
Australian Leaders Fund Limited (ALF)

ASX Announcement / Media Release



ALF declares a final dividend of **2.5 cents per share** and announces a **\$45 million** equal access off-market share buy back

Highlights

- Final dividend declared in respect of FY19 of 2.5 cents per share, 50% franked
- Equal Access, Off-Market Buy Back of up to 20% of ALF Shares
- Commitment to further Long-term Capital Management Initiatives
- A strong start in FY20, with the Fund's portfolio increasing by 3% after fees

Today, the Board of Australian Leaders Fund Limited ('ALF', the 'Company') announces that it has declared a final dividend in respect of the financial year ending 30 June, 2019 of **2.5 cents per share, 50% franked**. Shareholders will receive dividend payments on 29 November 2019.

The Board is committed to the regular review of the Company's capital structure and herein announces active steps to address the discount to the Company's Net Tangible Asset Backing (NTA), at which ALF shares have been trading. The Board is pleased to announce significant initiatives covering both short and long-term capital management. These are expected to have a meaningful and sustained impact on the NTA discount.

Subject to approval of Shareholders at the upcoming Annual General Meeting, the Company will conduct an Equal Access, **Off-Market Buy Back of up to 20% of the ordinary ALF shares** on issue. Eligible Shareholders will be invited to tender up to 20% of their holding, at NTA (net of expenses any Deferred Tax Assets that are on the Company's balance sheet) on the Record Date. As at August 31, 2019 ALF held Deferred Tax Assets on its balance sheet of \$16.7 million, equating to an NTA value of around 7 cents per share.

Should Shareholders wish to participate, the Buy Back will provide them with an opportunity to sell part of their holding, at a significant premium to the current prevailing ALF share price, and at a price which reflects the full liquidated value of the Company's assets.

In future and subject to Shareholder approval, the Board will consider further Off-Market Buy Backs if the Company's shares trade at a significant discount to NTA.

While the Board feels this is a necessary step to address the discount to NTA at which the Company's shares have traded, none of the Directors intend on tendering their shares into the Buy Back.

The Directors bring to shareholders attention that the performance of ALF's investment portfolio has improved in recent months as a result of structural changes undertaken by the Investment Manager at the beginning of 2019.

These changes are bearing fruit, with the fund delivering the strongest quarterly performance in three years over recent months. A combination of stronger performance and active capital management are expected to impact or eliminate the NTA discount over-time.

Improved Fund performance has allowed the Board to declare a final dividend for the 2019 financial year. This is in line with the Company's stated dividend policy, whereby the Board will look to provide a yield in excess of the All Ordinaries Accumulation Index, where there are sufficient profits to distribute and where it is in accordance with prudent business practices.

This business cycle is already the longest in the modern era with a downturn or slowdown somewhat inevitable during the next few years. Given this, ALF's investment strategy remains more relevant than ever for Shareholders. As this cycle completes, there will be opportunities for the Investment Manager to make full use of its mandate, taking active tactical positions both long and short, as it has done to great effect in the past. This was best typified during the GFC in the 2008/2009 financial year, where the All Ordinaries Accumulation Index Fell by 22% while ALF's portfolio increased in value by over 26%, outperforming the market by 48.6%.

In concluding, the Board considers that a combination of these factors, being improved fund performance; a consistent dividend yield in line with the stated dividend policy; and the new short and long term capital management initiatives that have been announced today, will have a meaningful and sustained impact on the NTA discount.

--ENDS--

About ALF

Australian Leaders Fund Limited (ASX:ALF) is a Listed Investment Company managed by Watermark Funds Management Pty Limited. Listed in January 2004, ALF provides investors with exposure to Watermark's experience as long/short equity investors, with the objective of delivering attractive absolute returns while reducing the risk of capital loss when risks in share markets are elevated. For more information visit www.wfunds.com.au