

NTA and Monthly Update – July 2016

Company at a Glance

ASX Code	ALF
Fund Size	AU\$362.7m
Fund Strategy	Variable Beta
Share Price	\$1.45
Shares on Issue	269.9m
Dividend (HY16 Interim)	5 cents
Dividend Yield (annualised))	6.9%

Net Tangible Asset (NTA) Backing

	June 16	July 16
NTA Before Tax	\$1.33	\$1.32
NTA After Tax	\$1.33	\$1.33

Gross Portfolio Structure

Long Exposure	107.9%	110.4%
Short Exposure	-122.5%	-129.6%
Gross Exposure	230.3%	240.0%
Cash	114.6%	119.2%

Month in Review

The Australian share market shook off any Brexit-related concerns in July, rallying strongly through the month to mark its highest level in close to a year. Whilst Central Bank policy across the globe is providing unprecedented stimulus for risk assets, any vestige of global growth is being stymied by political instability and an ever larger sovereign debt burden. The anticipation of further stimulus from Central Banks in the UK and Japan pushed share markets higher, with both ultimately disappointing investors and cooling momentum.

ALF has been net short the market for some time, a position which paid off in June as markets sold-off. While individual stock selection was almost sufficient to keep Fund returns in the black for the month, the net short exposure to the rallying market ultimately dragged on performance and the Fund fell in value by 0.3% as compared with the benchmark index which posted a solid gain of 6.3%.

It was a quiet month for defensive shares with performance in these sectors largely benign. Investments in US healthcare names *Ionis Pharmaceuticals* and *Celgene Corporation* made notable contributions along with a core position in *Ramsay Healthcare*. An investment in *Auckland International Airports* also performed well in the month.

In the cyclical parts of the portfolio, performance was mixed. There was little comfort to be found for businesses or investors in the outcome of the federal election although economic data was broadly positive in the month. Investments in *Fairfax Media* and *Super Retail* continue to perform well and the Fund benefitted from a timely investment in *Nintendo Co*. A short position in the domestic consumer sector also performed well, exemplifying the fierce competition for shelf space from the grocery duopoly.

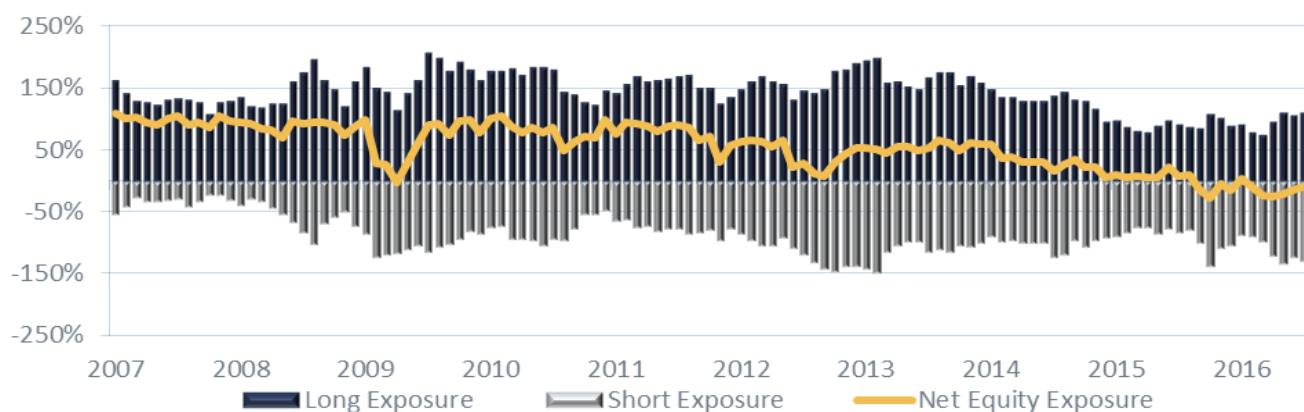
Asset markets have proven surprisingly resilient following the Brexit shock and diversified financial shares have largely recovered losses from June. A core holding in *Smartgroup Corporation* was a stand-out performer in the month, as was a position in *IOOF Holdings*. The major banks underperformed the broader market with capital strength still lingering as an issue for APRA.

