

NTA and Monthly Update – June 2016

Company at a Glance		Net Tangible Asset (NTA) Backing		
ASX Code	ALF		May 16	June 16
Fund Size	AU\$363.9m	NTA Before Tax	\$1.32	\$1.33
Fund Strategy	Variable Beta	NTA After Tax	\$1.32	\$1.33
Share Price	\$1.45	Gross Portfolio Structure		
Shares on Issue	269.9m	Long Exposure	111.6%	107.9%
Dividend (HY16 Interim)	5 cents	Short Exposure	-133.4%	-122.5%
Dividend Yield (annualised))	6.9%	Gross Exposure	245.0%	230.3%
		Cash	121.9%	114.6%
Month in Review				

We have been speaking for some time of the brittle state of the global economy and of how the risks of imbalances accumulated from central bank policies can manifest in adverse events for financial markets. Such an event occurred in June, triggering a violent, albeit brief fall in global share markets. While the political and economic repercussions of the 'Brexit' referendum will not be fully understood from some time, it represents a further set-back for an already fragile recovery in global growth.

The Fund performed well in June, delivering a net return of 1.0% as compared with the All Ordinaries Accumulation index, which fell by -2.3%. ALF has been net short the market for some months, given our view that the relief rally which began in February would run its course. That view was validated in June as the market rolled over, with short attribution receiving a further fillip from the Brexit shock. Short positions in banks shares and asset managers were amongst the strongest performers while our investment in the gold sector performed well.

Defensive shares with sustainable dividend yields are very much back in vogue given the macroeconomic climate and it is no surprise therefore that Utilities and REITS were the strongest sectors in June. While infrastructure names are expensive for the most part, we hold in investment in Auckland International Airport which has performed well. A core short in the biotechnology sector was the best performing position in the month.

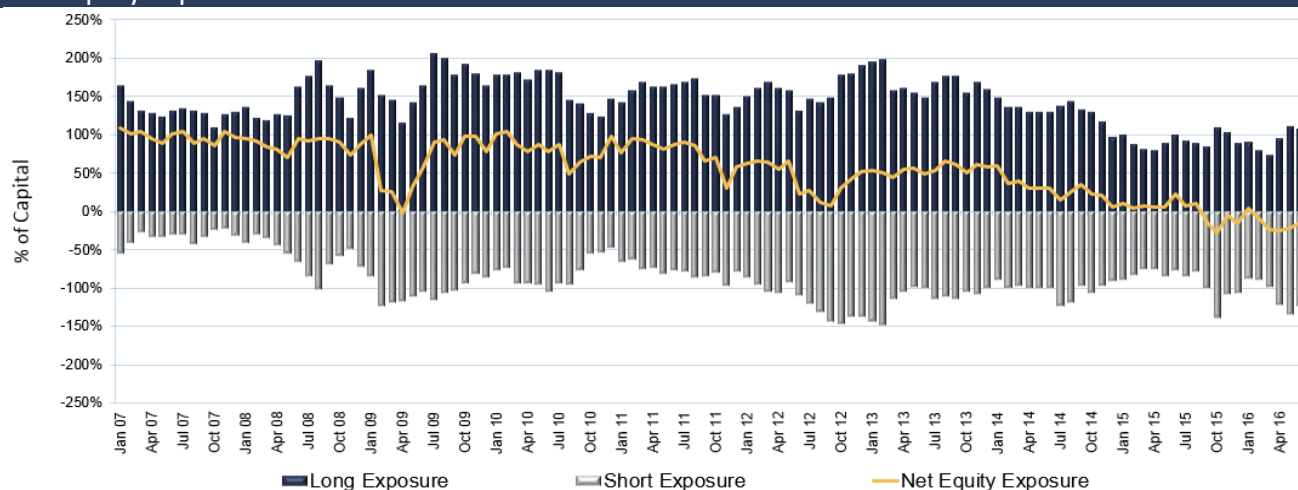
Cyclical parts of the economy continue to struggle, notwithstanding a slight improvement in business and consumer confidence. We have been short the transport sector for some time, on the basis that the shares of several dominant players look expensive, particularly in light of the slow-down in mining activity. This positioning played out well in the month.

Financial shares bore the brunt of the market falls in June, with the shares of banks and asset managers struggling into the Brexit referendum before taking another leg down after the result was known. The Funds' net short exposure through the month delivered solid performance while trading opportunities emerged in oversold names post the Brexit result. We have been looking closely at the stronger European banking franchises which have fallen along with the broader sector, given our ability to take a hedged position where compelling value emerges.

