

## NTA and Monthly Update – October 2019

### Company at a Glance

ASX Code	ALF
Fund Size	AU\$269.2
Fund Strategy	Variable Beta
Share Price	\$0.95
Shares on Issue	240.2m
Net Exposure	-5.7%

### Net Tangible Asset (NTA) Backing

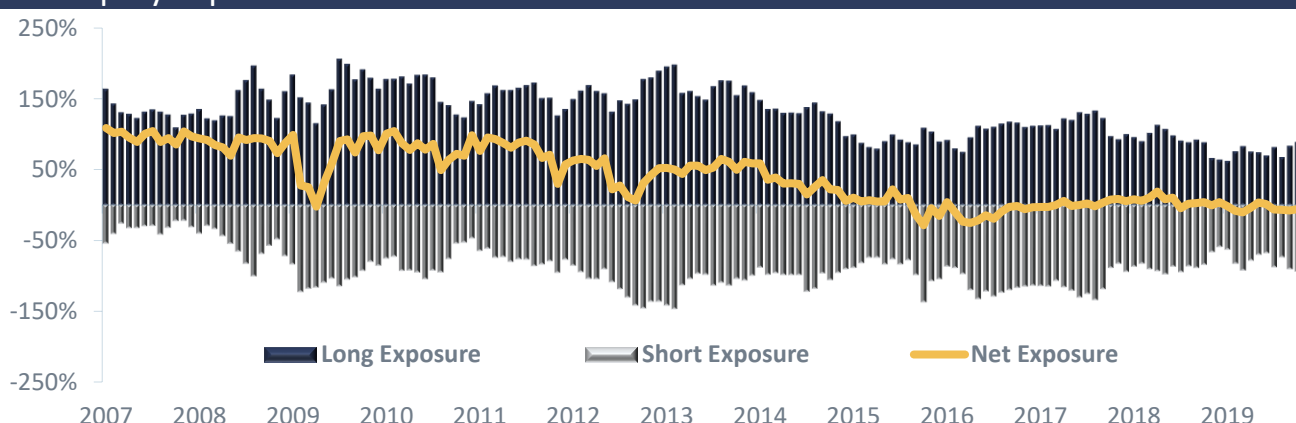
	Sep 19	Oct 19
NTA Before Tax	\$1.18	\$1.19
NTA After Tax	\$1.17	\$1.18*

### Gross Portfolio Structure

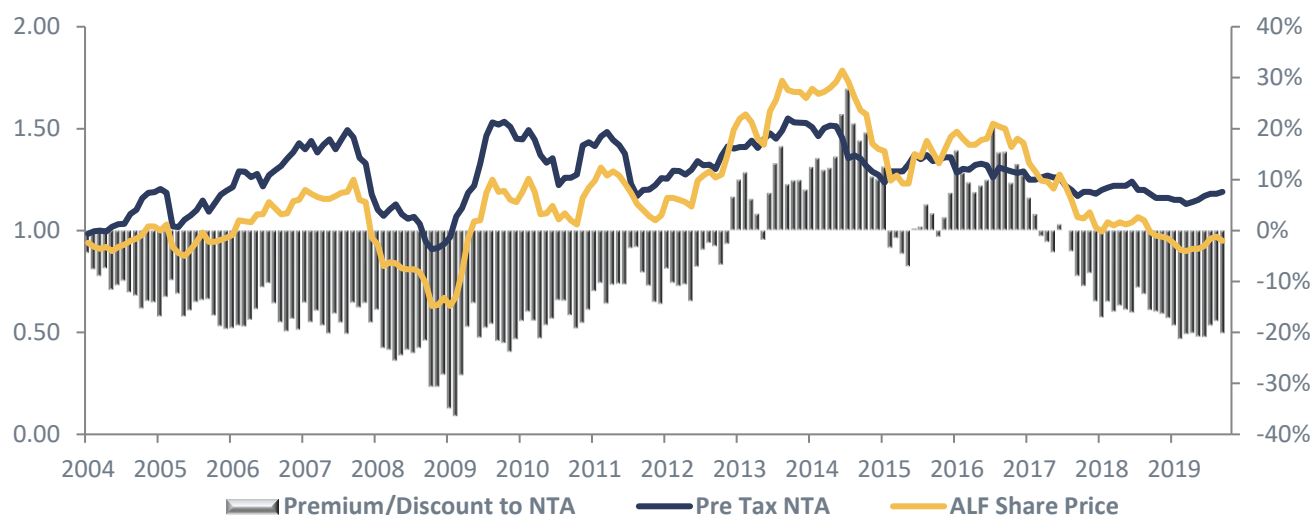
Long Exposure	83.6%	88.9%
Short Exposure	-91.2%	-94.6%
Gross Exposure	174.8%	183.5%
Cash	107.5%	105.7%

