

## NTA and Monthly Update – April 2016

### Company at a Glance

ASX Code	ALF
Fund Size	AU\$355.1m
Fund Strategy	Variable Beta
Share Price	\$1.42
Shares on Issue	269.9m
Dividend (HY16 Interim)	5 cents
Dividend Yield (annualised))	7.0%

### Net Tangible Asset (NTA) Backing

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

### Gross Portfolio Structure

Long Exposure	74.9%	95.6%
Short Exposure	-98.3%	-120.9%
Gross Exposure	173.3%	216.5%
Cash	123.4%	125.3%

### Month in Review

The Australian share market extended recent months' gains in April, with mining and energy shares pushing the market to 8 month highs. In China, strong growth in infrastructure spending and an increase in housing starts have resulted in stronger demand for Australian steel and iron ore. Divergence in central bank policy continues to have a significant impact on global markets. Despite a fall in business confidence, the Bank of Japan surprised markets by deciding against further easing in monetary policy, while the US Fed seems likely to delay further rate hikes until later in 2016, despite an improvement in manufacturing and labour force data.

ALF retained its net short exposure through the month and performance suffered as a result. The portfolio fell by 0.4% as compared with the All Ordinaries Accumulation index, which rose by 3.2%. While share markets are moving in response to central Bank policy, we see little to suggest any fundamental improvement in the outlook for economies here or abroad, with risks remaining to the downside. As a result, we are comfortable to retain our net short market exposure, which provides the fund with insurance should markets suffer a setback from here.

Defensive sectors were the standout performers outside resources, with infrastructure and gaming shares making strong contributions. An investment in *Transurban Group* performed well and received a further boost from the RBA's recent cut in the cash rate. The Fund's recent investment in *Group Eurotunnel* also made a strong contribution with the company releasing a strong quarterly result. *Tabcorp Holdings* also performed strongly in response to the Government's proposed ban on 'in play' betting which will curtail competitors and benefit their domestic gaming franchise.

Performance of bank shares was volatile during the month. The four major banks have all flagged an increase in bad debts reflecting the financial stress in pockets of the domestic economy and our concerns around capital adequacy remain. An investment in *Suncorp Group* contributed to performance from amongst insurance names.

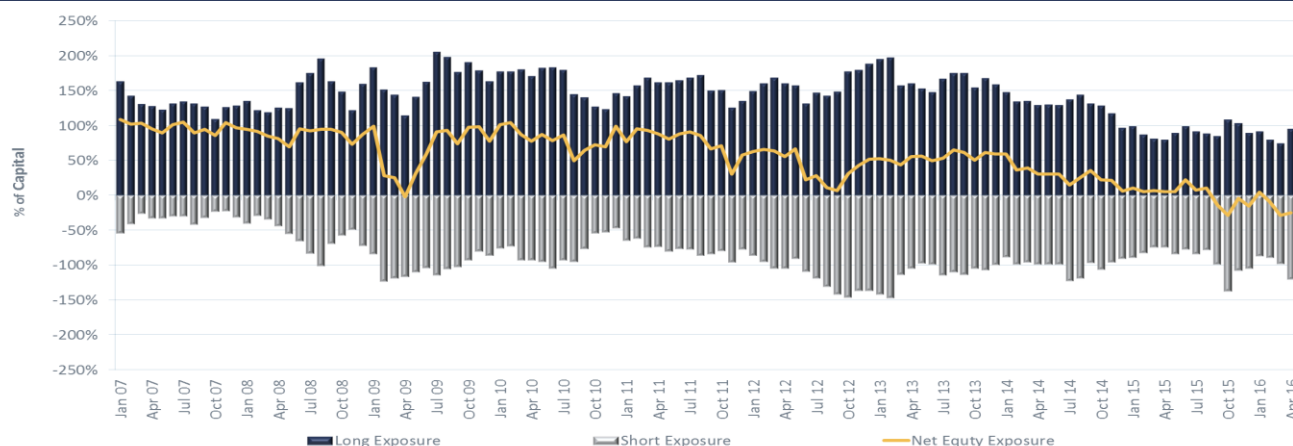
Cyclical shares were weaker in April, with softening consumer confidence impacting retailers and uncertainty likely to remain in the lead up to the federal election. The portfolio is largely balanced here, except in transport where the fund holds short positions in a selection of companies that are exposed to weakening trends in the domestic economy.

