the Company's gross return, from which fees and costs are deducted.

In FY18, WGF's long portfolio increased in value by 11.2%, as compared with the MSCI All Country World Index which rose in Australian dollar terms by 15%. In the same period, the short portfolio increased by 14.6%, representing a loss in absolute terms and leaving the Fund with a negative 'spread' for the year. Shorts have clearly proven difficult to manage in the last 18 months, with short sellers being squeezed as markets push higher.

The Company has performed below its objective in the 20 months since listing in December 2016. WGF's performance should not be benchmarked against the global share market. However, this has clearly weighed on investors' minds as they consider the Company's merits compared other investment opportunities. The Company has generated limited after-tax profits since listing and is yet to pay a dividend to shareholders, further tarnishing its appeal for investors that place importance on franked income. These factors have left WGF shares trading at a discount to the Company's NTA, an issue of which the Board is acutely aware.

Outlook 2018 - 2019

Global economies are likely to be challenging again in 2018 - 2019. Notwithstanding these challenges, the Board remains steadfast in its belief that the Company's investment strategy will prove its value in time, and that the Investment Manager can deliver on the objectives it has been set. We find ourselves towards the tail end of a decade-long bull market, where highly accommodative monetary conditions have inflated the prices of assets such as shares, around the world. Risks are elevated, and headwinds for the share market will continue to build on the road back to normalised monetary conditions. Shareholders can be confident that the Company is well protected against a major setback, with returns dependent entirely on the Investment Manager's skill, rather than a rising market.

In light of this, the Board has also been encouraged by the changes the Investment Manager has made in FY18, adding additional investment professionals with deep experience in global markets and appointing a dedicated portfolio manager. Market neutral investing requires a specific set of skills and the Board is confident that the Manager has been able to attract a mix of talent and experience that is unique in the Australian market. These changes have resulted in an improvement in performance thus far in 2018.

Dividends

The Company is yet to pay a dividend. The Board is committed to distributing a significant portion of the Company's after-tax profits, to the extent that they are available and in accordance with prudent business practices.

Returns from a market neutral strategy can be variable and depend entirely on the Investment Manager's ability to create value for investors. Having said that, if the Manager can meet its return targets, the Board believes that the Company can sustain a fully franked dividend that is commensurate with the market yield on the MSCI All Country World Index.

Capital Management

The Board remains committed to actively managing the Company's capital. As at market close on the August 24, 2018, 7,935,702 WGF shares have been purchased on-market through the buy-back at a discount to NTA, which is immediately accretive to shareholder value. The Board will continue to avail itself of the opportunity to buy back shares for so long as the Company's shares are trading at a material discount to the NTA.

Finally

Whilst we have not achieved the results that we were hoping for in 2017 - 2018, I would like to extend my appreciation for the contribution made by the Investment Manager, Watermark Funds Management Pty Ltd. I look forward to having an opportunity to meet with shareholders in person at the Annual General Meeting and shareholder updates, which are to be held later this year.

Philip Howard
Chairman

Dated at Sydney, August 28, 2018

Chief Investment Officer's Report

Performance Review

Quality as they say, is in the eye of the beholder, which is why there is no universal truth for what constitutes a 'quality' company. Similarly, there is a myriad of approaches to valuing shares. Differences in opinion regarding quality and value are what makes a market. Through a market cycle, one would typically expect investment styles to move in and out of favour, with an efficient market pricing risks and opportunities rationally over the longer term.

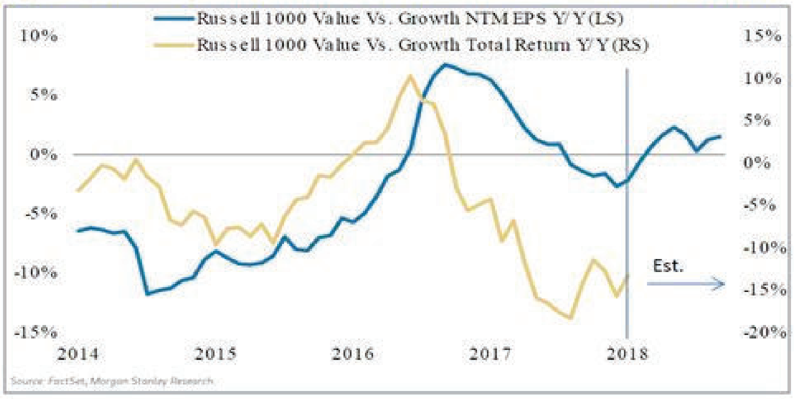
In recent years however, a more pervasive trend has emerged. Investors faced with low or negative interest rates, have aggressively chased growth and momentum, at almost any price. This has been at the expense of value, which has underperformed for two years (Figure 1). The first cracks in this trend have only recently begun to appear.

Figure 1: Value versus Growth – S&P 500

Source: Morgan Stanley

Buoyed by the strong recovery in industrial economies around the world, value shares have enjoyed similar levels of earnings upgrades as growth names in the last 12 months. Investors have been blinkered however, in their pursuit of growth and momentum, largely ignoring this strengthening in fundamentals. As a result, in price terms, growth has outperformed value by more than 15% (Figure 2).

Figure 2: Earnings and Share Price Performance of Value vs Growth



As a value-based investor, these trends have presented a challenge for us in the past 18 months, and we have struggled to generate returns. The divergence between value and momentum has now reached extremes not seen since the dot-com boom, presenting an opportunity to profit as conditions will eventually normalise.

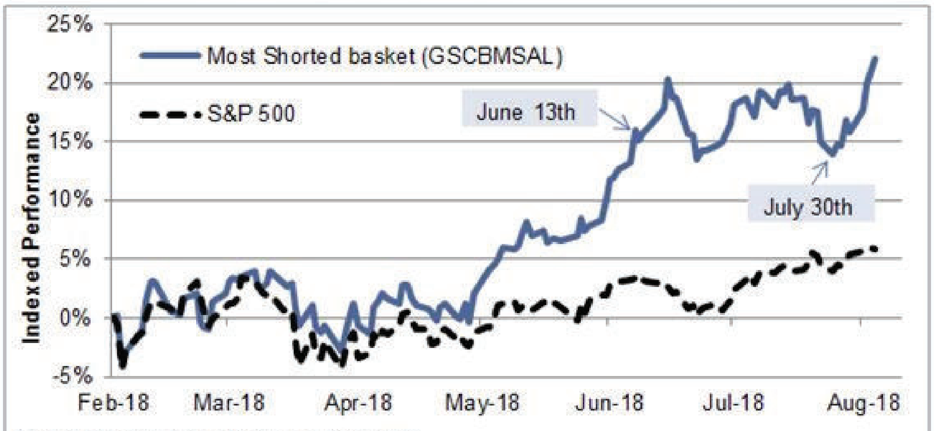
WGF presents investors with a strategy that will perform independently of the share market. Portfolio returns since inception have had a negative correlation with the MSCI AC World Index, a unique feature of this fund. While this has been overshadowed by the strong returns on offer from a rising share market, it will be increasingly important as the cycle eventually turns. The return we achieve is derived from the spread between the long and short portfolios; which was negative in FY18. This was driven principally by adverse returns from the short portfolio.

12 Month Performance at 30 June 2018	WGF
Long Return*	11.2%
Short Return*	14.6%
L/S Spread*	-3.4%
MSCI AC World Index	15.0%

*Returns do not take account of fees or costs.

Short-selling is an important part of our process and has been a positive contributor to returns in the past. Moreover, it is the principal means by which we hedge market risks. The prospect of a short squeeze is an ever-present consideration for a long/short investor, particularly in buoyant markets like we saw in FY18. The effects of a short squeeze have been especially apparent in recent weeks, with heavily shorted names outperforming the broader market by 6.5% (Figure 3). This contributed to the weaker result from the Fund.

Figure 3: Return of Heavily Shorted Names versus the Broader US Market



Source: Goldman Sachs Group Inc., Bloomberg

As discussed at our shareholder updates in May this year, we have made some important changes in our business to address the shortcomings in fund performance over the last 18 months. Chief amongst these was the decision to separate duties in the investment team along geographic lines and appoint a dedicated manager for the international portfolio. Harvey Migotti was appointed as Head of International Equities in December 2017 and has already had a positive impact on Fund returns. We continue to strengthen the investment team and will soon be announcing the appointment of an additional senior member.

Portfolio Review

Basic Industries

Through the first half of the year, commodity prices benefitted from a booming Chinese economy, supply-side reforms, increasing industrial production and a falling US dollar. These trends reversed in 2018, as credit conditions tightened in China, and escalating concerns over a trade war with the US saw the US dollar rally on capital outflows from emerging economies. We retain our preference for a hedged exposure in basic industries, absent a clear signal as to the direction forward for commodity markets.

Mining and energy shares made a positive contribution to Fund returns in FY18. A timely investment in *BHP Billiton* was a standout performer, along with core holdings in *Independence Group, Iluka Resources* and *Evolution Mining*. We also identified opportunities in a number of emerging miners such as *Aurelia Metals*, which added to returns in the sector. In the energy sector, investments in *Woodside Petroleum* and *Exxon Mobil* were notable performers.

Healthcare

The healthcare portfolio detracted from returns in the period. Australian healthcare companies feature prominently in the 'stronger for longer' group mentioned above, and valuations for sector heavyweights are pushing all-time extremes with little sign of relief. Greater value can be found in markets offshore, allowing us to position the fund in leading companies in the medical device and life science sectors, while retaining shorts in biotech and pharmaceuticals, that are challenged by reforms to drug pricing.

On the domestic front, a long-term investment in *CSL* was the top contributor, although extended valuations and emerging headwinds for the company have given us pause for thought in recent months. Another long-term position in *Ramsay Healthcare* was disappointing however, with the company struggling to maintain investors' confidence in the face of margin pressures and political intervention in the private hospital sector. Amongst international names, investments in *Nevro Corp* and *Galapagos* delivered solid results.

Consumer

There were a range of notable themes in the consumer/retail sector in FY18. While trends in Europe and China were broadly positive, results in the US were more mixed. Despite an acceleration in store closures, the US market is still oversupplied for retail outlets, particularly as shoppers migrate online. Ironically this has created a situation where shorting US retailers has very much become a consensus trade, with any modest positive surprise creating a short squeeze. This was evidenced further last week when *Walmart* rallied almost 10% on the back of stronger than expected ecommerce numbers.

Our sector strategy has remained the same, buying quality brand owners such as *Heineken* and *Mondelez* while looking for shorts in the retail sector with idiosyncratic issues rather than those thought to be facing consensual problems. Returns were flat overall in this part of the portfolio.

Technology/Media/Telecommunications

The technology sector has been the key driver of share market returns in the US, dominated by a small group of companies which enjoyed almost uninterrupted growth in the period. WGF participated in this thematic through core holdings in *Microsoft Corp* and *Alphabet Inc* which were funded by shorts in 'old tech' companies such as *IBM*. The US media landscape was dominated by high profile M&A deals, such as *AT&T* and *Time Warner* as well as *Disney* and *Comcast's* bidding war for *News Corp*. Advertising companies have been the big loser from the growing dominance of online and streaming platforms which have disintermediated traditional business models. The Fund benefitted from selected shorts in US and European advertising companies such as *Omnicom* and *WPP*.

Nevertheless, the international TMT landscape posed numerous challenges and was a net detractor from returns over the year due to drawdowns in 2017. Since then, we have tightened our portfolio construction to ensure we are more proactive around company results. We have also added short exposures to expensive concept stocks such as Snapchat which are suffering from downgrades to earnings. These have both been catalysts for improved performance in the sector so far in 2018.