\*The After-Tax NTA includes a \$0.05 per share deferred tax asset and is net of deferred tax liabilities accrued in the current financial year. The Board has also declared a \$0.025 per share dividend to be paid on 29 November 2019

### Net Equity Exposure



### Premium/Discount to NTA History



## Month in Review

### ALF Capital Management Initiative

On September 27, the Board of ALF announced with the release of its FY19 accounts, details of a capital management initiative that it intends to pursue. If it is approved by shareholders at the upcoming AGM, the Board intends to conduct an off-market buyback of up to 20% of ALF shares. The buy back will be conducted at a price that reflects the Net Tangible Asset Backing (NTA) of the Company, but net of Deferred Tax Assets and any expenses related to the buy back. The Value of Deferred Tax Assets sitting on ALF's balance sheet as at October 31, 2019 is disclosed above in this monthly NTA update.

The Board of ALF ask that shareholders consider their capital management initiative, and if they are supportive, to cast their votes in support of the initiative on the voting forms that have been distributed.

### Fund Performance

The Australian share market bucked the trend amongst global peers, falling in October by 0.4%. With some easing in geopolitical tensions and continued support from central banks around the globe, investors seem increasingly confident that share markets can make new highs in the months ahead. There has however been a marked change in positioning from investors, rotating out of defensive yield exposures and high growth companies, into value plays and shares with stronger leverage to the last leg up in this economic cycle. We have been monitoring the trends outlined above and have positioned ALF's portfolio accordingly, tilting the Fund towards more cyclical parts of the market while selectively shorting 'expensive defensives' and high growth names. The Fund delivered a 1.3% return in October, comfortably beating its benchmark and continuing a string of positive months in FY20.

