

## NTA and Monthly Update – February 2016

### Company at a Glance

ASX Code	ALF
Fund Size	AU\$363m
Fund Strategy	Variable Beta
Share Price	\$1.48
Shares on Issue	268.5m
Dividend (HY16 Interim)	5 cents
Dividend Yield (annualised))	6.7%

### Net Tangible Asset (NTA) Backing

	Jan 16	Feb 16
<b>NTA Before Tax</b>	<b>\$1.36</b>	<b>\$1.33</b>
NTA After Tax	\$1.37	\$1.35
Dividend Declared	(\$0.00)	(\$0.05)
NTA After Tax	\$1.37	\$1.30

### Gross Portfolio Structure

	Jan 16	Feb 16
Long Exposure	91.7%	80.2%
Short Exposure	-87.5%	-89.5%
Gross Exposure	179.2%	169.7%
Cash	95.9%	109.2%

### Month in Review

February was another difficult month for share markets in Australia and abroad. Notwithstanding the late month rally, most major markets finished the month in negative territory and global shares officially crossed into 'bear market territory' having fallen 20% from their peak. Surprisingly, it was a rebound in mining and energy companies that provided positive momentum for the market as the prices of oil and bulk commodities rallied.

The Company began the month close to market neutral and was largely insulated from the major themes that were buffeting global share markets. Stock specific issues in resources and a handful of industrial companies weighed on performance and the portfolio fell by -2.1%, underperforming the benchmark All Ordinaries Accumulation Index which fell by 1.5%.

Healthcare names performed well during the month and a core short in this sector added to performance. Utilities and Telecom were also strong sectors. Origin Energy rallied strongly with the Oil price and the market reacted positively to news that Telstra had shelved plans for a new joint-venture in the Philippines, raising the potential for capital management initiatives.

The Fund retained a short exposure to the Banks through February, which fell on concerns of further deterioration in credit quality. The same trends are evident globally and we have initiated short positions in a select group of Canadian banks, which are exposed to mining and energy sectors and are only lightly provisioned should default rates tick up. Security selection was successful in insurance, with a key short position adding value following an earnings downgrade from the company.

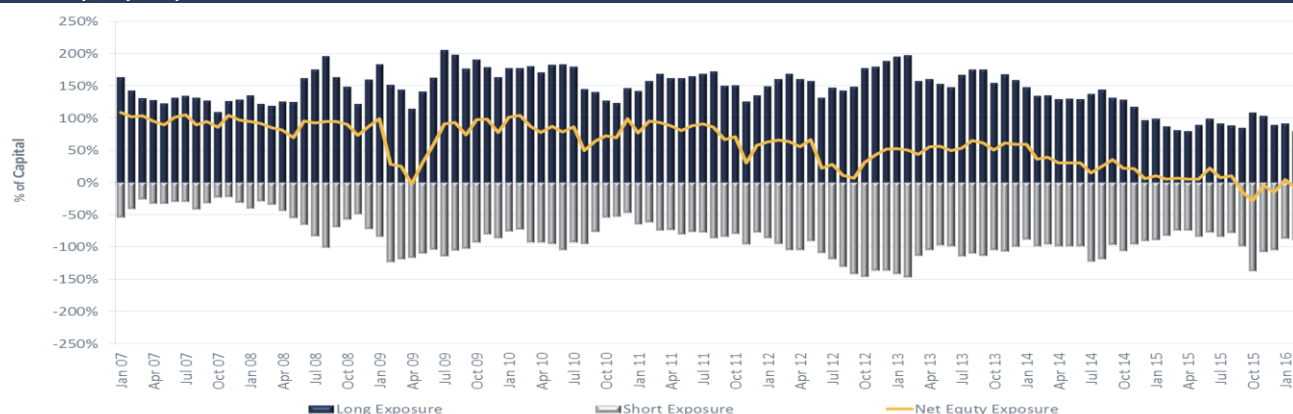
Amongst cyclical names, interim profit results provided some big share price moves. Our holding in Breville Group rallied strongly after the company exceeded expectations for earnings and unveiled a new international growth strategy. A core position in Farifax detracted from performance however, with weaker than expected performance from the company's print media assets offsetting the strong performance of Domain. We have added to this position, confident that the business is in good shape. Ardent Leisure shares fell in February following an average profit result and were trading at a significant discount to our valuation, providing an opportunity to invest in the company.