Bulk commodity prices were stronger in the month, with coal and iron ore lifting on the prospect of further financial stimulus in China. The price of oil fell in the month, although the fund has no net exposure in this sector. Precious metals continue their stellar run and a position in *Evolution Mining* was a beneficiary of this continued trend.

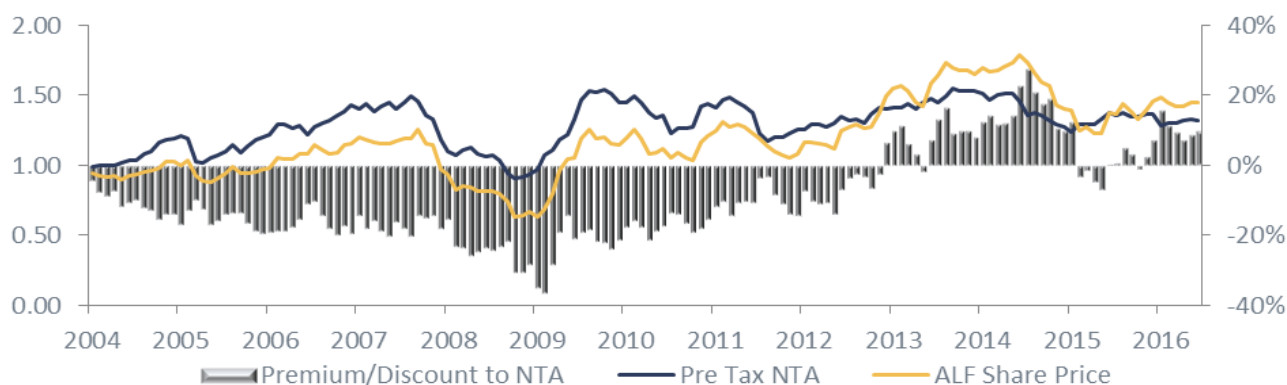
ALF Performance

	1 Mth	6 Mths	1 Yr	3 Yrs (pa)	5 Yrs (pa)	7 yrs (pa)	S.I. (pa)
Portfolio Return (net)	-0.3%	1.5%	6.8%	7.8%	12.2%	12.6%	13.8%
All Ords Accum Index	6.3%	14.1%	4.0%	8.5%	9.4%	8.7%	8.9%
Outperformance (net)	-6.6%	-12.6%	2.8%	-0.7%	2.8%	3.9%	4.9%

Net Equity Exposure

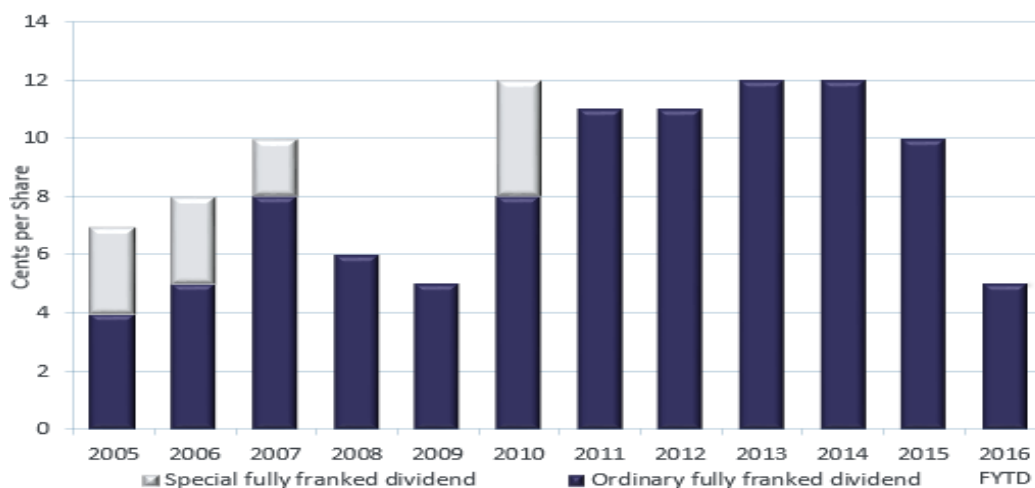


Premium/Discount to NTA History



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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