

## NTA and Monthly Update –December 2015

### Company at a Glance

ASX Code	ALF
Fund Size	AU\$372m
Fund Strategy	Variable Beta
Shares on Issue	268.5m
Dividend (FY15 Final)	5 cents
Dividend Yield (annualised))	7.2 %

### Net Tangible Asset (NTA) Backing

	Nov 15	Dec 15
NTA Before Tax	\$1.35	\$1.36
NTA After Tax	\$1.35	\$1.37

### Gross Portfolio Structure

	Nov 15	Dec 15
Long Exposure	103.6%	89.8%
Short Exposure	-108.3%	-105.3%
Gross Exposure	211.9%	195.0%
Cash	104.7%	115.5%

### Month in Review

After falling back to 2015 lows, the Australian share market rallied into Christmas, providing a fitting end to a volatile year. The uncertainty plaguing global share markets was typified during the month by the reaction to the US Federal Reserve's decision to raise interest rates. Having telegraphed the decision for many months, the market initially took this as confirmation of strength in the US economy before momentum quickly dissipated, leaving most major share markets in the red by month-end.

The Fund delivered a net return in December of 2.0% as compared with a benchmark return of 2.65%. Considering the Fund was net short during the month, this was a good result and highlights the strength of our stock selection.

The 2015 calendar year was a strong one; with the investment portfolio increasing by 16.2% after all fees and costs. The benchmark rose by 3.8% over the same period, representing outperformance of 12.4%. The Fund retained an average net exposure to the share market of just 0.8% during the year, hedging the portfolio against the risk of share market falls while allowing us to create value through stock selection. With volatility expected to persist and returns from shares to remain low, ALF is well positioned to deliver attractive returns, irrespective of what the share market does.

International investments made an important contribution to the result, accounting for some 20% of total returns. This is disproportionately more than average portfolio weight of 10%. We continue to find exciting new investment opportunities offshore.

There were several highlights in December within defensive sectors. A position in Galapagos NV performed strongly after the announcement of a partnering deal with Gilead. Also making solid contributions were short positions in the shares of two medical diagnostics operators, which fell following the Federal Government's announcement of plans to axe Medicare bulk billing incentive payments.

The Fund has held a position in Smart Group since its IPO in 2014 which benefitted from positive news flow in December. The company announced a strongly accretive acquisition and upgraded its earnings guidance, which saw the shares rally over 40% in the month.

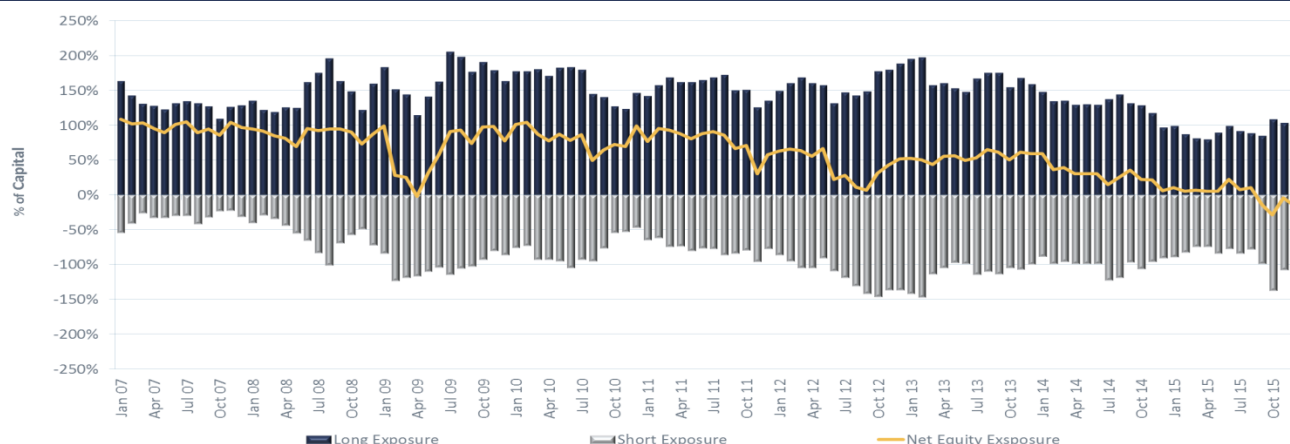
Amongst cyclical sectors, attribution was also broad-based with performance buoyed by of a strong set of employment numbers and improved business confidence. The Fund's short position in Spotless Group performed well after the company downgraded earnings and saw the departure of several key executives. Aurizon was another short position that contributed to returns.