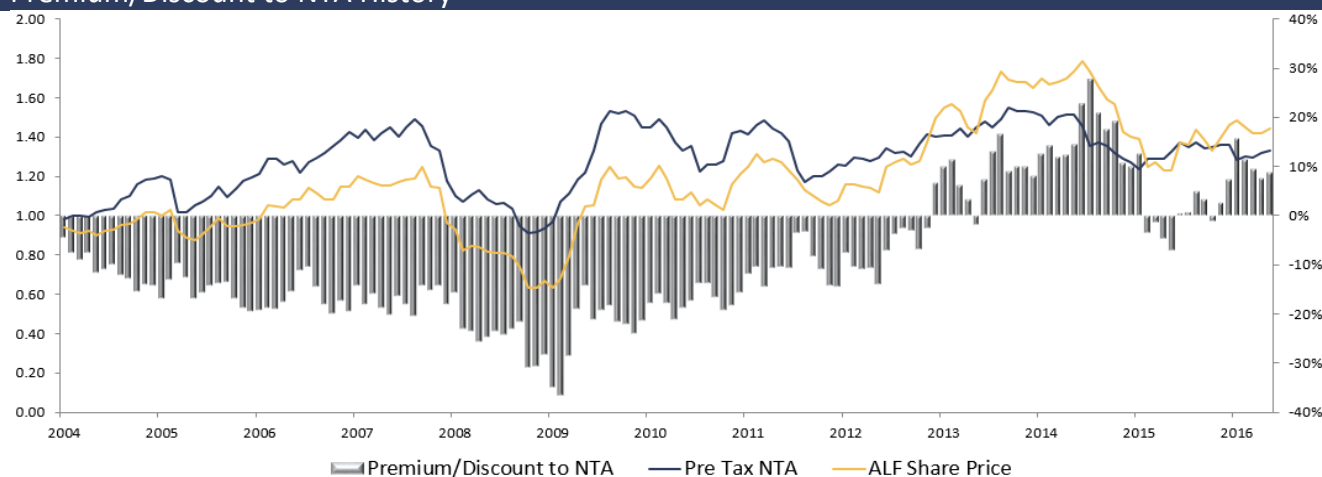
Resources have been the bellwether for the market in recent months, with commodity prices continuing to prove volatile. Modest recoveries in the price of bulk commodities and some industrial metals provided a tailwind for our investment in Rio Tinto while an investment in Royal Dutch Shell withstood the weaker oil price and made a solid contribution.

ALF Performance							
	1 Mth	6 Mths	1 Yr	3 Yrs (pa)	5 Yrs (pa)	7 yrs (pa)	S.I. (pa)
Portfolio Return (net)	1.0%	1.8%	11.2%	9.3%	11.3%	14.1%	13.9%
All Ords Accum Index	-2.3%	1.6%	2.0%	8.2%	7.3%	8.9%	8.5%
Outperformance (net)	3.3%	0.2%	9.2%	1.1%	4.0%	5.2%	5.5%

Net Equity Exposure

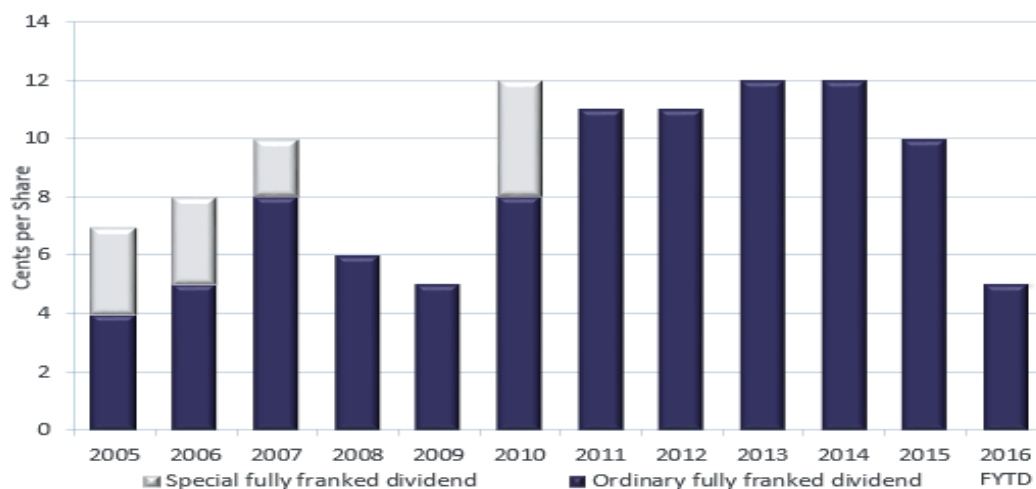


Premium/Discount to NTA History



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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