Industrials

With leading indicators for industrial production around the world strengthening in unison early in FY18, the whole sector has been the barometer for the global economic recovery. Inventories are low and demand robust, particularly in the US, leading end markets such as factory automation, commercial aerospace and mining services continue to grow apace. This was reflected in share prices relatively quickly however, with exuberance subsequently tempered by rising tensions over trade the consequent (or coincidental) slowing in the Chinese economy. The machinery sector was sold off particularly aggressively, with many names now trading at trough multiples despite further earnings growth ahead of them - this is providing some exciting opportunities on the long side in names such as *Deere & Co*.

Fund performance in the sector was flat for the year, with strong performance from investments in the transportation and commercial aerospace sectors offset by losses on shorts in capital goods companies. *Airbus, Safran, Zebra Technologies* and *CSX* were all notable performers.

Financials

Our strategy for the financials portfolio has been to target regions such as Scandinavia and the US where fundamentals are healthy, and segments such as general insurance which are less economically sensitive. On the short side, we have taken selected exposures in challenged regional markets such as Spain and Italy, as well as segments like wealth management that look expensive at this point in the cycle.

While there is little to be excited about for the banks in terms of earnings growth, value has emerged in the sector as investors have overplayed the risk of losses on residential mortgages from weaker property prices.

FY18 saw positive contributions from *AIB* in Ireland and *Clydesdale Bank* in the UK. Our short in Spanish company *Bankia* was also a success. Results were negatively impacted by a long position in *Provident Financial*.

Economic Outlook

We have passed the sweet spot in this business cycle, where easy monetary conditions and synchronised growth pushed share markets higher. We are transitioning into a more challenging phase, as China and Emerging Markets (EM) decouple and we are left with a US economy at risk of overheating.

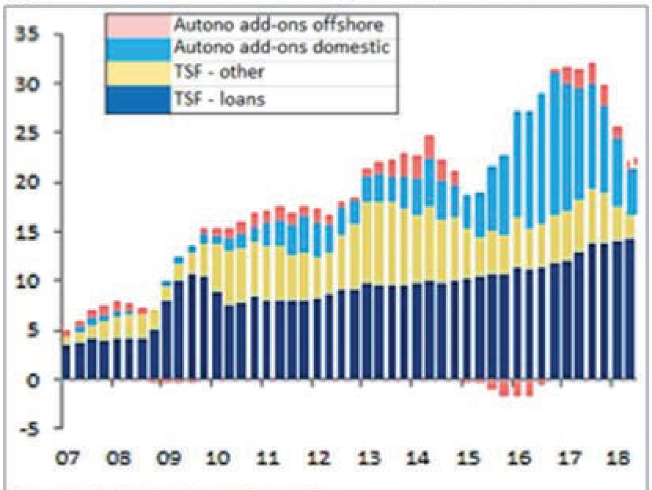
Monetary conditions that have been easy for far too long are now tightening, pushing the US dollar higher. This is impacting activity not just in the US, but also in EM that have borrowed in dollars. Globalisation, a key source of growth for decades is now threatened, as trade wars ensue between the world's largest economies.

Credit and trade have for decades grown well in excess of GDP, fuelling global commerce. Indebtedness in many of the world's largest economies has risen to unsustainable levels and can no long bolster growth the way it has in the past. Just consider Australian household debt, amongst the highest in the world relative to the income required to service it.

Excess liquidity has found its way into Emerging Economies, with cross border US dollar debt doubling to $7 trillion since the crisis. The stronger dollar and rising US interest rates together act as a tourniquet on world liquidity and for those countries that have borrowed in dollars.

Authorities in China have also restricted credit growth as they try to clean up over-levered companies and contain excesses that have built up in the shadow banking system. In Fig 4 you can see credit growth has fallen back to 2013-14 levels. Given the extent of tightening, not dissimilar to what preceded the downturn in 2015, we would expect to see activity in China decelerate further in the short to medium term.

Figure 4: New Credit is Slowing Sharply in China as Credit Tightening Measures Bite



Source: Autonomous Research

Liquidity has tightened acutely in some sectors with credit spreads and default rates rising. The Renminbi has also tumbled, which was a harbinger of trouble when the Chinese economy slowed in 2014.

While investment spending and export volumes have been weak in recent months, the rest of the Chinese economy has proven remarkably resilient. As this crackdown on shadow credit continues, the Chinese economy will likely decelerate further. This is where the trade dispute with the US becomes interesting - the traded goods sector is far larger in China than the US and with the Americans threatening tariffs on a further $US 200 billion of imported Chinese goods, while facing a slowing economy, the Chinese are in a difficult position. If share markets are the scoreboard for this trade war, the Americans are clearly in front and under no pressure to back down any time soon.

If you cast your mind back to 2014, the primary concern of investors was a slowing Chinese economy. The global industrial supply chain slowed through 2015 as the industrial economy slipped into recession. The Renminbi came under intense pressure and EM shares collapsed. Having initiated this downturn, China led the global recovery in industrial production that commenced back in early 2016.

The extent of recent losses in EM shares and debt securities is troubling, the cycle looks to have turned. Meanwhile, share markets in most major economies are testing all-time highs, ignoring this important development. This seems incongruous and is a major risk given EM contribute most of the world's growth.

The trade dispute is not the real problem. After a pause, US interest rates and the US dollar are likely to push higher, ensuring any relief rally in EM from an easing in trade tensions may be short lived.

Investors have abandoned value as the market keeps rewarding growth and momentum. This can only go on for so long before it ends badly. The ultimate risk in holding any asset is in the price you pay, and this market is red hot. Shareholders should feel confident that the WGF is well-positioned for any setback in the share market.

Justin Braitling
Chief Investment Officer
Watermark Funds Management

Company Profile

Investment Objective

The Company's investment objectives are to:

(a) provide capital growth and income using a market neutral investment strategy, investing in a portfolio predominantly comprised of international listed securities
(b) deliver consistent, positive rates of return with relatively low volatility whilst maintaining little or no net exposure to the underlying share market is to deliver attractive returns with relatively low volatility reduced market risk while returning a consistent stream of fully franked dividends to Shareholders.

Investment Philosophy

The Investment Manager 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 a company's shares come to be mispriced; and
- An appreciation of the risks that may undermine the investment case.

Employing these skills, the best investment opportunities arise when securities in strong, well-managed businesses ('winners') 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 the Investment Manager will look to sell the securities of businesses with weak fundamentals on occasions when the Investment Manager believes they are overvalued ('losers').

In populating the long portfolio with 'winners' and the short portfolio with 'losers', the value of the combined portfolio should appreciate over time.

Investment Process

The Manager's investment process is a fundamentally driven, security selection process based on sound investment ideas taken from the investment of public companies. A summary of the investment process is set out below.

Investment Universe

The Company has a global mandate and may invest in securities (including listed, unlisted, fixed income and certain debt securities), derivatives, currency positions, cash, and other permitted investments. Notwithstanding this broad mandate, the Company's portfolio is expected to be predominantly comprised of long and short positions in international listed securities, with a focus on larger companies, listed on exchanges in developed markets in North America, Europe, and Asia.

Investment ideas and opportunities

The Manager employs a fundamental research process in seeking to identify investment ideas. Investment ideas come from monitoring economic and industry trends as well as extensive contact with company management and industry sources.

The Manager has industry specialists that look globally for the best long and short ideas in their respective industries.

Investment opportunities emerge from close examination of industry trends. These developments may include economic, political, or legislative changes that impact the structure and competitive environment in which a company operates. The Manager considers that investors in many instances are slow to identify and correctly price the impact of these changes.

Investment ideas and opportunities (continued)

The Manager believes that the best investment ideas are based on a unique view or insight, are relevant to the value of the business and are not currently reflected in the share price.

Qualitative assessment

Once an investment idea has been identified, the Manager undertakes a full qualitative assessment of the proposed investment to establish whether the underlying business is of a suitable quality and attractively priced.

Initially a full review of financial performance is completed. This is usually followed by a meeting or teleconference with management to further develop an understanding of the business and the management philosophy. Where possible, members of the Manager's investment team will also meet with or speak to suppliers, regulators, competitors, and customers to gauge the competitive.

An overall qualitative scorecard is compiled for each security, incorporating business quality, management quality and valuation. The results of macroeconomic and sector research along with a full range of risk metrics as well are also built into this scorecard.

A ranking of investment ideas by score, along with conviction will determine security weightings in the final portfolio construction.

Picking 'Winners' and 'Losers' within industries

The Manager looks to invest (i.e. hold long positions) in attractive entities that it considers to be undervalued and that rank well on the qualitative scorecard. Equally, the Manager looks to short sell securities it identifies as overvalued that rank poorly on the qualitative scorecard. This is aimed at ensuring the Company's portfolio gets exposure to the best individual investment ideas, with the highest conviction while maintaining a favourable quality and value bias between the long and short portfolios.

Macroeconomic and sector research along with a full range of risk metrics (built into the scorecard mentioned above), will influence the overall weighting of each investment.

Ongoing monitoring

The Manager will monitor the portfolio daily rebalancing when required to ensure that the respective values of the long and short portfolios remain within the limits for net equity exposure. To maintain the net equity exposure within the stated limits, the Manager may adjust the relative size of positions within the long and short portfolio, increasing or reducing market risk.

Short Selling

Short selling is an important part of the investment strategy employed by the Manager. In a market neutral structure, the manager will seek to match long and short exposures to maintain a fully hedged portfolio.

The Manager employs a similar security selection process as above, but is looking for the opposite qualities in companies to borrow and sell. The Manager believes the best "shorting" opportunities are found in poorly managed companies with weak fundamentals where the shares in those companies can be sold for more than they are worth.

When targeting companies to borrow and sell (short), the Manager will target:

- A history of inferior returns.
- Management with a poor track record.
- Businesses operating in highly competitive industries that are struggling to grow.
- Securities which are expensive on a range of valuation measures.

Portfolio Construction

The long and the short portfolios will each be comprised of a select number of securities (typically between 40 to 80 securities) that the Manager considers to be mispriced.

Portfolio Construction (continued)

Net equity exposure within the portfolio (that is long positions minus short positions and derivatives) will typically be zero, and is limited to +/-20% of the portfolio's NAV. In line with the market neutral strategy, net exposures to regions, industries, or sectors, as well as derivatives within the portfolio are also limited.

Foreign currency exposures will be managed by balancing long and short exposures in each region and through an active treasury management program and any net exposure to any foreign currency within the portfolio is restricted to +/-20% of the portfolio's NAV.

Gross equity exposure within the portfolio (i.e. the sum of the value of long positions, short positions, and derivatives) will not exceed 400% (but will typically be between 150% and 300% of the portfolio's NAV).

Short Selling

A short sale occurs when the Manager borrows a security from the Prime Broker (or lender) and sells the security to a third party, generating cash proceeds. In return, the Manager pays a lending fee to the Prime Broker. The Manager will reacquire the same security on-market and return it to the lender to close the transaction. The Fund generates a return if the price of the borrowed security declines in value in the period between the short sale and the reacquisition. 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 is not fixed, the Prime Broker may recall the securities and the Manager must acquire them on-market to close the transaction.

Pursuant to the Company's investment strategy, the Manager will use the proceeds of short selling to buy Long Positions. As the long portfolio is funded from the proceeds of the short portfolio, the Fund's portfolio (as a whole) can be effectively hedged with little or no net market exposure.