It was an action-packed month in the resources sector, with major moves in most commodities. We have built up a small net short exposure to mining and energy shares in recent weeks which detracted slightly from performance during the month. Notwithstanding the recent strength, we expect momentum in this sector will wane, presenting opportunities to profit from lower quality names that have overshot fair value.

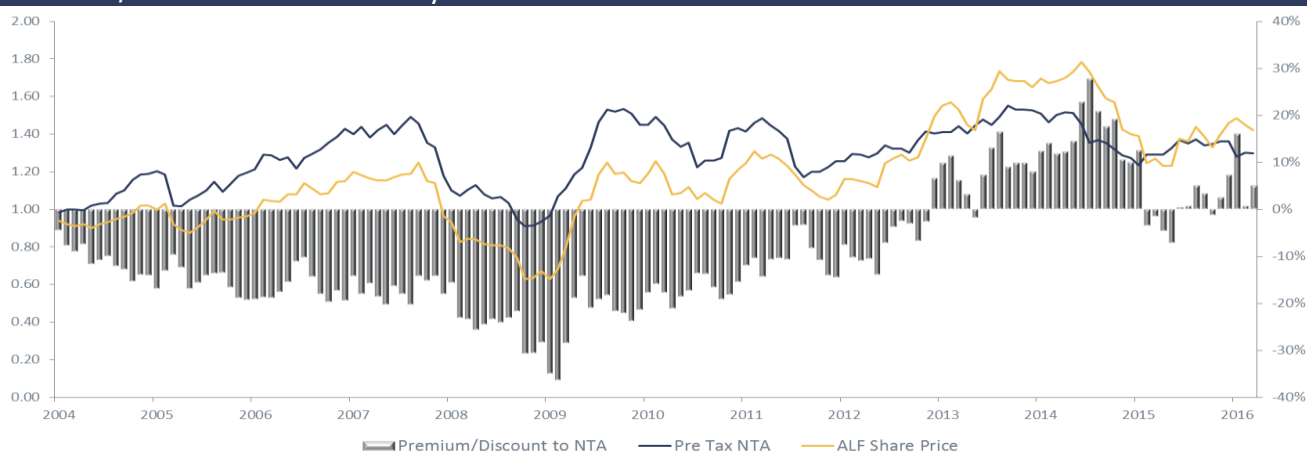
### ALF Performance

	1 Mth	6 Mths	1 Yr	3 Yrs (pa)	5 Yrs (pa)	7 yrs (pa)	S.I. (pa)
Portfolio Return (net)	-0.4%	1.3%	10.9%	9.2%	9.9%	16.0%	13.8%
All Ords Accum Index	3.2%	2.8%	-3.7%	5.4%	6.2%	9.7%	8.5%
<b>Outperformance (net)</b>	<b>-3.6%</b>	<b>-1.5%</b>	<b>14.5%</b>	<b>3.8%</b>	<b>3.7%</b>	<b>6.3%</b>	<b>5.3%</b>

## Net Equity Exposure

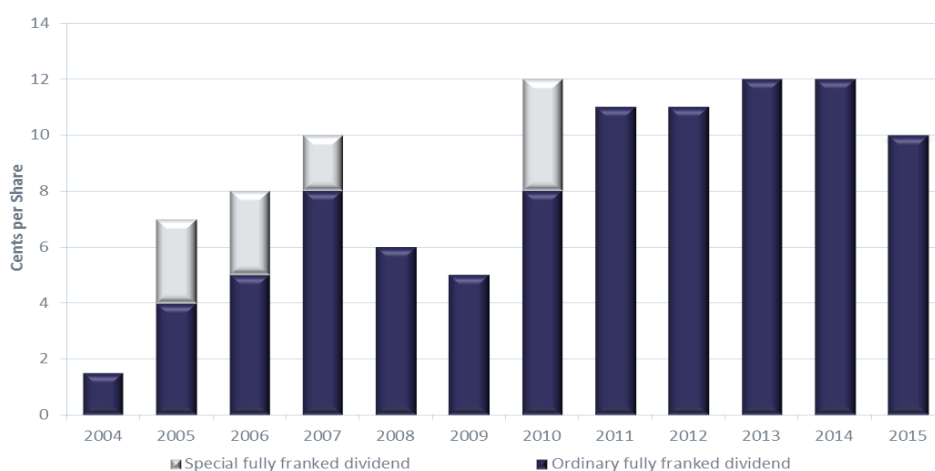


## Premium/Discount to NTA History



## 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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