

NTA and Monthly Update - May 2015

Company at a Glance		Net Tangible Asset (NTA) Backing		
ASX Code	ALF		April 15	May 15
Fund Size	AU\$319.5m	NTA Before Tax	\$1.29	\$1.29
Fund Strategy	Variable Beta	NTA After Tax	\$1.30	\$1.30
Share Price	\$1.23	Gross Portfolio Structure		
NTA Before Tax	\$1.29		Apr 15	May 15
Shares on Issue	256.3m	Long Exposure	79.8%	89.9%
Dividend (1H15)	5 cents	Short Exposure	-74.9%	-84.7%
Dividend Yield	8.9%	Gross Exposure	154.7%	174.6%
		Cash	95.0%	94.8%

Month in Review

A late month rally saw the All Ordinaries Accumulation Index finish 0.58% higher in May, although it was only dividends paid by high yielding banking and financial stocks that pushed the total return for the market into positive territory. Despite a Federal Budget that was broadly considered positive for business, the RBA announced a further 0.25% rate cut and downgraded its economic growth outlook. We have now witnessed what appears to be a turning point for global bond markets which, coupled with weak growth for corporate profits, suggests lower returns ahead for Australian shares.

The Fund returned -0.55% for the month of May and retains its low net exposure to the share market. While the long portfolio outperformed the market strongly, the short portfolio detracted from performance. The portfolios have been well positioned in respect of some of the major movements and sectoral themes; however stock specific issues in a handful of short positions offset the stronger performance of the Company's long investments.

Defensive shares delivered mixed results for the month with the Healthcare and Utilities sectors performing strongly while Telecommunication and Consumer Staples sectors delivered negative returns. In an interesting departure from a well-established trend, defensive yield stocks held their ground in the face of a sharp sell-off in global bond markets, further evidencing investors' fixation on dividend yields.

Financial shares lagged the broader market in May as a result of continued weakness in the banks. The recent bank results season brought capital concern further into focus with each of the banks dealing with the issue differently. In particular, NAB raised \$5.5b of new equity to help allay capital concerns and also to exit its struggling UK business. Insurance and Real Estate names also performed well.

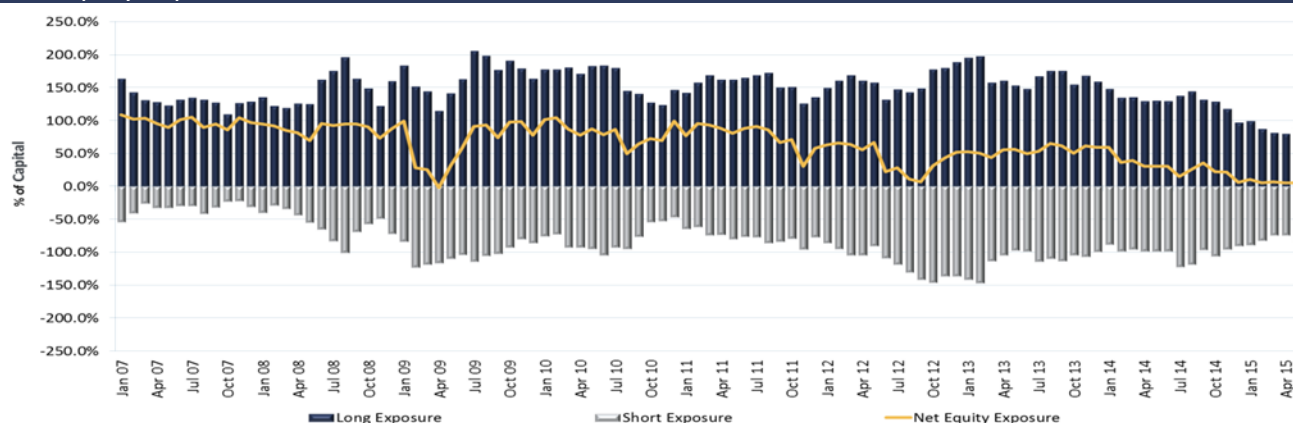
The RBA's rate cut provided some stimulus for domestic cyclical shares, which performed well in May, led by consumer exposed sectors. In light of our view on the outlook for the domestic economy, the Company has no net exposure to this sector, which detracted from performance in May.

Resources shares remain in a bear market despite relative strength in the sector during May. M&A activity and a weaker US dollar provided support for the sector and we used this recent strength to reduce the Fund's exposure to resource shares, which is now net short. A holding in Sirius Resources contributed to performance, with the company subject to a takeover bid.

ALF Performance							
	1 Mth	6 Mths	1 Yr	3 Yrs (pa)	5 Yrs (pa)	7 yrs (pa)	S.I. (pa)
Portfolio Return (net)	-0.5%	2.0%	-6.1%	15.4%	12.3%	13.4%	13.9%
All Ords Accum Index	0.6%	11.3%	10.1%	16.7%	10.00%	4.5%	9.6%
Outperformance (net)	-1.1%	-9.3%	-16.2%	-1.4%	2.3%	9.0%	4.3%
Total Shareholder Return (TSR) ¹	-3.2%	-18.5%	-21.9%	10.9%	12.1%	14.1%	9.7%

¹ TSR accounts for the total return including dividends, on an investment in ALF shares

Net Equity Exposure

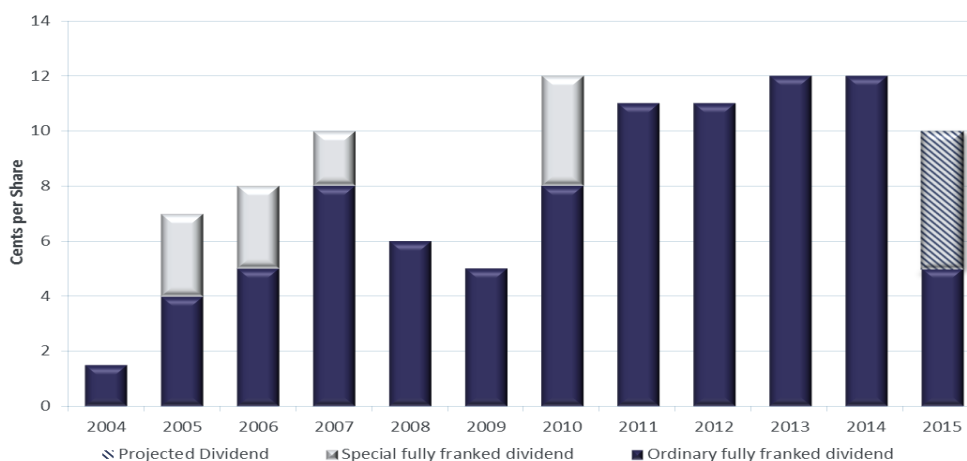


Premium/Discount to NTA History



Dividend History

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.



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