Short selling can involve greater risk than buying a security (i.e. a Long Position), as losses can continue to grow to the extent that the price of the borrowed security rises. The risk of losses associated with a Long Position is generally restricted 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 by offsetting (or hedging) losses on Long Positions, it is also possible for Long and Short Positions to both lose money at the same time.

Investments at Market Value

Automobiles & Components		
United Technologies Corporation	875,049.44	1.02%
	875,049.44	**1.02%**
Consumer Durables & Apparel		
Activision Blizzard, Inc.	934,206.18	1.08%
Honeywell International Inc.	1,186,168.23	1.38%
	2,120,374.41	**2.46%**
Media		
CBS Corporation Class B	810,599.98	0.94%
Electronic Arts Inc.	833,694.93	0.97%
Take-Two Interactive Software, Inc.	859,285.62	1.00%
Stroeer SE & Co. KGaA	1,120,047.60	1.30%
Vivendi SA	1,586,230.86	1.84%
	5,209,858.99	**6.04%**
Retailing		
LVMH Moet Hennessy Louis Vuitton SE	791,394.88	0.92%
	791,394.88	**0.92%**
Technology Hardware & Equipment		
NXP Semiconductors NV	548,531.53	0.64%
Zebra Technologies Corporation Class A	1,192,764.70	1.38%
Thermo Fisher Scientific Inc.	1,203,842.95	1.40%
Microsoft Corporation	2,006,901.14	2.33%
Broadcom Inc.	2,076,159.47	2.41%
	7,028,199.79	**8.15%**
Transportation		
General Dynamics Corporation	872,949.51	1.01%
Airbus SE	1,235,305.68	1.43%
CSX Corporation	1,295,540.99	1.50%
Knight-Swift Transportation Holdings Inc. Class A	1,331,312.52	1.54%
Safran S.A.	1,337,577.16	1.55%
	6,072,685.86	**7.04%**
Energy		
Alfa Laval AB	720,100.93	0.84%
Royal Dutch Shell Plc Class B	835,537.14	0.97%
Exxon Mobil Corporation	1,437,711.90	1.67%
	2,993,349.97	**3.47%**
Pharmaceuticals Biotech & Life Sciences		
Lonza Group AG	160,547.81	0.19%
Genmab A/S	340,870.33	0.40%
Spark Therapeutics, Inc.	373,223.77	0.43%
Novocure Ltd.	405,965.98	0.47%
Cardiovascular Systems, Inc.	466,158.32	0.54%
CSL Limited	696,706.54	0.81%
Galapagos NV	762,179.98	0.88%
Nevro Corp.	772,724.68	0.90%
Bristol-Myers Squibb Company	843,975.45	0.98%
Becton, Dickinson and Company	1,326,439.98	1.54%
GlaxoSmithKline plc	1,612,495.74	1.87%
Vertex Pharmaceuticals Incorporated	1,830,374.27	2.12%
Novartis AG	2,385,408.56	2.77%
	11,977,071.41	**13.89%**
Household & Personal Products		
Deere & Company	879,462.07	1.02%
	879,462.07	**1.02%**
Capital Goods		
FLSmidth & Co. A/S	611,205.81	0.71%
Epiroc AB Class A	1,455,747.79	1.69%
Siemens AG	1,671,407.00	1.94%
	3,738,360.60	**4.34%**
Software & Services		
Alphabet Inc. Class A	2,035,706.06	2.36%
	2,035,706.06	**2.36%**
Telecommunication Services		
T-Mobile US, Inc.	1,271,502.28	1.47%
Sunrise Communications Group Ltd.	1,282,198.32	1.49%
	2,553,700.60	**2.96%**
Commercial and Prof.Services		
Ashtead Group plc	1,375,143.94	1.60%
	1,375,143.94	**1.60%**
Materials		
Iluka Resources Limited	336,786.32	0.39%
Melrose Industries PLC	374,551.16	0.43%
New Gold Inc.	378,259.71	0.44%
Jupiter Mines Limited	452,192.13	0.52%
Teck Resources Limited Class B	472,378.68	0.55%
Venator Materials PLC	694,633.11	0.81%
South32 Ltd.	752,735.54	0.87%
INPEX Corporation	776,500.52	0.90%
Vale S.A. Sponsored ADR	813,116.30	0.94%
Martin Marietta Materials, Inc.	1,003,224.52	1.16%
Lynas Corporation Limited	1,059,636.24	1.23%
Hess Corporation	1,095,625.59	1.27%
Aurelia Metals Limited	1,313,561.01	1.52%
CRH Plc	1,497,943.08	1.74%
BHP Billiton Limited	1,588,954.78	1.84%
	12,610,098.69	**14.63%**
Diversified Financials		
VanEck Vectors Junior Gold Miners ETF	437,224.57	0.51%
Tencent Holdings Ltd.	542,335.08	0.63%
OSRAM Licht AG	1,264,172.90	1.47%
	2,243,732.55	**2.60%**
Commercial Services & Supplies		
Hexcel Corporation	733,832.26	0.85%
United Rentals, Inc.	735,452.86	0.85%
Agilent Technologies, Inc.	800,819.18	0.93%
Atlas Copco AB Class A	864,026.09	1.00%
Kennametal Inc.	893,163.63	1.04%
Caterpillar Inc.	924,359.39	1.07%
Weir Group PLC	1,514,540.70	1.76%
	6,466,194.11	**7.50%**
Food & Drug Retailing		
Five Prime Therapeutics, Inc.	209,723.01	0.24%
Spectrum Pharmaceuticals, Inc.	393,583.41	0.46%
QIAGEN NV	565,708.24	0.66%
Heron Therapeutics Inc	759,069.81	0.88%
Merck & Co., Inc.	802,240.83	0.93%
Mondelez International, Inc. Class A	868,610.88	1.01%
	3,598,936.18	**4.17%**
Health Care Equipment & Services		
Argenx SE ADR	153,081.04	0.18%
Ambu A/S Class B	166,638.41	0.19%
William Demant Holding A/S	366,330.34	0.42%
Baxter International Inc.	403,354.28	0.47%
McKesson Corporation	568,915.88	0.66%
AmerisourceBergen Corporation	593,202.81	0.69%
Sonic Healthcare Limited	780,618.19	0.91%
Boston Scientific Corporation	1,440,198.88	1.67%
	4,472,339.83	**5.19%**
Food Beverage & Tobacco		
British American Tobacco p.l.c.	412,751.21	0.48%
Pernod Ricard SA	820,625.27	0.95%
Anheuser-Busch InBev SA/NV	902,424.40	1.05%
	2,135,800.88	**2.48%**
Banks		
FinecoBank SpA	666,746.86	0.77%
AIB Group PLC	715,927.95	0.83%
ING Groep NV	736,480.19	0.85%
Wells Fargo & Company	926,388.84	1.07%
Swedbank AB Class A	1,068,258.67	1.24%
CYBG Plc	1,269,626.12	1.47%
	5,383,428.63	**6.24%**
Insurance		
Hastings Group Holdings Plc	474,029.67	0.55%
AMP Limited	1,174,515.20	1.36%
	1,648,544.87	**1.91%**
Total Long Portfolio	**86,209,434.00**	**100.00%**
Total Short Portfolio	**(81,251,995.00)**	

Corporate Governance Statement

As an ASX-listed company, Watermark Global Leaders Fund Limited ("WGF") and its directors are committed to responsible and transparent financial and business practices to protect and advance shareholders' interests. The Company's strong corporate governance practices are based on the ASX Corporate Governance Principles and Recommendations.

The Board has adopted these ASX principles and recommendations which are complemented by the Company's core principles of honesty and integrity. The corporate governance policies and practices adopted by the Board are outlined in WGF's Corporate Governance section (http://wfunds.com.au/fund/watermark-global-leaders-fund-limited/).

Directors' Report

The Directors present their report together with the financial statements of Watermark Global Leaders Fund Limited ("the Company") for the year ended 30 June 2018. The prior comparative period is for the period from 30 August 2016 (date of incorporation) to 30 June 2017.

Directors

The following persons held office as directors of Watermark Global Leaders Fund Limited during the financial year:

Philip Howard (Chairman)
John Abernethy (Independent Director) (appointed 28 February 2018)
Justin Braitling (Non-Independent Director)
Tim Bolger (Non-Independent Director)
Rohan Hedley (Independent Director) (resigned 28 February 2018)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

During the financial year, the principal activities of the Company included making investments in global listed securities. No change in this activity took place during the year or is likely to in the future.

There was no significant change in the nature of the activity of the Company during the year.

Dividends

No dividends have been paid during the financial year.

The Directors have not declared that a dividend be paid in respect of the financial year (2017: Nil).

Review of operations

Information on the operations and financial position of the Company and its business strategies and prospects is set out in the review of operations and activities on pages 3 to 7 of this Annual Report.

The loss from ordinary activities after income tax amounted to ($2,233,625) (2017: $726,721).

The net tangible asset backing for each ordinary share as at 30 June 2018 amounted to $1.07 per share (2017: $1.08 per share). The equivalent asset backing before tax was $1.08 per share (2017: $1.08 per share).

The gross portfolio value decreased 2.6% over the financial year (2017: 2.2%) while the Reserve Bank of Australia's cash-rate increased by 1.5% (2017: 0.8%), representing an underperformance of 4.1% (2017: 1.4%). After deducting costs in funding the balance sheet, along with management fees and other expenses, the Company reported a negative 4.3% return for the year (2017: positive 0.1%).

As at the date of this report 82,799,001 options remain unexercised.

Financial Position

The net asset value of the Company for the current financial year ended was $81,078,160 (2017: $89,786,209).

Significant changes in the state of affairs

On 24 July 2017, the Company announced the resignation of Sophia Gartzonis as Company Secretary effective 24 July 2017. Following the resignation, Mark Licciardo of Mertons Corporate Services Pty Ltd was appointed as Company Secretary, effective 24 July 2017.

On 15 September 2017, the Company announced the appointment of Belinda Cleminson, also of Mertons Corporate Services Pty Ltd, as Joint Company Secretary effective 15 September 2017. This appointment is in addition to Mark Licciardo who remains as Joint Company Secretary.

Significant changes in the state of affairs (continued)

On 28 February 2018, the Company announced the resignation of Rohan Hedley as Chairman and Director of the Company effective 28 February 2018. Following the resignation, John Abernethy was appointed as Independent Director, effective immediately and Philip Howard accepted the role as the Company's Chairman on a permanent basis.

Other than the matters noted above, there were no other significant changes in the state of affairs of the Company during the year ended 30 June 2018.

Matters subsequent to the end of the financial year

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Likely developments and expected results of operations

The Company will continue to pursue its investment objectives for the long term benefit of the members. This will require continual review of the investment strategies that are currently in place and may require changes to these strategies to maximise returns.

Environmental regulation

The Company is not affected by any significant environmental regulation in respect of its operations.

To the extent that any environmental regulations may have an incidental impact on the Company's operations, the Directors of the Company are not aware of any breach by the Company of those regulations.

Information on directors

Philip Howard Chairman Age 57.

Experience and expertise

Philip Howard has over 30 years' experience in the financial services and funds management sectors. Philip has held senior roles at Platinum Asset Management, State Street Australia, Bankers Trust Australia and PriceWaterhouse Sydney.

Philip Howard holds a B Comm from the University of Tasmania and is a member of the Institute of Chartered Accountants of Australia.

Other current directorships

Philip Howard is a director of the Trustee of the Club Plus Superannuation Fund.

Former directorships in last 3 years

Philip Howard was formerly a director of Platinum Asset Management Limited and Platinum Capital Limited.