Stronger commodity prices saw resource names rebound during the month. Mooted OPEC supply cuts were the catalyst for a rebound in the price of oil, while positive Chinese economic data resulted in a bounce for most industrial metals. Stock specific issues; particularly in the gold sector, weighed on performance in the month. With some commodity prices having moved beyond our expectations for the longer term, we have been selling into the recent strength and are once again net short resources.

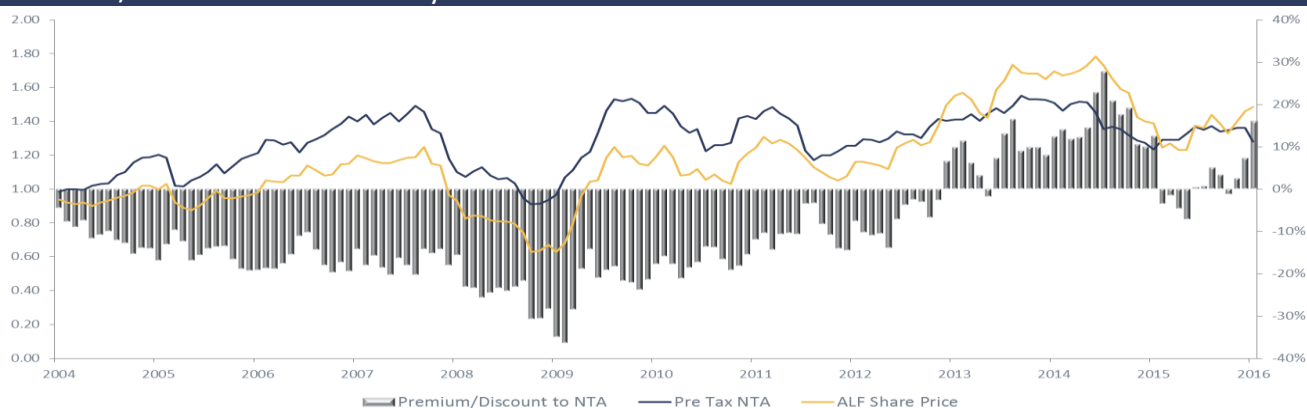
### ALF Performance

	1 Mth	6 Mths	1 Yr	3 Yrs (pa)	5 Yrs (pa)	7 yrs (pa)	S.I. (pa)
Portfolio Return (net)	-2.1%	0.1%	14.0%	10.9%	10.8%	19.4%	13.9%
All Ords Accum Index	-1.5%	-3.1%	-12.2%	3.2%	4.6%	10.6%	7.9%
<b>Outperformance (net)</b>	<b>-0.6%</b>	<b>3.2%</b>	<b>26.2%</b>	<b>7.7%</b>	<b>6.2%</b>	<b>8.8%</b>	<b>6.0%</b>

## Net Equity Exposure

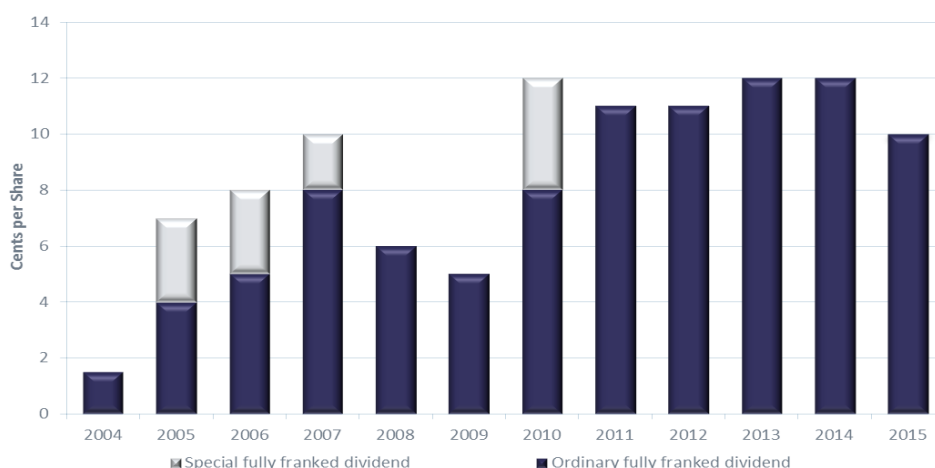


## Premium/Discount to NTA History



## 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.



Disclaimer: This document is issued by Watermark Funds Management Pty Ltd (ABN 98 106 302 505, AFSL 250897) in relation to the Australian Leaders Fund Ltd. The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units or shares in any fund of which the Manager is the contracted Investment Manager. The information in this document has been prepared without taking account of your objectives, financial situation or needs. The manager, their affiliates and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. Past fund performance is not indicative of future performance.