

NTA and Monthly Update – December 2019

Company at a Glance

ASX Code	ALF
Fund Size	AU\$259.2
Fund Strategy	Variable Beta
Share Price	\$0.99
Shares on Issue	237.9m
Net Exposure	2.8%

Net Tangible Asset (NTA) Backing

	Nov 19	Dec 19
NTA Before Tax	\$1.17	\$1.17
NTA After Tax	\$1.15	\$1.15*

Gross Portfolio Structure

Long Exposure	97.6%	84.9%
Short Exposure	-99.0%	-82.1%
Gross Exposure	196.6%	167.0%
Cash	101.4%	97.2%

*The After-Tax NTA includes a \$0.06 per share deferred tax asset, which is net of tax liabilities accrued in the current financial year.

Month in Review

December 31 marked the end of a stellar year for the Australian share market, which delivered a total return of 24%, making it one of the top-performing global indices in 2019. In the absence of good news in respect of corporate earnings growth, it was Central Banks and their preparedness to support asset markets with an easing in policy settings that had the greatest impact on returns from the share market. Growth sectors were again the best performers in 2019, with Healthcare and Technology leading the way. However, weak data in respect of GDP growth and business and consumer sentiment, along with headwinds for the major banks, weighed on local market returns in the final quarter of the year.

The Fund fell by 0.4% after all fees in December. This represented outperformance relative to the benchmark All Ordinaries Accumulation Index of 1.9%. While the Fund's conservative exposure settings have clearly weighed on returns relative to the market in 2019, performance in the second half of the year has been encouraging. With very little net exposure to shares in the period, the Fund has been insulated against market falls and is well positioned to weather any volatility that may lay ahead.

There were modest losses in TMT/Healthcare portfolio amid lighter than normal stock specific news flow ahead of the holidays. On the positive side, the Fund benefited from short positions in overvalued technology names that were left behind in the market rotation towards cyclicals and value. Among the detractors, investments in Paradigm and Telix suffered from investors' profit taking after a strong performance (200% and 138% in 2019 respectively). We are believers in the fundamental outlook for both businesses and will look at pullbacks as an opportunity to add the positions. Both names have catalyst-rich 2020 outlooks in terms of clinical trials, regulatory filings and potential approvals that we expect will unlock further upside.

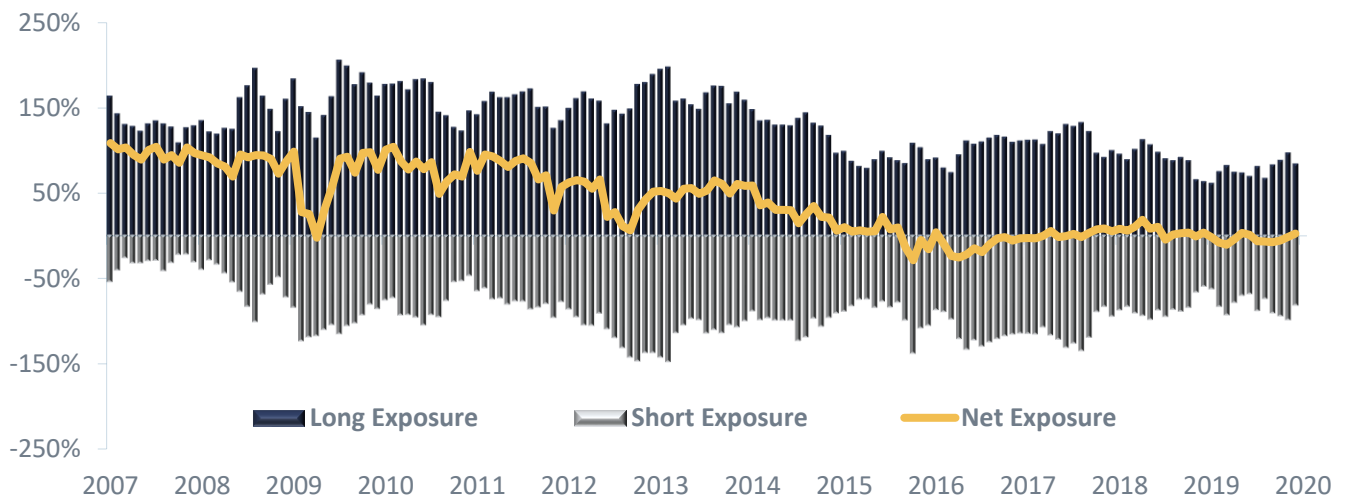
The Consumer/Industrials sectors contributed strongly to portfolio returns, with performance driven by core investments in small-cap consumer companies. BWX Limited (BWX) was a standout performer, along with a recent addition to the portfolio: Carbon Revolution (CBR). The portfolio also benefited from short positions in

the gaming sector as lottery operators cycled an above-average jackpot sequence in the prior year. While structural factors are driving lottery participation towards digital sales, the market had confused the strength of that tailwind with the luck factors also driving revenue growth in the FY19 year.