Special responsibilities

Chairman of the Board and member of the Audit and Risk Committee.

Interests in shares and options

Details of Philip Howard’s interests in shares of the Company are included later in this report.

Interests in contracts

Philip Howard has no interests in contracts of the Company.

Information on directors (continued)

John Abernethy Independent Director Age 59.

Experience and expertise

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. He spent ten years at NRMA Investments as Head of Equities. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Clime Investment Management Limited in 1996.

Other current directorships

John Abernethy is the Chairman of Clime Capital Limited. He is a Director of Clime Investment Management Limited, Jasco Holdings Limited, WAM Research Limited (appointed May 2002), Australian Leaders Fund Limited, Clime Private Limited and Watermark Global Leaders Fund Limited (appointed February 2018).

Former directorships in last 3 years

John Abernethy resigned from WAM Active Limited in February 2018.

Special responsibilities

Chairman of the Audit and Risk Committee.

Interests in shares and options

Details of John Abernethy's interests in shares of the Company are included later in this report.

Interests in contracts

John Abernethy has no interests in contracts of the Company.

Information on directors (continued)

Justin Braitling Non-Independent Director Age 51.

Experience and expertise

Justin Braitling has over 25 years' experience in investing in Australian and international companies. He was an Investment Analyst and Portfolio Manager at Bankers Trust for 12 years from January 1991 to June 2002. He was a key member of the investment team at Bankers Trust that was consistently ranked in the top quartile of managers by InTech.

Other current directorships

Justin Braitling is the sole Director of the investment management company, Watermark Funds Management Pty Limited.

Justin Braitling has been a Director of Australian Leaders Fund Limited since October 2003 of which he become Chairman in February 2007 and is also a Director of Watermark Market Neutral Fund Limited (appointed May 2013).

Former directorships in last 3 years

Justin Braitling has not held any other directorships of listed companies within the last three years.

Special responsibilities

Investment Manager of the Company.

Interests in shares and options

Details of Justin Braitling’s interests in shares of the Company are included later in this report.

Interests in contracts

Details of Justin Braitling’s interests in contracts of the Company are included later in this report.

Information on directors (continued)

Tim Bolger Non-Independent Director Age 41.

Experience and expertise

Tim is the Chief Operating Officer at Watermark Funds Management, where he is responsible for all non-investment functions, including operations, distribution, marketing, and compliance.

Tim joined the Manager in 2014. He has 15 years' experience in financial services, with roles spanning the development, marketing and distribution of investment and insurance products throughout Australia and internationally. Prior to joining the Manager, Tim was a Director of Distribution at Bennelong Funds Management.

Tim holds a Bachelor of Arts and a Diploma in Law.

Other current directorships

Tim Bolger has not held any other directorships of listed companies outside the Company.

Former directorships in last 3 years

Tim Bolger has not held any other directorships of listed companies within the last three years.

Special responsibilities

Investment Manager of the Company and member of the Audit and Risk Committee.

Interests in shares and options

Details of Tim Bolger's interests in shares of the Company are included later in this report.

Interests in contracts

Tim Bolger has no interests in contracts of the Company.

Information on directors (continued)

Rohan Hedley Independent Director (resigned 28 February 2018)

Experience and expertise

Rohan has 28 years' experience in the funds management and investment industry.

Rohan joined Bankers Trust Funds Management (BT) as an investment analyst in 1988 and subsequently held the role of Head of Equities for BT's domestic and international equity portfolios. At the time, BT managed $15 billion in international and domestic shares on behalf of a range of superannuation and retail clients. At BT, Rohan held the position of Executive Vice President of Bankers Trust Australia Ltd, was a member of the Management Committee of Bankers Trust Australia Ltd and a partner of Bankers Trust (New York) Inc.

After leaving BT in 2002, Rohan founded, seeded and managed the boutique Australian equity hedge fund manager, Hayberry Investments. Hayberry managed $400 million for a range of domestic and international high net worth investors. The Hayberry Australian Equity Fund was wound up in 2011 at its high water mark and after returning a net of fees life of fund return of 163%. Subsequent to Hayberry, Rohan has invested in a private capacity.

Prior to BT, Rohan worked within the Insolvency and Reconstruction Division of Arthur Young (now Ernst and Young). Rohan graduated from the University of Newcastle with an accounting degree.

Other current directorships

Rohan Hedley has not held any other directorships of listed companies outside the Company.

Former directorships in last 3 years

has not held any other directorships of listed companies within the last three years.

Special responsibilities

None.

Interests in shares and options

Details of Rohan Hedley's interests in shares of the Company are included later in this report.

Interests in contracts

Rohan Hedley has no interests in contracts of the Company.

Company secretary

On 24 July 2017, the Company announced the resignation of Sophia Gartzonis as Company Secretary effective 24 July 2017. Following the resignation, Mark Licciardo of Mertons Corporate Services Pty Ltd was appointed as Company Secretary, effective 24 July 2017.

On 15 September 2017, the Company announced the appointment of Belinda Cleminson, also of Mertons Corporate Services Pty Ltd, as Joint Company Secretary effective 15 September 2017. This appointment is in addition to Mark Licciardo who remains as Joint Company Secretary.

Meetings of directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2018, and the numbers of meetings attended by each Director were:

	Directors' Meetings		Meetings of committees Audit and Risk	
	A	B	A	B
Philip Howard	4	4	5	5
John Abernethy	1	1	1	1
Justin Braitling	4	4	-*	5
Tim Bolger	4	4	5	5
Rohan Hedley	2	3	2	4

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year
* Not a member of the relevant committee

Remuneration report (audited)

This report details the nature and amount of remuneration for key management personnel of Watermark Global Leaders Fund Limited in accordance with the *Corporations Act 2001.*

Fees and payments to Directors reflect the demands that are made on and the responsibilities of the Directors and are reviewed annually by the Board. The Company determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

Directors’ base fees are set at a maximum of $100,000 per annum. Directors do not receive bonuses nor are they issued options on securities. Directors’ fees cover all main board activities and membership of committees. Under the ASX Listing Rules, the maximum fees paid to Directors may not be increased without approval from the Company at a general meeting. Directors will seek approval from time to time as appropriate.

Remuneration report (audited) (continued)

(a) Executive remuneration policy and framework

Details of remuneration

The following tables show details of the remuneration received by key management personnel of the Company for the current financial year.

2018	Short-term employee benefits	Post-employment benefits	
Name	Salary and fees $	Superannuation $	Total $
Philip Howard	27,397	2,603	30,000
John Abernethy	9,132	868	10,000
Justin Braitling	-	-	-
Tim Bolger	-	-	-
Rohan Hedley*	18,265	1,735	20,000
Total key management personnel compensation	**54,794**	**5,206**	**60,000**

**Resigned on 28 February 2018 and ceased to be part of the key management personnel*

2017	Short-term employee benefits	Post-employment benefits	
Name	Salary and fees $	Superannuation $	Total $
Philip Howard	14,582	1,385	15,967
Justin Braitling	-	-	-
Tim Bolger	-	-	-
Rohan Hedley	14,582	1,385	15,967
Total key management personnel compensation	**29,164**	**2,770**	**31,934**

Director Related Entity Remuneration

All transactions with related entities were made on normal commercial terms and conditions.

Watermark Funds Management Pty Limited is a Director associate entity and has been appointed to manage the investment portfolio of Watermark Global Leaders Fund Limited. Watermark Funds Management Pty Limited operates a funds management business. In its capacity as manager, Watermark Funds Management Pty Limited was paid a management fee of 1.2%p.a. (plus GST) on the net value of the portfolio amounting to $1,038,493 (2017: $590,001). As at 30 June 2018, the balance payable to the manager was $86,480 (2017: $97,017).

In addition, Watermark Funds Management Pty Limited is to be paid, annually in arrears, a performance fee being 20% of:

- where the level of the Reserve Bank of Australia's cash-rate has increased over that year, the amount of the increase in the Value of the Portfolio exceeds this increase; or
- where the Reserve Bank of Australia's cash-rate has decreased over that year, the amount of the increase in the Value of the Portfolio.

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. If the portfolio underperforms the benchmark over a financial year that underperformance is to be recouped before any entitled performance fee can be accrued.

For the year ended 30 June 2018, in its capacity as manager, Watermark Funds Management Pty Limited is entitled to be paid a performance fee of nil (2017: $149,021).

Remuneration report (audited) (continued)

Details of remuneration (continued)

Director Related Entity Remuneration (continued)

These amounts are in addition to the above Directors' remuneration.

No Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

Remuneration of Executives

There are no executives that are paid by the Company. Watermark Funds Management Pty Limited, the investment manager of the Company, remunerated Justin Braitling and Tim Bolger as employees and/or as a Director of the Manager during the financial year. The Manager is appointed to provide day-to-day management of the Company and is remunerated as outlined above.

Equity Instrument Disclosures Relating to Directors

As at the date of this report, the Company's Directors and their related parties held the following interests in the Company:

Ordinary Shares Held

2018

Director	Position	Balance at 30 August 2017	Acquisitions	Disposals	Balance at 28 August 2018
Philip Howard	Chairman	50,000	-	-	50,000
John Abernethy	Independent Director	-	-	-	-
Justin Braitling	Non-Independent Director	520,001	500,000	-	1,020,001
Tim Bolger	Non-Independent Director	10,000	12,727	-	22,727
Rohan Hedley*	Independent Director	100,000	*	*	*
		680,001	**512,727**	**-**	**1,092,728**

**Resigned on 28 February 2018 and ceased to be part of the key management personnel*

2017

Director	Position	Balance at 30 August 2016	Acquisitions	Disposals	Balance at 30 August 2017
Philip Howard	Independent Director	-	50,000	-	50,000
Justin Braitling	Non-Independent Director	-	520,001	-	520,001
Tim Bolger	Non-Independent Director	-	10,000	-	10,000
Rohan Hedley	Chairman	-	100,000	-	100,000
		-	**680,001**	**-**	**680,001**

Remuneration report (audited) (continued)

Details of remuneration (continued)

Equity Instrument Disclosures Relating to Directors (continued)

Options Held

2018

Director	Position	Balance at 30 August 2017	Options Acquired	Options Exercised	Balance at 28 August 2018
Philip Howard	Chairman	50,000	-	-	50,000
John Abernethy	Independent Director	-	-	-	-
Justin Braitling	Non-Independent Director	470,000	-	-	470,000
Tim Bolger	Non-Independent Director	10,000	-	-	10,000
Rohan Hedley*	Independent Director	100,000	*	*	*
		630,000	**-**	**-**	**530,000**

**Resigned on 28 February 2018 and ceased to be part of the key management personnel*

2017

Director	Position	Balance at 30 August 2016	Options Acquired	Options Exercised	Balance at 30 August 2017
Philip Howard	Independent Director	-	50,000	-	50,000
Justin Braitling	Non-Independent Director	-	470,000	-	470,000
Tim Bolger	Non-Independent Director	-	10,000	-	10,000
Rohan Hedley	Chairman	-	100,000	-	100,000
		-	**630,000**	**-**	**630,000**

Directors and Director related entities acquired options in the Company on the same terms and conditions available to other shareholders.

The Directors have not, during or since the end of the financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

End of remuneration report

Insurance and indemnification of officers and auditor

(a) Insurance of officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

(b) Indemnity of auditor

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

Non-audit services

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 20 did not compromise the external auditor’s independence for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 25.

Rounding of amounts

The Company is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191* issued by the ASIC relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

This report is made in accordance with a resolution of Directors.