December saw further falls in the price of oil following the OPEC meeting in Vienna, where the group effectively abandoned a production ceiling that has been in place since 1982. Our short exposure to energy companies benefitted from this weakness, which also presented an opportunity to add BP to the portfolio. BP has undergone a dramatic transformation following the Deepwater Horizon tragedy. With a simpler and re-energised portfolio, the company is well-placed to perform in a low oil price environment.

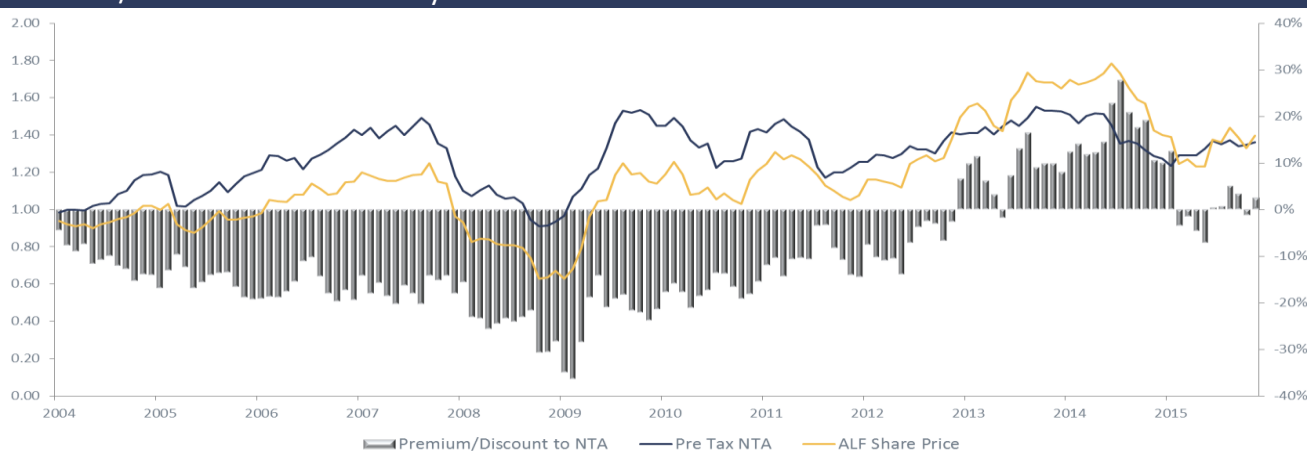
### ALF Performance

	1 Mth	6 Mths	1 Yr	3 Yrs (pa)	5 Yrs (pa)	7 yrs (pa)	S.I. (pa)
Portfolio Return (net)	2%	9.2%	16.2%	13.6%	12.1%	20.6%	14.4%
All Ords Accum Index	2.6%	0.4%	3.8%	9.3%	6.5%	10.2%	8.7%
<b>Outperformance (net)</b>	<b>-0.6%</b>	<b>8.8%</b>	<b>12.4%</b>	<b>4.3%</b>	<b>5.6%</b>	<b>10.4%</b>	<b>5.7%</b>

## Net Equity Exposure

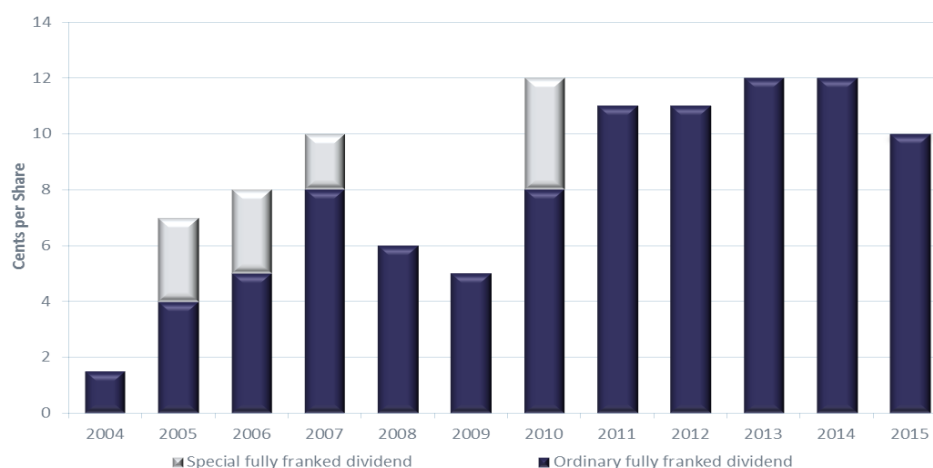


## Premium/Discount to NTA History



## 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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