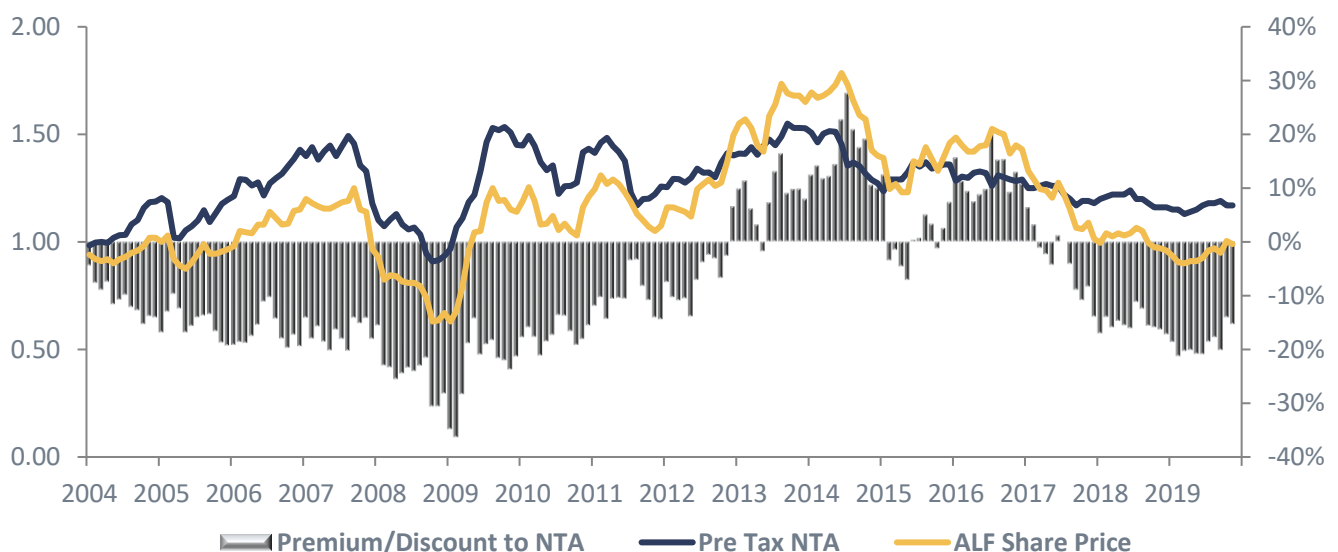
Financials also detracted from performance, driven primarily from a pair in the wealth management sector and a broad-based sell off in Fintech names, which followed global growth names lower in the month. A core investment in Afterpay also lost ground, although strong results relating to Black Friday/Cyber Monday sales gave us the confidence to add to this position. We have been net short in the real estate sector in anticipation that expensive defensive names in this part of the market will underperform. This worked well in December as bond yields rallied. In the insurance sector, short exposure in the health insurance segment worked well. At the same time, an investment in QBE is expected to deliver further returns, buoyed by a hardening in the US rate cycle and currency tailwinds.

There was a notable recovery in the metals and mining complex in December. Prices of bulk commodities, base metals and oil all rallied higher, while gold also finished the year strongly. Key performers for the month were Northern Star Resources and NRW Holdings, both of which have recently raised capital to fund business expansions. Cooper Energy also performed as the company nears completion of its Orbest gas plant. We retain a net long bias and expect the materials sector to rally into 2020 on the back of a China-US trade deal. We initiated positions in Senex and Oil Search during the month.

