

## NTA and Monthly Update – March 2016

### Company at a Glance

|                              |               |
|------------------------------|---------------|
| ASX Code                     | ALF           |
| Fund Size                    | AU\$370.6m    |
| Fund Strategy                | Variable Beta |
| Share Price                  | \$1.45        |
| Shares on Issue              | 268.5m        |
| Dividend (HY16 Interim)      | 5 cents       |
| Dividend Yield (annualised)) | 6.9%          |

### Net Tangible Asset (NTA) Backing

|                       | Feb 16        | Mar 16        |
|-----------------------|---------------|---------------|
| <b>NTA Before Tax</b> | <b>\$1.33</b> | <b>\$1.35</b> |
| NTA After Tax         | \$1.35        | \$1.36        |
| Dividend Declared     | (\$0.05)      | (\$0.05)      |
| NTA After Tax         | \$1.30        | \$1.31        |

### Gross Portfolio Structure

|                |        |        |
|----------------|--------|--------|
| Long Exposure  | 80.2%  | 74.9%  |
| Short Exposure | -89.5% | -98.3% |
| Gross Exposure | 169.7% | 173.3% |
| Cash           | 109.2% | 123.4% |

### Month in Review

Central Bank policy was again the key theme driving buoyant share markets in March. In Europe, the ECB announced further rate cuts and an expansion of its quantitative easing program, while the US Fed turned dovish, reflecting concerns over weaknesses in the global economy and their impact in the US. The Australian share market performed well over the month, led by mining shares and the banks.

Given the Fund was net short the market for most of March, a 1.4% net return was a solid result, as compared with the benchmark All Ordinaries Accumulation Index, which rose by 4.7%. We have used recent strength in the share market to increase the Fund's net short positioning, which was -23% at month-end. Strong contributions came from key long positions that recovered after weaker performance in February – *Fairfax Media* most notably. Our strategy in Resources has been to pick winners and losers from within the commodity basket, while retaining a balanced position across the sector. This worked well during the month, with an exposure to Lithium producer *Orocobre Limited* contributing strongly and short positions in mineral sands and graphite also adding value.

Among defensive shares, healthcare was weak and the Fund benefitted from a large short exposure in this sector. Infrastructure and utility shares were flat, although an investment in *Contact Energy* performed well in the month. We have established a position in *Nokia*, with an expectation that their recent merger with *Alcatel Lucent* will provide strategic benefits and cost synergies beyond those that the market is factoring in.

Cyclical shares were stronger, with media and retail shares posting solid gains. Domestic economic growth surprised to the upside in the quarter and business confidence has improved, notwithstanding uncertainty caused by a looming double dissolution election. We continue to look for opportunities in the discretionary retail sector, amongst quality names that have underperformed in recent months. We have initiated a new position in *Super Retail Group*.

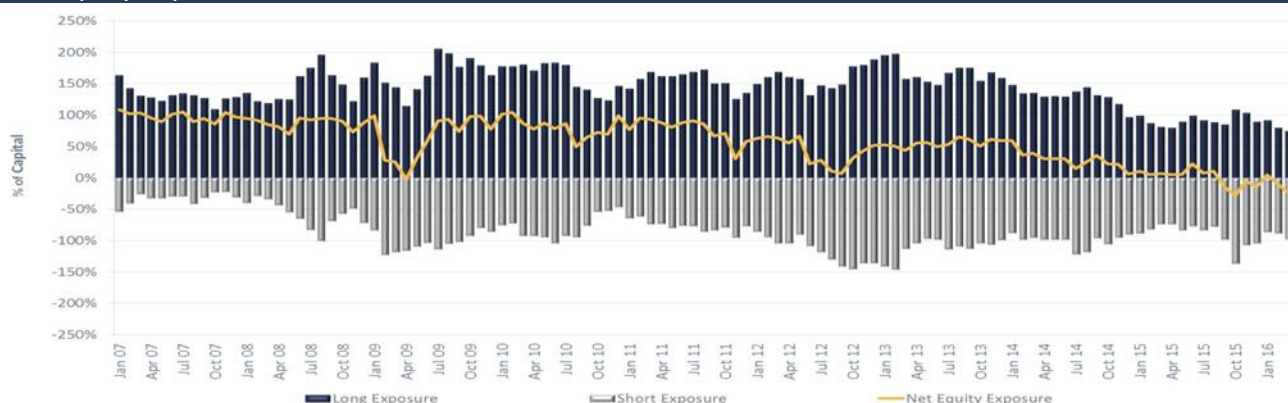
Australian bank shares recovered some lost ground in March; however we still see fundamental challenges ahead. Negative trends in asset quality, regulatory reform and wholesale credit markets are all still evident and were confirmed again this month by *ANZ* and *Westpac* who flagged rising bad debts given exposures to *Arrium* and *Peabody Coal*. Stronger share markets provided a boost for diversified financial shares, although we suspect this will be short-lived as the recent relief-rally runs its course.