Philip Howard
Chairman

Sydney
28 August 2018

Auditor's Independence Declaration
To the Directors of Watermark Global Leaders Fund Limited
A.B.N. 71 614 536 560

In relation to the independent audit for the year ended 30 June 2018, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Watermark Global Leaders Fund Limited during the year.

S M WHIDDETT
Partner

PITCHER PARTNERS
Sydney

28 August 2018

Statement of Comprehensive Income

	Notes	**For the year ended 30 June 2018 $**	For the period 30 August 2016 to 30 June 2017 $
Investment income from ordinary activities			
Net (loss)/gain on investments		**(63,700)**	2,746,487
Dividends and trust distributions		**1,493,495**	1,062,055
Interest income		**2,112,580**	682,655
Other income		**5,227**	-
		3,547,602	4,491,197
Expenses			
Management fees	22(b)	**(1,038,493)**	(590,001)
Performance fees	22(b)	**-**	(138,860)
Brokerage expense		**(1,104,396)**	(747,247)
Short dividend expense		**(2,279,217)**	(1,217,312)
Interest expense		**(1,321,458)**	(398,828)
Stock loan fees		**(426,513)**	(163,440)
Accounting fees		**(87,777)**	(45,226)
Share registry fees		**(59,693)**	(25,456)
Directors' fees	19(a)	**(60,000)**	(31,934)
ASX fees		**(54,689)**	(44,571)
Audit fees	20	**(61,942)**	(44,110)
Other expenses		**(122,502)**	(48,467)
		(6,616,680)	(3,495,452)
(Loss)/profit before income tax		**(3,069,078)**	995,745
Income tax benefit/(expense)	7	**835,453**	(269,024)
(Loss)/profit for the year		**(2,233,625)**	726,721
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive (loss)/income for the year		**(2,233,625)**	726,721
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic (loss)/earnings per share	25	**(2.53)**	0.88
Diluted (loss)/earnings per share	25	**(2.53)**	0.88

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

	Notes	At **30 June 2018 $**	30 June 2017 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**77,903,122**	84,390,240
Trade and other receivables	9	**7,206,737**	9,450,352
Financial assets at fair value through profit or loss	10	**86,209,434**	83,652,881
Prepayments		**-**	15,587
Total current assets		**171,319,293**	177,509,060
Non-current assets			
Deferred tax assets	12	**2,231,746**	744,547
Total non-current assets		**2,231,746**	744,547
Total assets		**173,551,039**	178,253,607
LIABILITIES			
Current liabilities			
Trade and other payables	13	**10,423,388**	6,099,382
Derivative financial instruments	11	**-**	2,532
Financial liabilities at fair value through profit or loss	14	**81,251,995**	82,219,735
Total current liabilities		**91,675,383**	88,321,649
Non-current liabilities			
Deferred tax liabilities	15	**797,496**	145,749
Total non-current liabilities		**797,496**	145,749
Total liabilities		**92,472,879**	88,467,398
Net assets		**81,078,160**	89,786,209
EQUITY			
Issued capital	16	**82,585,064**	89,059,488
Profits reserve	17(a)	**941,149**	778,539
Accumulated losses	17(b)	**(2,448,053)**	(51,818)
Total equity		**81,078,160**	89,786,209

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

	Notes	Issued Capital $	Profits Reserves $	Accumulated losses $	Total $
Balance at 30 August 2016		-	-	-	-
Profit for the period		-	-	726,721	726,721
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		**-**	**-**	**726,721**	**726,721**
Transactions with owners in their capacity as owners:					
Shares issued upon incorporation		1	-	-	1
Shares issued under IPO	16	91,084,400	-	-	91,084,400
On market buy back	16	-	-	-	-
Costs of issued capital	16	(2,024,913)	-	-	(2,024,913)
Transfer to profits reserve	17	-	778,539	(778,539)	-
		89,059,488	778,539	(778,539)	89,059,488
Balance at 30 June 2017		**89,059,488**	**778,539**	**(51,818)**	**89,786,209**
Balance at 1 July 2017		89,059,488	778,539	(51,818)	89,786,209
Loss for the year		-	-	(2,233,625)	(2,233,625)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**(2,233,625)**	**(2,233,625)**
Transactions with owners in their capacity as owners:					
Shares issued on options exercised	16	5,500	-	-	5,500
On market buy back	16	(6,479,924)	-	-	(6,479,924)
Costs of issued capital	16	-	-	-	-
Transfer to profits reserve	17	-	162,610	(162,610)	-
		(6,474,424)	162,610	(162,610)	(6,474,424)
Balance at 30 June 2018		**82,585,064**	**941,149**	**(2,448,053)**	**81,078,160**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

	Notes	**For the year ended 30 June 2018 $**	For the period 30 August 2016 to 30 June 2017 $
Cash flows from operating activities			
Purchase of financial assets		**(282,876,783)**	(150,131,296)
Proceeds from sale of financial assets		**295,127,655**	73,357,715
Proceeds from short sale of financial liabilities		**295,416,939**	149,855,151
Re-purchase of financial liabilities		**(304,099,284)**	(75,481,183)
Interest received		**1,976,996**	624,276
Interest paid		**(1,210,076)**	(351,796)
Dividends and trust distributions received		**1,554,602**	898,681
Dividends paid on short stocks		**(2,107,937)**	(1,016,946)
Other income received		**5,227**	-
Investment management fees paid		**(1,047,218)**	(519,164)
Performance fees paid		**(138,860)**	-
Brokerage expense		**(1,105,545)**	(751,175)
Stock loan fees		**(390,068)**	(145,314)
Payments for other expenses		**(509,747)**	(269,071)
Net cash inflow/(outflow) from operating activities	24(a)	**595,901**	(3,930,122)
Cash flows from financing activities			
Payments for shares bought back		**(6,479,924)**	-
Shares issued on options exercised		**5,500**	-
Share issue transaction costs		**-**	(2,892,733)
Shares issued		**-**	91,084,401
Net cash (outflow)/inflow from financing activities		**(6,474,424)**	88,191,668
Net (decrease)/increase in cash and cash equivalents		**(5,878,523)**	84,261,546
Cash and cash equivalents at the beginning of the year		**84,390,240**	-
Effects of exchange rate changes on cash and cash equivalents		**(608,595)**	128,694
Cash and cash equivalents at end of the year	8	**77,903,122**	84,390,240

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 General information

Watermark Global Leaders Fund Limited (the "Company") is a listed public company incorporated and domiciled in Australia. The address of Watermark Global Leaders Fund Limited's registered office is Level 23 Governor Phillip Tower, 1 Farrer Place, Sydney, NSW 2000. The financial statements of Watermark Global Leaders Fund Limited are for the year ended 30 June 2018. The Company is primarily involved in making investments, and deriving revenue and investment income from global listed securities.

The prior comparative period is for the period 30 August 2016 (date of incorporation) to 30 June 2017. The Company commenced operation on 21 December 2016.

2 Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the entity Watermark Global Leaders Fund Limited.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Watermark Global Leaders Fund Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 August 2018.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Watermark Global Leaders Fund Limited also comply with IFRS as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Company

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the Company.

(iii) Historical cost convention

These financial statements have been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Company. The Company’s assessment of the impact of these new standards and interpretations is set out below.

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by the Company
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	Following the changes approved by the AASB in December 2014, the Company no longer expects any impact from the new classification, measurement and derecognition rules on the Company's financial assets and financial liabilities. There will also be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have not changed from the previous requirements, and the Company does not apply hedge accounting. The new standard also introduces expanded disclosure requirements and changes in presentation. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses. The Directors have assessed the impact of AASB 9 on the Company's financial statements. Given no debt instruments are held by the Company which could result in a reclassification of the financial instruments to amortised cost or fair value through other comprehensive income ('FVOCI'), the adoption of AASB 9 is not expected to have a significant impact on the recognition and measurement of the Company's financial instruments.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by the Company
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	The Company's main sources of income are interest, dividends and distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the Directors do not expect the adoption of AASB 15 to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.	Mandatory for financial years commencing on or after 1 January 2018.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Australian dollars, which is Watermark Global Leaders Fund Limited's functional and presentation currency.

2 Significant accounting policies (continued)

(b) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss in the Statement of Comprehensive Income.

(c) Revenue recognition

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

Revenue is recognised where it is probable that the economic benefit will flow to the entity and can be reliably measured.

(i) Investment income

Profits and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Comprehensive Income in the year they are incurred in accordance with the policies described in Note 2(h).

(ii) Dividends and trust distributions

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

(iii) Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(iv) Other income

The Company recognises other income when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(d) Income tax

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

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

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

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

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

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

2 Significant accounting policies (continued)

(d) Income tax (continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(e) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(f) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within two business days. A provision for impairment of amounts due from brokers is recognised in the Statement of Comprehensive Income when there is objective evidence that the Company will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

(h) Financial assets and liabilities

The Company's investments are classified as at fair value through profit or loss. They comprise:

Classification
(i) Financial assets and liabilities at fair value through profit or loss - held for trading
Financial assets are classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

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

Dividends expense on short sales of securities, which have been classified at fair value through profit or loss, is recognised in the Statement of Comprehensive Income.

2 Significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 9) in the Statement of Financial Position.

Recognition and derecognition

Purchases and sales of financial assets and liabilities at fair value through profit or loss are recognised on trade-date - the date on which the Company commits to purchase or sell the asset or liability. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

Financial instruments are initially measured at fair value, adjusted for transaction costs, except where the instrument is classified at fair value through profit and loss, in which case, transaction costs are immediately recognised as expenses in profit or loss. Transaction costs of financial assets and financial liabilities at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is recognised as realised gains and losses from the sale of financial instruments in the Statement of Comprehensive Income.

Determination of Fair Value

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company's accounting policy on fair value measurements is discussed in Note 4.

Under AASB 13, if an investment has a bid price and an ask price, the price within the bid-ask spread that is more representative of fair value in the circumstances shall be used to measure fair value. Accordingly, the Company uses the last sale price as a basis of measuring fair value.

Derivatives

As at 30 June 2017, the Company held derivative instruments in the form of equity swaps. Derivatives are classified as at fair value through profit or loss - held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

Derivatives in a net receivable position (positive fair value) are reported as financial assets at fair value through profit or loss - held-for-trading. All derivatives in a net payable position (negative fair value) are reported as financial liabilities at fair value through profit or loss - held-for-trading.

As at 30 June 2018, the Company did not hold any derivative instruments.

2 Significant accounting policies (continued)

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(j) Finance costs

Finance costs are recognised as expenses in the year in which they are incurred using the effective interest rate method.

(k) Issued capital

Ordinary shares are classified as equity.

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

(l) Profits reserve

A profits reserve has been created representing an amount allocated from current and retained earnings that is preserved for future dividend payments.

(m) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

In accordance with the *Corporations Act 2001*, the Company may pay a dividend where the Company's assets exceed its liabilities, the payment of the dividend is fair and reasonable to the Company's shareholders as a whole and the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

It is the Directors' policy to pay dividends franked to the maximum extent possible provided the Company has sufficient profit reserves and franking credits and to distribute the majority of franking credits received each year. Franking credits are generated by receiving fully franked dividends from shares held in the Company's investment portfolio, and from the payment of corporate tax on its other investment income, unfranked income and net realised gains.

(n) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year and adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 Significant accounting policies (continued)

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Where applicable, the Company qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 75%; hence fees for these services have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(p) Rounding of amounts

The Company is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the ASIC relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

(q) Comparatives

Where necessary, comparative information has been reclassified to be consistent with current reporting period.

