

NTA and Monthly Update – January 2016

Company at a Glance

| | |
|------------------------------|---------------|
| ASX Code | ALF |
| Fund Size | AU\$373m |
| Fund Strategy | Variable Beta |
| Shares on Issue | 268.5m |
| Dividend (FY15 Final) | 5 cents |
| Dividend Yield (annualised)) | 7.2 % |

Net Tangible Asset (NTA) Backing

| | Dec 15 | Jan 16 |
|----------------|--------|--------|
| NTA Before Tax | \$1.36 | \$1.36 |
| NTA After Tax | \$1.37 | \$1.37 |

Gross Portfolio Structure

| | Dec 15 | Jan 16 |
|----------------|---------|--------|
| Long Exposure | 89.8% | 91.7% |
| Short Exposure | -105.3% | -87.5% |
| Gross Exposure | 195.0% | 179.2% |
| Cash | 115.5% | 95.9% |

Month in Review

The optimism that fuelled a pre-Christmas rally in December turned to fear in January, with broad-based market falls in the first trading days of 2016. In what has now become a recurring theme for share markets, fears surrounding a hard landing in China and further falls in commodity prices spooked jittery investors, who were coaxed back into the market later in the month by central banks, on the promise of further stimulus and slower tightening of interest rates.

Our view on the outlook for the global economy remains unchanged. Industrial production around the world is slowing, with serious implications for many emerging economies. Weakness in the industrial economy is being offset by a strong services sector, which has been growing steadily in recent years. This period of readjustment will likely present continued volatility with risks arising from elevated leverage in many asset markets looming large in the minds of investors. Credit markets in particular look decidedly unhealthy

ALF's portfolio was flat in January, as compared with the benchmark All Ordinaries Accumulation Index which fell by -5.4%. Gains in the cyclical parts of the portfolio were offset by small losses in precious metals, banks and insurers. A net exposure to listed asset managers also added to performance. Pleasingly, our international portfolio continues to make an important contribution to Fund returns.

Defensive shares produced mixed results in the month. Capital flows away from the Healthcare sector saw several key names suffer falls, with hospital operators Healthscope and Ramsay among the weakest performers. M&A and industry consolidation in the global Telecomm sector has presented a number of opportunities. An investment in Verizon has been successful, while a new investment was initiated in Nokia, whose shares have retreated some 30-40% in recent months. We believe a planned acquisition will hold significant benefits for Nokia, which are not reflected in the current price.

Signs that the credit cycle is turning were evident again in January and bank shares suffered as a result. Deteriorating credit quality and increasing costs of wholesale funding are both headwinds for Australian banks. We have held a net short exposure to diversified financial shares for some time and this led to solid performance with most names suffering as global share markets sold-off.

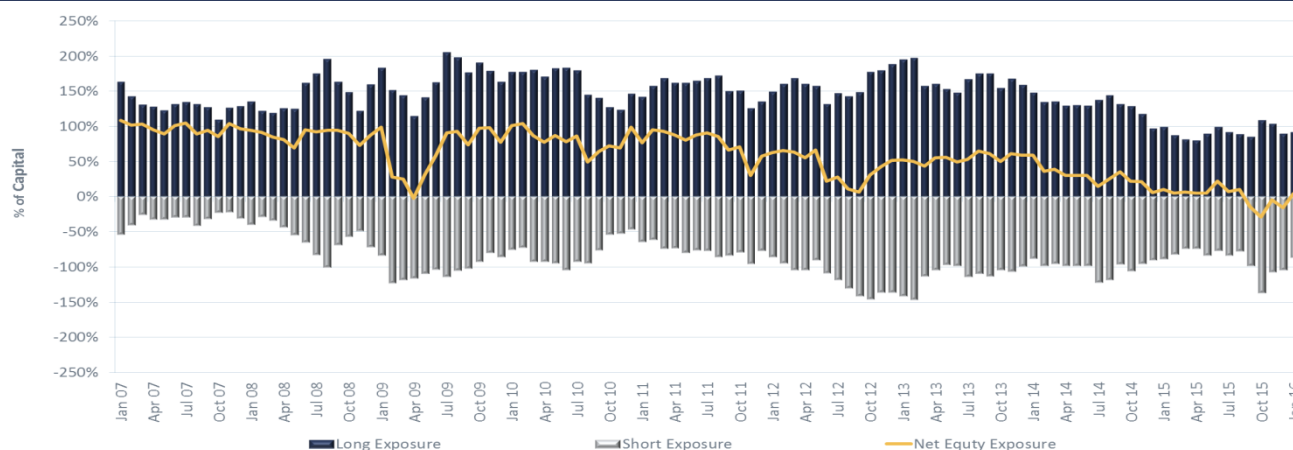
Cyclical shares were very weak for the month along with the broader share market. An investment in Chinese online employment site Zhaopin made a strong contribution having received a takeover offer. Anecdotal feedback from retailers reaffirmed the strength of the post-Christmas trading period, particularly for those businesses that are exposed to the housing cycle. The Fund retains a small net positive exposure to discretionary retail shares.