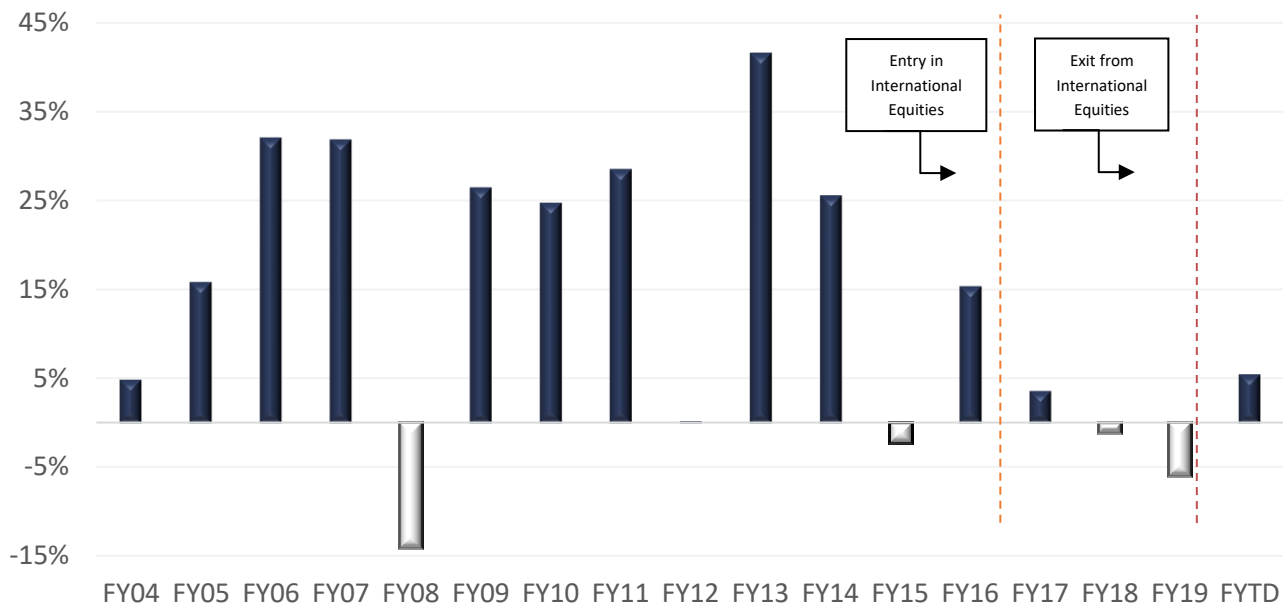
The Consumer sector contributed strongly to portfolio returns in October, with performance driven by investments in Gaming and Leisure. In particular, we benefited from an investment in Star Entertainment (SGR). After a 2H19 downgrade and mounting negative sentiment towards the stock, we saw the reporting of the annual result in August as a turning point. Firstly, the company reported stabilisation in trading conditions and was also able to provide more detail about the execution of its cost reduction program, which was running to plan. Beyond that, expectations for the stock were very low, which was fully reflected in the share price. Any positive resolution to the Gold Coast casino licence debate would be a positive surprise. In addition, we continued to see SGR as an attractive asset for strategic buyers, with potential catalysts to recognise the inherent value in the coming months.

In TMT & Healthcare, the performance was also solid, with contributions on both sides of the ledger. On the long side, CSL share price continued to reflect a strong IG market and solid execution by management. Our position in Integral Diagnostics benefited from the release of Medicare data showing an uptick in diagnostic imaging utilisation, particularly in more sophisticated modalities like MRIs and CT scans. Seek shares continued to advance as the company made its initial move towards increased monetisation of its Australian offering. Also, among key contributors, were several short positions in expensive technology and biotechnology companies.

October saw the commodity prices fall early in the month as trade concerns dominated. However, progress on Sino-US trade talks began to lift the market towards the end of the month. Quarterly production reporting was sound for bulks, base metals and oil shares, however gold names performed poorly, and the shares sold off. Performance in this sector was predominantly on the short book in the month. Investments in Iluka (which rallied following a fall in August and Silver Lake Resources (valuation gap closed on sound quarterly) were notable contributors. We added length to the mining and oil portfolio at the end of the month and initiated positions in WHC, MLX and KAR.

Investments in IOOF and Macquarie Bank were notable contributors in the Financials portfolio. IOOF continues to bear fruit as it announced a recut of the ANZ platforms acquisition deal at a lower price. The sunset date on the deal terms also extended, with the transaction now highly likely to proceed as the stock added 18% in October. Offshore banks delivered favourable investment banking and trading outcomes in October. This boded well for Macquarie Bank's November result, which met expectations with the full-year guidance. This business remains a core investment, as it remains relatively cheap on a price-earnings multiple.