3 Financial risk management

The Company's financial instruments consist mainly of deposits with banks, trading portfolios, trade and other receivables and trade and other payables.

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Board of the Company has implemented a risk management framework to mitigate these risks.

(a) Market risk

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Price risk

Exposure

The Company is exposed to currency risk arising from its investments denominated other than in Australian dollars. The Company retains a natural hedge of its foreign exchange risk as it holds both assets and liabilities denominated in foreign currencies. Any residual foreign exchange risk is actively managed by the Investment Manager through its treasury management framework.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The portfolio is maintained by the Investment Manager within a range of parameters governing the levels of acceptable exposure to stocks and industry sectors. The relative weightings of the individual securities and relevant market sectors are reviewed normally weekly and risk can be managed by reducing exposure where necessary.

3 Financial risk management (continued)

(a) Market risk (continued)

The table below analyses the Company's concentration of price risk by region.

2018	Long Exposure	%	Short Exposure	%	Net Exposure
Australia	8,155,706	9.46%	(7,749,446)	9.53%	406,260
North America	44,336,420	51.43%	(39,086,687)	48.11%	5,249,733
Europe	32,398,472	37.58%	(33,150,530)	40.80%	(752,057)
Rest of World	1,318,836	1.53%	(1,265,332)	1.56%	53,504
Total	**86,209,434**	**100.00%**	**(81,251,995)**	**100.00%**	**4,957,440**

2017	Long Exposure	%	Short Exposure	%	Net Exposure
Australia	10,163,588	12.15%	(9,275,347)	11.28%	888,241
North America	37,299,761	44.59%	(33,130,984)	40.29%	4,168,777
Europe	32,313,679	38.63%	(39,815,936)	48.43%	(7,502,257)
Rest of World	3,875,853	4.63%	-	0.0%	3,875,853
Total	**83,652,881**	**100.00%**	**(82,222,267)**	**100.00%**	**1,430,614**

The North American region includes the United States and Canada. Europe includes countries in mainland Europe and the United Kingdom.

As at 30 June 2018 no security (30 June 2017: one security) represented over 5 per cent of the long or short investment portfolio.

Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in other market risk that were reasonably possible based on the risk the Company was exposed to at reporting date, assuming a flat tax rate of 30 per cent:

	Impact on post-tax profit/(loss) 2018 $	2017 $
Decrease 5%	**(173,510)**	(50,072)
Increase 5%	**173,510**	50,072
Decrease 10%	**(347,021)**	(100,143)
Increase 10%	**347,021**	100,143

Post-tax profit for the year would increase/decrease as a result of gains/(losses) on equity securities classified as at fair value through profit or loss.

At balance date, the net portfolio position was $4,957,440 long (2017: $1,430,614 long) therefore there is a small price risk impact on post-tax profit.

(ii) Foreign exchange risk

Exposure

The Company operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The net value of monetary assets and liabilities denominated in other currencies that is exposed to foreign exchange risk was $570,147 as at 30 June 2018 (2017: $370,133). The risk is measured using sensitivity analysis. The Investment Manager monitors the Company's currency positions on a daily basis.

3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity

The following table analysis is based on the assumption that the Australian dollar weakened and strengthened by 10% (2017:10%) against the foreign currencies to which the Company is exposed to at reporting date:

	Impact on post-tax profit	
	2018	2017
	$	$
Decrease 10%	**(39,911)**	(25,909)
Increase 10%	**39,911**	25,909

(iii) Cash flow and fair value interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

At 30 June 2018	**Floating interest rate**	**Non-interest bearing**	**Total**
	$	**$**	**$**
Financial assets			
Cash and cash equivalents	**77,903,122**	**-**	**77,903,122**
Trade and other receivables	**-**	**7,206,737**	**7,206,737**
Financial assets held at fair value through profit or loss	**-**	**86,209,434**	**86,209,434**
	77,903,122	**93,416,171**	**171,319,293**
Financial liabilities			
Trade and other payables	**-**	**(10,423,388)**	**(10,423,388)**
Financial liabilities held at fair value through profit or loss	**-**	**(81,251,995)**	**(81,251,995)**
	-	**(91,675,383)**	**(91,675,383)**
Net exposure to interest rate risk	**77,903,122**	**1,740,788**	**79,643,910**

At 30 June 2017	Floating interest rate	Non-interest bearing	Total
	$	$	$
Financial assets			
Cash and cash equivalents	84,390,240	-	84,390,240
Trade and other receivables	-	9,450,352	9,450,352
Financial assets held at fair value through profit or loss	-	83,652,881	83,652,881
	84,390,240	93,103,233	177,493,473

3 Financial risk management (continued)

(a) Market risk (continued)

At 30 June 2017	Floating interest rate $	Non-interest bearing $	Total $
Financial liabilities			
Trade and other payables	-	(6,099,382)	(6,099,382)
Financial liabilities held at fair value through profit or loss	-	(82,219,735)	(82,219,735)
	-	(88,319,117)	(88,319,117)
Net exposure to interest rate risk	84,390,240	4,784,116	89,174,356

Sensitivity

The following table analysis is based on the assumption that the interest rates had increased by 75 or decreased by 75 basis points from the year end rates with all other variables held constant, mainly as a result of higher/lower interest income from cash and cash equivalents, at reporting date:

	Impact on post-tax profit	
	2018 **$**	2017 $
Decrease 75 basis points	**(408,991)**	(443,049)
Increase 75 basis points	**408,991**	443,049

(b) Credit risk

The standard defines this as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Under the arrangements which the Company has entered into to facilitate stock borrowing for covered short selling, borrowed stock is collateralised by the long stock portfolio. If the stock borrowing counterparty became insolvent, it is possible that the Company may not recover all of the collateral that the Company gave to the counterparty. The collateral on securities sold short is set at 100% of the borrowed stock.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

Credit risk is managed as noted in Note 8 with respect to cash and cash equivalents, Note 9 for trade and other receivables and Note 10 for financial assets at fair value through profit or loss. None of these assets is overdue or considered to be impaired.

(c) Liquidity risk

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Investment Manager monitors its cash-flow requirements daily in relation to the investing account taking into account upcoming dividends, tax payments and investing activity.

The Company's inward cash flows depend upon the level of dividend and distribution revenue received. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is managed by the Board and Investment Manager.

3 Financial risk management (continued)

(c) Liquidity risk (continued)

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities at year end date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	**Less than 1 month**	**Total contractual undiscounted cash flows**
At 30 June 2018	**$**	**$**
Non-derivatives		
Trade and other payables	**10,423,388**	**10,423,388**
Financial liabilities at fair value through profit or loss	**81,251,995**	**81,251,995**
Total non-derivatives	**91,675,383**	**91,675,383**

Contractual maturities of financial liabilities	Less than 1 month	Total contractual undiscounted cash flows
At 30 June 2017	$	$
Non-derivatives		
Trade and other payables	6,099,382	6,099,382
Financial liabilities at fair value through profit or loss	82,219,735	82,219,735
Total non-derivatives	88,319,117	88,319,117
Net settled (swaps)	2,532	2,532

4 Fair value measurements

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets and financial liabilities at fair value through profit or loss (FVTPL)

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Recognised fair value measurements

The following table presents the Company's assets and liabilities measured and recognised at fair value at year end.

At 30 June 2018	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets				
Equity securities	**8,155,706**	**-**	**-**	**8,155,706**
Equity securities international	**78,053,728**	**-**	**-**	**78,053,728**
Total financial assets	**86,209,434**	**-**	**-**	**86,209,434**
Financial liabilities				
Equity securities sold short	**7,749,445**	**-**	**-**	**7,749,445**
Equity securities international sold short	**73,502,550**	**-**	**-**	**73,502,550**
Total financial liabilities	**81,251,995**	**-**	**-**	**81,251,995**

At 30 June 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Equity securities	10,163,588	-	-	10,163,588
Equity securities international	73,489,293	-	-	73,489,293
Total financial assets	83,652,881	-	-	83,652,881
Financial liabilities				
Equity securities sold short	9,275,347	-	-	9,275,347
Equity securities international sold short	72,944,388	-	-	72,944,388
International swaps	-	2,532	-	2,532
Total financial liabilities	82,219,735	2,532	-	82,222,267

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets and liabilities have been based on the last sale prices at the end of the reporting year, excluding transaction costs.

4 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

The fair value of equity swaps is the estimated amount that the Company would receive or pay to terminate the swap at the reporting date, taking into account current indices and the current credit worthiness of the swap counterparties.

There were no transfers between levels for recurring fair value measurements during the year.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are reasonable approximations of their fair values due to their short-term nature.

5 Critical accounting estimates and judgements

(a) Significant estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(b) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

6 Segment information

The Company has only one reportable segment. The Company operates in one industry being the securities industry, deriving revenue from dividend and trust distribution income, interest income and from the sale of its trading portfolio.

7 Income tax expense

(a) Income tax expense through profit or loss

	For the year ended 30 June 2018 $	For the period 30 August 2016 to 30 June 2017 $
Deferred tax on temporary differences	**2,171,388**	135,982
Tax on permanent differences	**(3,046,823)**	133,042
Adjustments for current tax of prior periods	**39,982**	-
	(835,453)	269,024
Income tax expense is attributable to:		
Profit from continuing operations	**(835,453)**	269,024

7 Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	For the year ended 30 June 2018 $	For the period 30 August 2016 to 30 June 2017 $
(Loss)/profit from continuing operations before income tax expense	**(3,069,078)**	995,745
Tax at the Australian tax rate of 30.0%	**(920,723)**	298,724
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franking credits on dividends received	**(89,244)**	-
Imputation credit gross up	**26,773**	-
Temporary differences	**35,322**	(35,322)
Permanent differences from adjustments to prior year income tax expense	**39,982**	-
Franked dividends not subject to tax	**23,983**	(23,983)
Foreign tax gross up on dividend income	**48,454**	29,605
Income tax (benefit)/expense	**(835,453)**	269,024

The applicable weighted average effective tax rate is as follows:	**27.22%**	27.02%

The positive effective tax rate in the current year is mainly due to profits realised, net of gains from securities that are not subject to tax.

(c) Amounts recognised directly in equity

	Notes	**For the year ended 30 June 2018 $**	For the period 30 August 2016 to 30 June 2017 $
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:			
Net deferred tax - debited (credited) directly to equity	12	**520,691**	694,256

8 Current assets - Cash and cash equivalents

	At 30 June 2018 $	30 June 2017 $
Current assets		
Cash at bank	**18,903,122**	75,390,240
Term Deposits	**59,000,000**	9,000,000
	77,903,122	84,390,240

8 Current assets - Cash and cash equivalents (continued)

(a) Risk exposure

The Company's exposure to interest rate risk is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash investments are made with the following financial institutions:

	Standard & Poor's Rating
Australia and New Zealand Banking Group Ltd	AA-
Morgan Stanley	BBB+

9 Current assets - Trade and other receivables

	At	
	30 June 2018 $	30 June 2017 $
Net other receivables	**14,929**	-
Dividends and distributions receivable	**61,454**	158,206
Interest receivable	**193,963**	58,379
GST receivable	**33,057**	44,088
Withholding tax receivable	**132,513**	69,077
Unsettled trades	**6,770,821**	9,120,602
	7,206,737	9,450,352

Receivables are non-interest bearing and unsecured.

Fair value and credit risk

Due to the short-term nature of these receivables, the carrying amounts are reasonable approximations of their fair values.