The beleaguered resource sector saw further falls in January, with the prices of iron ore and oil yet to find a floor. Short positions in two US oil producers contributed during the month, as did an investment in Orocobre, an Australian Lithium producer who has recently recapitalised and is now benefitting from a buoyant market for lithium.

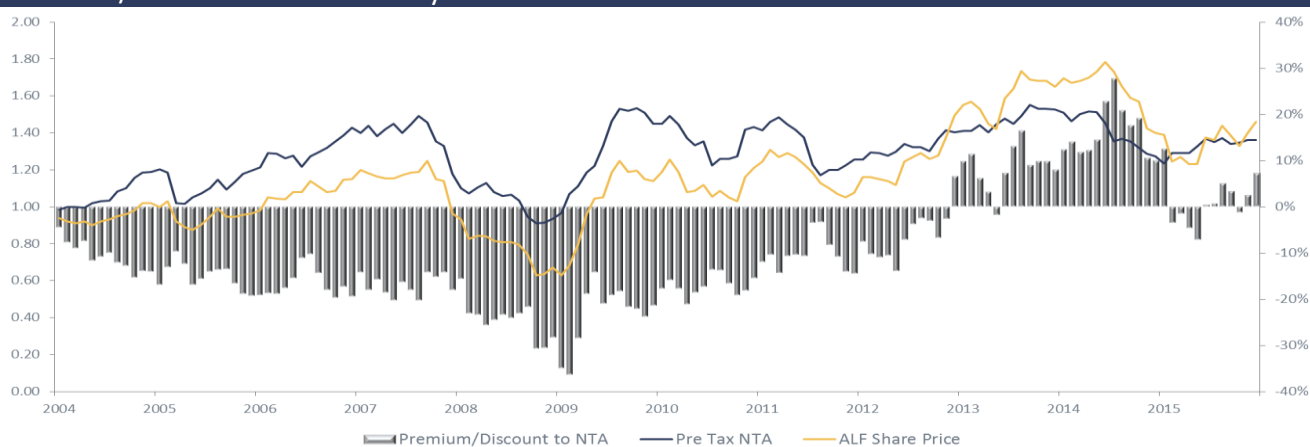
ALF Performance

| | 1 Mth | 6 Mths | FYTD | 1 Yr | 3 Yrs (pa) | 5 Yrs (pa) | 7 yrs (pa) | S.I. (pa) |
|-----------------------------|-------------|--------------|--------------|--------------|-------------|-------------|--------------|-------------|
| Portfolio Return (net) | 0.0% | 5.3% | 9.2% | 17.6% | 12.3% | 11.7% | 20.2% | 14.2% |
| All Ords Accum Index | -5.4% | -8.8% | -5.0% | 4.7% | 5.5% | 5.4% | 10.2% | 8.1% |
| Outperformance (net) | 5.4% | 14.1% | 14.2% | 22.3% | 6.8% | 6.3% | 10.1% | 6.1% |

Net Equity Exposure

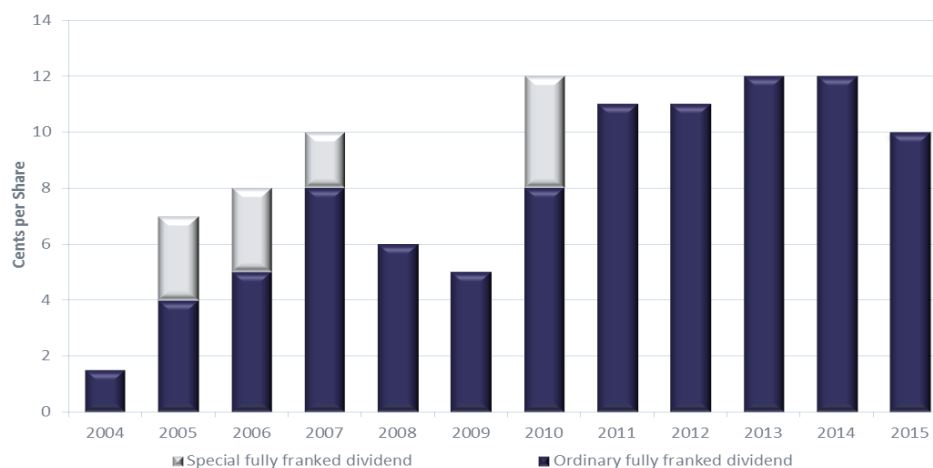


Premium/Discount to NTA History



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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