Chinese economic data continues to exceed expectations. A significant credit injection has helped the beleaguered property sector and fiscal stimulus has accelerated infrastructure spending. This has driven the rally in commodity prices, most notably steel and iron ore. While Chinese policy will continue to provide a tailwind for some time, the medium term outlook is unchanged and some metal and mining shares are looking overvalued.

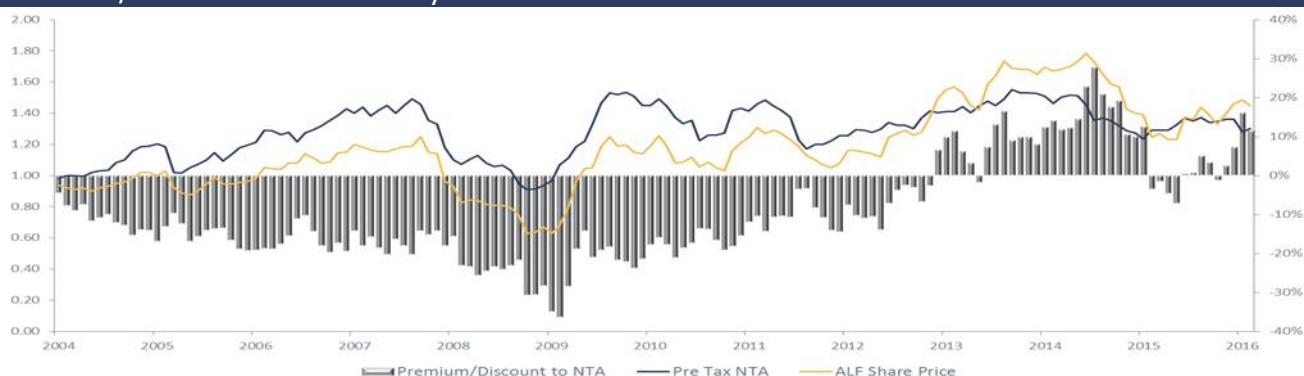
### ALF Performance

|                             | 1 Mth        | 6 Mths       | 1 Yr         | 3 Yrs (pa)  | 5 Yrs (pa)  | 7 yrs (pa)  | S.I. (pa)   |
|-----------------------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|
| Portfolio Return (net)      | 1.4%         | 0.0%         | 12.2%        | 10.4%       | 10.3%       | 17.1%       | 14.0%       |
| All Ords Accum Index        | 4.7%         | 4.1%         | -8.0%        | 5.6%        | 5.4%        | 10.1%       | 8.3%        |
| <b>Outperformance (net)</b> | <b>-3.3%</b> | <b>-4.1%</b> | <b>20.2%</b> | <b>4.7%</b> | <b>4.9%</b> | <b>7.0%</b> | <b>5.7%</b> |

## Net Equity Exposure

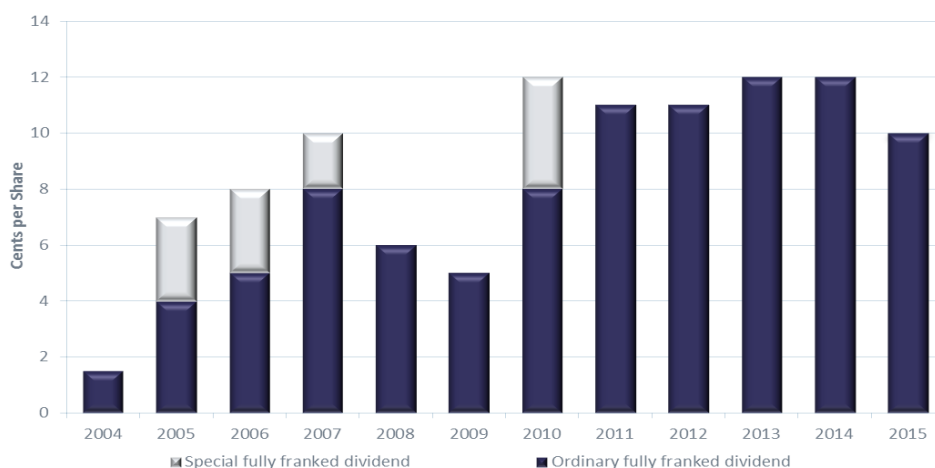


## Premium/Discount to NTA History



## 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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