## Gross Portfolio Return

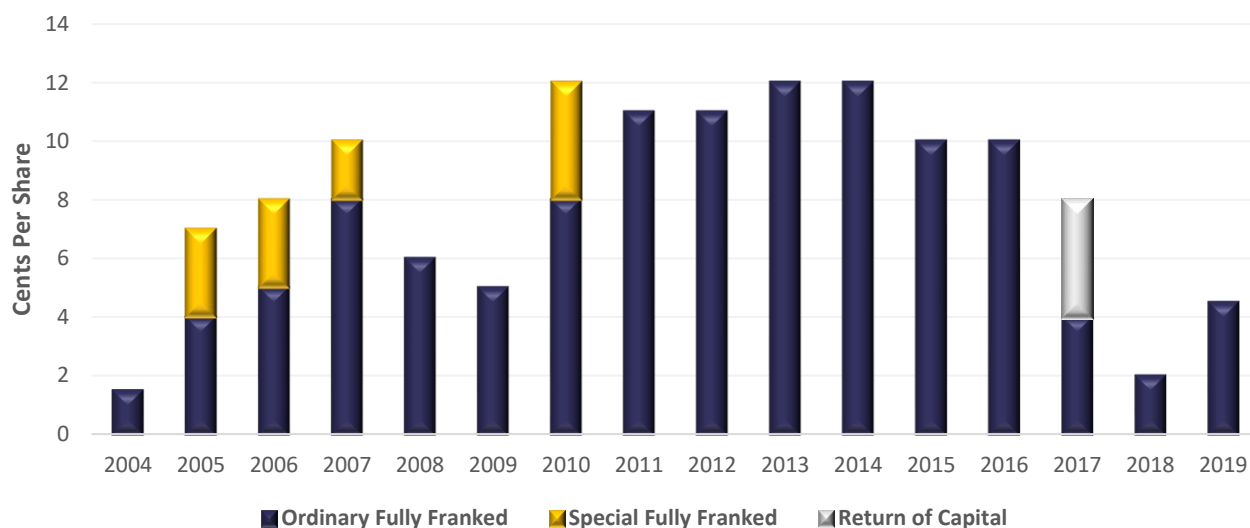


## Monthly Net Performance (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2004		0.4	1.4	0.2	0.0	2.3	1.1	-0.3	4.6	2.8	4.4	2.4	20.8
2005	0.3	1.3	-0.9	-6.1	-0.4	4.8	2.0	2.7	4.8	-3.0	3.9	3.7	13.2
2006	1.5	2.0	6.4	2.9	-2.1	1.4	-3.2	4.3	1.7	7.2	2.8	2.5	30.6
2007	3.1	-1.6	3.5	1.1	2.7	2.0	-1.0	3.4	3.3	1.0	-0.3	-1.9	16.3
2008	-11.5	-8.4	1.4	4.4	1.5	-7.2	-1.3	5.1	-5.4	-16.3	-6.6	3.0	-36.1
2009	2.2	2.9	16.0	6.7	7.9	7.0	9.2	12.4	6.5	-0.7	0.8	0.1	96.9
2010	-3.5	2.2	4.2	-2.1	-7.1	-2.3	2.8	-3.9	2.3	0.0	2.7	12.0	6.4
2011	2.0	1.9	3.6	1.7	-1.8	-1.8	-4.1	-6.8	-8.4	6.5	-1.5	0.9	-8.6
2012	4.9	4.7	3.3	1.2	-2.4	0.7	3.7	3.6	0.3	-1.3	6.5	3.4	32.3
2013	3.4	1.6	3.0	2.7	0.5	2.2	3.8	3.5	2.8	4.0	-0.6	0.0	30.2
2014	-0.2	4.0	-1.4	2.6	1.2	0.3	-3.6	-2.4	1.4	-1.3	-2.5	-1.1	-3.2
2015	-1.2	1.0	3.0	0.8	-0.5	3.1	3.8	3.0	1.5	-1.6	0.4	2.0	16.2
2016	0.0	-2.1	1.4	-0.4	1.9	1.0	-0.3	-0.6	3.9	-0.5	-0.9	-0.2	3.1
2017	-0.7	-0.1	0.1	1.2	0.7	-0.5	0.3	-1.8	-0.4	-3.1	1.3	0.1	-3.0
2018	-0.6	0.7	0.9	0.9	0.0	-0.6	2.6	-1.6	0.2	-2.0	-2.9	-1.4	-3.7
2019	0.5	0.7	-1.0	-2.3	-0.8	0.7	2.1	1.0	0.1	1.3			2.2

## Dividend History

The Board is committed to paying fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices.



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