10 Current assets - Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are all held for trading and include the following:

	At	
	30 June 2018 $	30 June 2017 $
International listed equity securities	**78,053,728**	73,489,293
Australian listed equity securities	**8,155,706**	10,163,588
Total securities	**86,209,434**	83,652,881

The market values of all investments as at 30 June 2018 are disclosed on page 11 of the Annual Report. Listed securities are readily saleable with no fixed terms.

Changes in fair values of financial assets at fair value through profit or loss are recorded in investment income in the Statement of Comprehensive Income.

10 Current assets - Financial assets at fair value through profit or loss (continued)

(a) Investment transactions

The total number of contract notes that were issued for purchases of securities during the financial year was 2,834 (2017: 824). Each investment transaction may involve multiple contract notes.

The total brokerage paid on these contract notes was $2,070,473 (2017: $1,104,843).

(b) Risk exposure and fair value measurements

Information about the Company's exposure to price risk and about the methods and assumptions used in determining fair value is provided in Note 3.

11 Derivative financial instruments

In the normal course of business, the Company enters into transactions in derivative financial instruments with certain risks. A derivative is a financial instrument or other contract whose value depends on, or is derived from, underlying assets, liabilities or indices. Derivative transactions include a wide assortment of instruments, such as forwards, futures, options and swaps.

Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Company's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multi-faceted and includes:

(i) hedging to protect an asset of the Company against a fluctuation in market values or to reduce volatility;
(ii) as a substitute for physical securities; and
(iii) adjustment of asset exposures within the parameters set out in the investment strategy.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

The Company holds the following derivative instruments:

Equity swaps:

An equity swap is an agreement between counterparties to exchange a set of payments, determined by a stock or index return, with another set of payments (usually an interest-bearing (fixed or floating rate) instrument, but they can also be the return on another stock or index). Equity swaps are used to substitute for a direct transaction in stock. The two cash flows are usually referred to as "legs". As with other swaps, the difference in the payment streams is netted.

		Fair value $	
2018	**Notional values $**	**Assets $**	**Liabilities $**
Equity swaps	-	-	-
Total	-	-	-
2017			
Equity swaps	809,351	-	(2,532)
Total	809,351	-	(2,532)

12 Non-current assets - Deferred tax assets

	At 30 June 2018 $	30 June 2017 $
The balance comprises temporary differences attributable to:		
Tax losses	**1,700,551**	40,523
Capitalised share issue costs	**521,097**	694,256
Accrued expenses	**10,098**	9,768
	2,231,746	744,547

	Total $
Movements:	-
Opening balance 30 August 2016	
Charged:	
- to profit or loss	50,291
- directly to equity	694,256
Closing balance 30 June 2017	744,547

	Total $
Opening balance 1 July 2017	744,547
Charged:	
- to profit or loss	1,710,649
- directly to equity	(223,450)
Closing balance 30 June 2018	2,231,746

13 Current liabilities - Trade and other payables

	At 30 June 2018 $	30 June 2017 $
Management fees payable	**86,480**	97,017
Performance fees payable	**-**	149,021
Unsettled trades	**9,948,171**	5,639,535
Interest payable	**158,414**	47,032
Other payables	**230,323**	166,777
	10,423,388	6,099,382

Trade and other payables are unsecured and are usually paid within 30 days of recognition.

Due to the short-term nature of these payables, the carrying amounts are reasonable approximations of their fair values.

14 Current liabilities - Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are all held for trading and include the following:

	At	
	30 June 2018 $	30 June 2017 $
International listed equity securities sold short	**73,502,549**	72,944,388
Australian listed equity securities sold short	**7,749,446**	9,275,347
	81,251,995	82,219,735

A short sale occurs when the Investment Manager borrows a security and sells the security on market to a third party, generating cash proceeds. The Investment Manager will reacquire the same security and return it to the lender to close the transaction. In doing so, the Company is exposed to price risk of those securities sold short.

15 Non-current liabilities - Deferred tax liabilities

	At	
	30 June 2018 $	30 June 2017 $
The balance comprises temporary differences attributable to:		
Net unrealised gains on investments	**778,003**	102,619
Other temporary differences	**19,493**	43,130
	797,496	145,749

	Total $
Movements:	
Opening balance 30 August 2016	-
Charged to	
- profit or loss	145,749
Closing balance 30 June 2017	145,749
Opening balance 1 July 2017	145,749
Charged to	
- profit or loss	651,747
Closing balance 30 June 2018	797,496

16 Issued capital

(a) Share capital

	Notes	**30 June 2018 Shares**	30 June 2017 Shares	**30 June 2018 $**	30 June 2017 $
Ordinary shares	16(b)	**75,678,869**	82,804,002	**82,585,064**	89,059,488

(b) Movements in ordinary share capital

Details	**Notes**	**Number of shares**	**$**
Opening balance 30 August 2016		-	-
Shares issued upon incorporation		1	1
Share issued under IPO		82,804,001	91,084,400
Cost of issued capital		-	(2,024,913)
Closing balance 30 June 2017		82,804,002	89,059,488
Opening balance 1 July 2017		82,804,002	89,059,488
Options exercised	16(d)	5,000	5,500
On-market buy back	16(e)	(7,130,133)	(6,479,924)
Closing balance 30 June 2018		**75,678,869**	**82,585,064**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

4 November 2016, as part of IPO the Company issued options to acquire ordinary shares in the Company at an exercise price of $1.10 expiring on 16 November 2018. A total number of 5,000 options have been exercised during the year.

(e) Share buy-back

In the prior year the Company announced a 12 months on-market share buy-back program on 8 May 2017 that expired 22 May 2018. During the period, the Company had bought back 6,475,315 shares at an average price of $0.9065.

An additional 12 month on-market share buy-back program was announced by the Company effective 22 May 2018. 654,818 shares have been bought back since its commencement.

(f) Capital risk management

The Board of Directors will actively manage the capital of the Company. The overriding intention is to deliver value to shareholders.

To achieve this the Board monitor the monthly NTA results, investment performance, the Company's Indirect Cost Ratio and share price movements.

The Company is not subject to any externally imposed capital requirements.

17 Reserves and accumulated losses

(a) Reserves

	At	
	30 June 2018 $	30 June 2017 $
Profits reserve	**941,149**	778,539

This reserve details an amount preserved for future dividend payments as outlined in accounting policy Note 2(l).

	At	
	30 June 2018 $	30 June 2017 $
Movements:		
Opening balance	**778,539**	-
Transfer from current and retained earnings	**162,610**	778,539
Closing balance	**941,149**	778,539

(b) Accumulated losses

Movements in (accumulated losses) were as follows:

	At	
	30 June 2018 $	30 June 2017 $
Opening balance	**(51,818)**	-
Net (loss)/profit for the year	**(2,233,625)**	726,721
Transfer to profits reserve	**(162,610)**	(778,539)
Closing balance	**(2,448,053)**	(51,818)

18 Dividends

(a) Dividend rate

There were no dividends paid or declared during the year (2017: nil).

(b) Dividends not recognised at the end of the reporting period

	For the year ended 30 June 2018 $	For the period 30 August 2016 to 30 June 2017 $
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 0.75 cents per fully paid ordinary share (2017: nil), 50% franked (2017: nil) based on tax paid at 30%. The aggregate amount of the proposed dividend with an ex date of 31 August 2018 and a record date of 3 September 2018, expected to be paid on 17 September 2018 out of the profits reserve at 30 June 2018, but not recognised as a liability at year end, is	**567,592**	-

(c) Dividend franking account

The franked portions of the final dividends recommended after 30 June 2018 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2019.

	For the year ended 30 June 2018 $	For the period 30 August 2016 to 30 June 2017 $
Opening balance of franking account	**-**	-
Franking credits on dividends received	**90,303**	18,523
Franking credits lost under 45 day rule	**(1,061)**	(18,523)
Closing balance of franking account	**89,242**	-
Adjustments for tax payable/refundable in respect of the current period's profits and the receipt of dividends	**-**	-
Adjusted franking account balance	**89,242**	-
Impact on the franking account of dividends proposed or declared before the financial report authorised for issue but not recognised as a distribution to equity holders during the year	**(121,627)**	-
Franking credits available/(shortfall) for subsequent reporting year based on a tax rate of 30.0%	**(32,385)**	-

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

19 Key management personnel disclosures

(a) Key management personnel compensation

	For the year ended 30 June 2018 $	For the period 30 August 2016 to 30 June 2017 $
Short-term employee benefits	**54,794**	29,164
Post-employment benefits	**5,206**	2,770
	60,000	31,934

Detailed remuneration disclosures are provided in the remuneration report on pages 20 to 23.

There are no executives that are paid by the Company, The Manager remunerated Justin Braitling and Tim Bolger as an employee and/or Directors of the Manager during the financial year to 30 June 2018.

(b) Equity instrument disclosures relating to key management personnel

(i) Share holdings

The numbers of shares in the Company held during the financial year by each Director of Watermark Global Leaders Fund Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2018	**Balance at start of the year**	**Net movement**	**Balance at end of the year**
Directors of Watermark Global Leaders Fund Limited			
Ordinary shares			
Philip Howard	50,000	-	50,000
John Abernethy	-	-	-
Justin Braitling	520,001	500,000	1,020,001
Tim Bolger	10,000	12,727	22,727
Rohan Hedley*	100,000	*	*
	680,001	512,727	1,092,728

**Resigned on 28 February 2018 and ceased to be part of the key management personnel*

2017	**Balance at start of the period**	**Net movement**	**Balance at end of the year**
Directors of Watermark Global Leaders Fund Limited			
Ordinary shares			
Philip Howard	-	50,000	50,000
Justin Braitling	-	520,001	520,001
Tim Bolger	-	10,000	10,000
Rohan Hedley	-	100,000	100,000
	-	680,001	680,001

19 Key management personnel disclosures (continued)

(b) Equity instrument disclosures relating to key management personnel (continued)

(ii) Option holdings

All options were granted as a consequence of Directors subscribing for shares in the Company's initial public offer on the same terms as all investors subscribing for shares under the Prospectus.

The numbers of options over ordinary shares in the Company that were held during the financial year by each Director of Watermark Global Leaders Fund Limited and other key management personnel of the Company, including their personally related parties, are set out below.

2018	**Balance at start of the year**	**Granted**	**Disposed**	**Balance at end of the year**
Directors of Watermark Global Leaders Fund Limited				
Options				
Philip Howard	50,000	-	-	50,000
John Abernethy	-	-	-	-
Justin Braitling	470,000	-	-	470,000
Tim Bolger	10,000	-	-	10,000
Rohan Hedley*	100,000	*	*	*
	630,000	-	-	530,000

**Resigned on 28 February 2018 and ceased to be part of the key management personnel*

2017	**Balance at start of the period**	**Granted**	**Disposed**	**Balance at end of the year**
Directors of Watermark Global Leaders Fund Limited				
Philip Howard	-	50,000	-	50,000
Justin Braitling	-	470,000	-	470,000
Tim Bolger	-	10,000	-	10,000
Rohan Hedley	-	100,000	-	100,000
	-	630,000	-	630,000

20 Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

Pitcher Partners

(i) Audit and other assurance services

	For the year ended 30 June 2018 $	For the period 30 August 2016 to 30 June 2017 $
Audit and other assurance services		
Audit and review of financial statements	**49,842**	33,660
Total remuneration for audit and other assurance services	**49,842**	33,660
Non-assurance services provided by related practice of the auditor:		
Tax compliance services	**12,100**	10,450
Financial due diligence services	**-**	38,500
Total remuneration	**61,942**	82,610

The Company's Audit and Risk Committee oversees the relationship with the Company's External Auditor. The Audit and Risk Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other services provided by the audit firm, to ensure that they do not compromise independence.