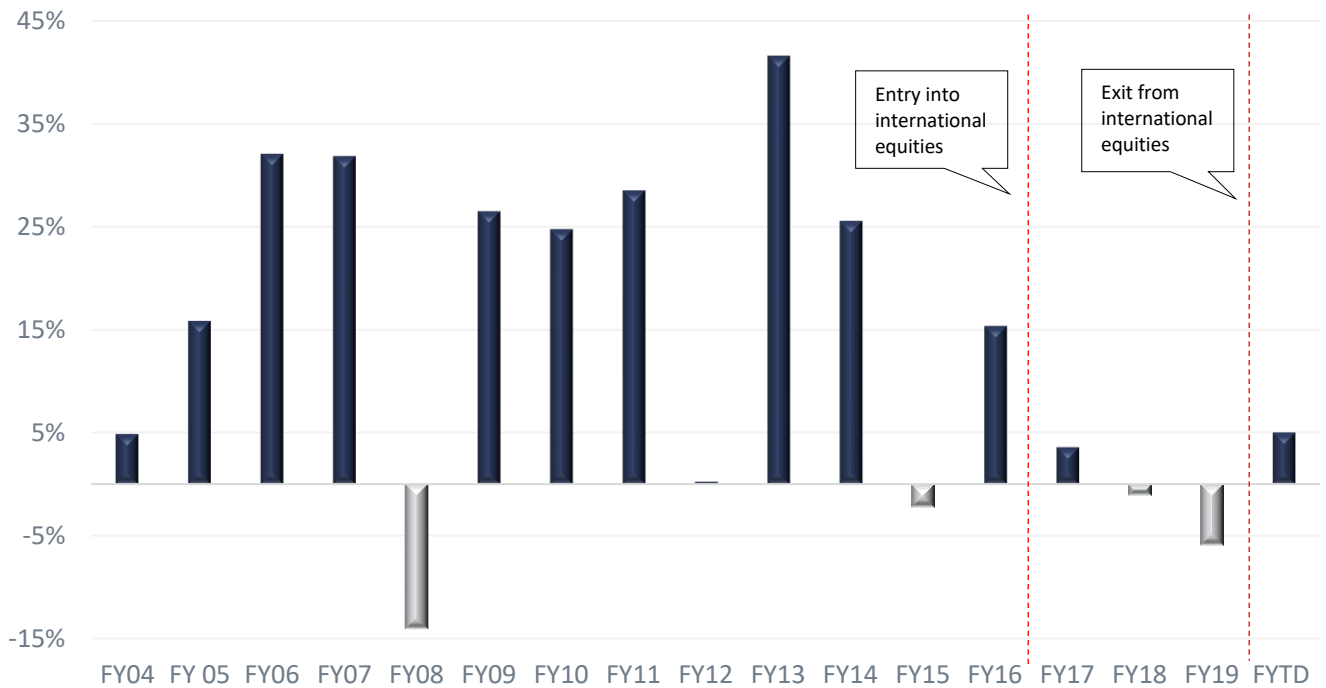
Net Equity Exposure



Premium/Discount to NTA History



Gross Portfolio Return

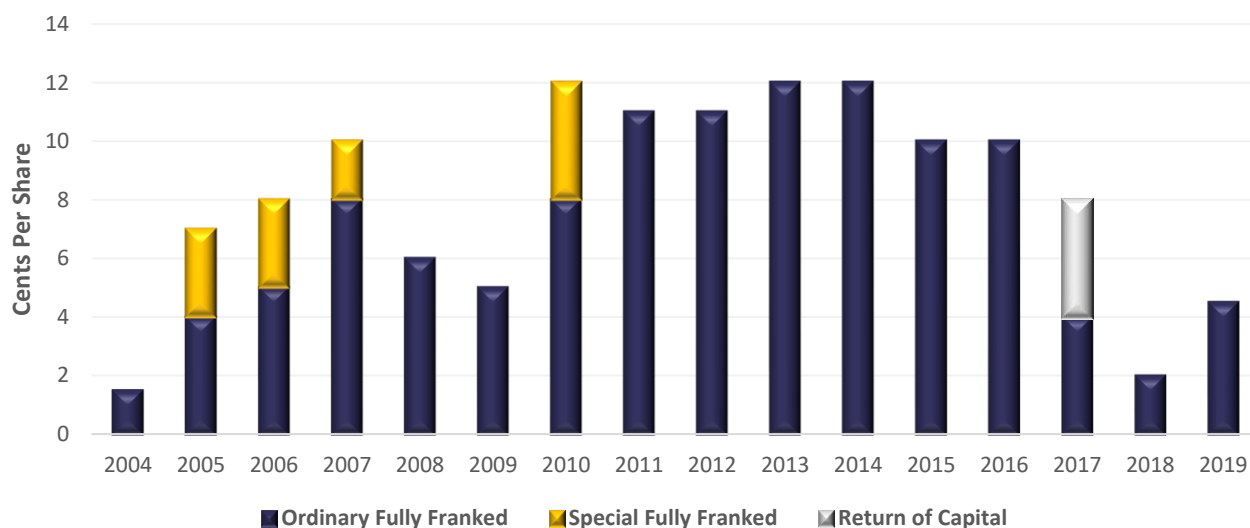


Monthly Net Performance (%)

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	0.0	-0.4	1.9

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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