21 Contingencies

The Company had no contingent liabilities at 30 June 2018 (2017: nil).

22 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 19.

(b) Transactions with other related parties

All transactions with related entities were made on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Watermark Funds Management Pty Limited is a Director associate entity and has been appointed to manage the investment portfolio of Watermark Global Leaders Fund Limited. Watermark Funds Management Pty Limited operates a funds management business. In its capacity as manager, Watermark Funds Management Pty Limited was paid a management fee of 1.2% p.a. (plus GST) on the net value of the portfolio amounting to $1,038,493 (2017: $590,001).

As at 30 June 2018, the balance payable to the Investment Manager was $86,480 (2017: $97,017).

In addition, Watermark Funds Management Pty Limited is to be paid, annually in arrears, a performance fee being 20% of:

- where the level of the Reserve Bank of Australia's cash-rate has increased over that year, the amount by which the Value of the Portfolio exceeds this increase; or
- where the Reserve Bank of Australia's cash-rate has decreased over that year, the amount of the increase in the Value of the Portfolio.

22 Related party transactions (continued)

(b) Transactions with other related parties (continued)

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. If the portfolio underperforms the benchmark over a financial year that underperformance is to be recouped before any entitled performance fee can be accrued.

For the year ended 30 June 2018 in its capacity as manager, Watermark Funds Management Pty Limited is entitled to be paid a performance fee of nil (2017: $149,021).

No Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

23 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

24 Reconciliation of profit after income tax to net cash outflow from operating activities

(a) Reconciliation of profit after income tax to net cash outflow from operating activities

	For the year ended 30 June 2018 $	For the period 30 August 2016 to 2017 $
(Loss)/profit for the year	**(2,233,625)**	726,721
Fair value losses/(gains) on financial assets at fair value through profit or loss	**(3,526,825)**	(1,430,614)
Effects of foreign currency exchange rate changes on cash and cash equivalents	**608,595**	(128,694)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**2,243,615**	(9,450,352)
Decrease/(increase) in other current assets	**15,587**	(15,587)
(Increase)/decrease in deferred tax assets	**(1,487,199)**	123,273
Increase in trade and other payables	**4,324,006**	6,099,382
Increase in deferred tax liabilities	**651,747**	145,749
Net cash inflow/(outflow) from operating activities	**595,901**	(3,930,122)

25 Earnings per share

(a) Basic earnings per share

	For the year ended 30 June 2018 Cents	For the period 30 August 2016 to 30 June 2017 Cents
Basic (loss)/earnings per share attributable to the ordinary equity holders of the Company	**(2.53)**	0.88

(b) Diluted earnings per share

	For the year 30 June 2018 Cents	For the period 30 August 2016 to 30 June 2017 Cents
Diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company	**(2.53)**	0.88

Diluted earnings per share is the same as basic earnings per share.

Options granted are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

(c) Weighted average number of shares used as denominator

	For the year ended 30 June 2018 Number	For the period 30 August 2016 to 30 June 2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic (loss)/earnings per share	**80,437,754**	82,804,002
Weighted average number of ordinary shares used as the denominator in calculating diluted (loss)/earnings per share	**80,437,754**	82,804,002

In the opinion of the directors of Watermark Global Leaders Fund Limited:

(a) the financial statements and notes set out on pages 26 to 56 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  (ii) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, and

(d) The Directors have been provided with the declarations required by section 295A of the *Corporations Act 2001* from the Manager, Watermark Funds Management Pty Limited, declaring that:
  (i) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  (ii) the financial statements and notes for the financial year comply with the Australian Accounting Standards; and
  (iii) the financial statements and notes for the financial year give a true and fair view.

This declaration is made in accordance with a resolution of the Board of Directors.

Philip Howard

Philip Howard
Chairman

Sydney
28 August 2018

Independent Auditor's Report
to the Members of Watermark Global Leaders Fund Limited
A.B.N. 71 614 536 560

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Watermark Global Leaders Fund Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Opinion

In our opinion, the financial report of Watermark Global Leaders Fund Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. We have communicated the key audit matters to the Audit & Risk Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the matter***
Existence, Valuation and Completion of Financial Assets and Financial Liabilities ***Refer to Note 4: Fair Value Measurements, Note 10: Financial assets at fair value through profit or loss, Note 11: Derivative Financial Instruments and Note 14: Financial liabilities at fair value through profit or loss***	
We focused our audit effort on the valuation, existence and completeness of the Company's financial assets and financial liabilities as they are its largest asset and liabilities, and represent the most significant drivers of the Company's Net Tangible Assets and profits. Investments mostly consist of listed global securities as well as listed Australian securities, which are valued by multiplying the quantity held by the respective market price.	Our procedures included, amongst others: ▪ Obtaining an understanding of the investment management process and controls; ▪ Reviewing and evaluating the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator; ▪ Reviewing and evaluating the independent audit report on internal controls (ISAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodian; ▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate and where necessary performing additional procedures; ▪ Obtaining a confirmation of the investment holdings directly from the Custodian; ▪ Assessing the Company's valuation of individual investment holdings to independent sources where readily observable data was available; ▪ Evaluating the accounting treatment of revaluations and disposals of financial assets for current/deferred tax and realised/unrealised gains or losses; and ▪ Assessing the adequacy of disclosures in the financial statements.

Key audit matter	*How our audit addressed the matter*
Accuracy of Management and Performance Fees ***Refer to Note 13: Trade and other payables, Note 22: Related party transactions and the Remuneration Report***	
We focused our audit effort on the accuracy of management and performance fees as they are significant expenses of the Company and their calculation requires adjustments for major events in accordance with the Investment Management Agreement between the Company and the Investment Manager. In addition to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.	Our procedures included, amongst others: ▪ Making enquiries with the Investment Manager and those charged with governance with respect to any significant events during the period and associated adjustments made as a result, in addition to reviewing ASX announcements; ▪ Testing key inputs used in the calculation of management and performance fees and performing a recalculation in accordance with our understanding of the Investment Management Agreement; and ▪ Assessing the adequacy of disclosures made in the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The Directors of Watermark Global Leaders Fund Limited are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We Also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 23 of the Directors' Report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Watermark Global Leaders Fund Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of Watermark Global Leaders Fund Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

S M WHIDDETT
Partner

PITCHER PARTNERS
Sydney

28 August 2018

The Shareholder information set out below was applicable as at 31 July 2018.

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report, is listed below.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security Ordinary shares		
Holding	**No. of Shareholders**	**Shares**	**Percentage**
1 - 1000	54	24,883	0.03
1,001 - 5,000	506	1,624,746	2.16
5,001 - 10,000	319	2,787,013	3.71
10,001 - 100,000	1,037	38,109,107	50.66
100,001 and over	100	32,681,643	43.44
	2,016	75,227,392	100.00

There were 35 holders of less than a marketable parcel of ordinary shares.

Analysis of numbers of option holders by size of holding:

	Class of equity security Options		
Holding	**No. of Shareholders**	**Shares**	**Percentage**
1 - 1000	-	-	-
1,001 - 5,000	583	1,847,755	2.23
5,001 - 10,000	346	3,069,838	3.71
10,001 - 100,000	1,012	36,544,955	44.14
100,001 and over	105	41,336,453	49.92
	2,046	82,799,001	100.00

B. Equity security holders

Twenty largest quoted equity security holders

Name	Ordinary shares Number held	Ordinary shares Percentage of issued shares
PERSHING AUSTRALIA NOMINEES PTY LTD <NOMINEE A/C>DRP	4,000,000	5.32
BNP PARIBAS NOMS PTY LTD <DRP>	2,832,273	3.77
INVIA CUSTODIAN PTY LIMITED <HUI HUANG FAMILY A/C>	1,328,586	1.77
JJ OPPERMAN SUPERANNUATION PTY LIMITED <OPPERMAN SUPER FUND A/C>	1,275,000	1.70
AVANTEOS INVESTMENTS LIMITED <CLEARVIEW S/P A/C>	1,118,200	1.49
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,050,203	1.40
J P MORGAN NOMINEES AUSTRALIA LIMITED	830,764	1.10
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	727,200	0.97
BURKE SUPER FUND PTY LIMITED <BURKE SUPER FUND A/C>	660,000	0.88
SUPER RAB PTY LTD <R A BLACK PERS S/F RAB A/C>	500,000	0.67
ANTHONY CIABOTTI & MARIA CIABOTTI <CIABOTTI SUPER FUND A/C>	500,000	0.67
FIRST COVENANT PTY LTD <BRAITLING FAMILY A/C>	500,000	0.67
LENTAL SUPERANNUATION PTY LTD <LENTAL SUPER FUND A/C>	454,545	0.60
MR GREGORY JOHN MILLS & MRS SUSAN MAREE MILLS <THE MILLS GLOBAL FUND A/C>	454,545	0.60
MR IAN ESPIE HAY & MRS JAN HAY <VEPEREY SUPER FUND A/C>	450,772	0.60
ELIZA BRAITLING FOUNDATION PTY LIMITED	400,001	0.53
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	398,000	0.53
YARRANDOO INVESTMENTS PTY LTD <YARRANDOO A/C>	393,175	0.52
HORTON PTY LIMITED	363,600	0.48
SNOW GOOSE ORCHARDS PTY LTD <HORWITZ ROURKE FAMILY SF A/C>	355,000	0.47
	18,591,864	24.71

B. Equity security holders (continued)

Twenty largest quoted option holders

	Options	
	Number on issue	**Percentage of options**
MR MICHAEL DAVID ROW	3,000,000	3.62
MR HUGH BURTON TAYLOR	1,850,000	2.23
INVIA CUSTODIAN PTY LIMITED <HUI HUANG FAMILY A/C>	1,818,300	2.20
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,448,298	1.75
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,347,270	1.63
JJ OPPERMAN SUPERANNUATION PTY LIMITED <OPPERMAN SUPER FUND A/C>	1,302,000	1.57
MR EDWARD SIOW & MRS JULIANA SIOW	1,168,691	1.41
MR SOULIPHONE PHOLSENA	984,932	1.19
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	967,282	1.17
HURLEY CUMMINS PTY LTD <HURLEY CUMMINS S/F A/C>	959,726	1.16
AVANTEOS INVESTMENTS LIMITED <CLEARVIEW S/P A/C>	918,200	1.11
NATIONAL NOMINEES LIMITED	844,727	1.02
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	727,200	0.88
MUTUAL TRUST PTY LTD	700,000	0.85
EXIMIOUS GROUP PTY LTD <EXIMIOUS INVESTMENT A/C>	663,636	0.80
MR BERNARD WILLIAM BENARD & MRS AVRIL MARY BENARD	600,000	0.73
MARNIC PTY LIMITED <CLARNIC SUPER FUND A/C>	590,000	0.71
CAPITAL H MANAGEMENT PTY LTD <CAPITAL H A/C>	564,626	0.68
MR STEPHEN JAMES GLOSSOP & MS CASSANDRA JOY GIBBENS <S&C GLOSSOP SUPER FUND A/C>	550,000	0.66
WHOTIF PTY LTD	550,000	0.66
	21,554,888	26.03

C. Substantial holders

There are no substantial shareholders.

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

E. Stock Exchange Listing

Quotation has been granted for all of the ordinary shares and options of the Company on all Member Exchanges of the ASX Limited.

F. Unquoted Securities

There are no unquoted shares.

G. Securities Subject to Voluntary Escrow

There are no securities subject to voluntary escrow.