

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2019 Annual General Meeting (**AGM**) of Australian Leaders Fund Limited (ABN 64 106 845 970) (**Company**) will be held at the **Wesley Conference Centre, 220 Pitt Street Sydney NSW on Friday 29 November 2019 at 10:00 am (Sydney Time).**

ORDINARY BUSINESS

To receive and consider the financial report, the directors' report and auditor's report for the year ended 30 June 2019.

Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, pass the following resolution as an **ordinary non-binding resolution**:

"That the Remuneration Report, forming part of the Directors' Report laid before the meeting, be adopted."

NOTE: The vote on this resolution is advisory only and does not bind the Directors or the Company. In accordance with Section 250R(4) of the Corporations Act, the Company will disregard any votes cast on this resolution:

- (a) by or on behalf of a member of the key management personnel whose remuneration details are included in the Remuneration Report and each closely related party of such members (each an **Excluded Key Manager**); or
- (b) as proxy by a person or entity that is an Excluded Key Manager except if an Excluded Key Manager is appointed as proxy in writing and:
 - (i) is directed in writing on how to vote on the resolution; or
 - (ii) in the case of the Chairman of the Meeting, is authorised to vote on the resolution.

Resolution 2 – Re-election of Mr John Abernethy as a Director

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That Mr John Abernethy, retired by rotation and having offered himself for re-election in accordance with Rule 6.7 of the Constitution of the Company, be re-elected as a Director of the Company."

Resolution 3 - Re-election of Mr Justin Braitling as a Director

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That Mr Justin Braitling, retired by rotation and having offered himself for re-election in accordance with Rule 6.7 of the Constitution of the Company, be re-elected as a Director of the Company."

Resolution 4 – Section 250V Meeting

If required, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to and conditional on at least 25% of the votes cast on resolution 1 being cast against the adoption of the Remuneration Report:

- i. *an extraordinary general meeting of the Company (the **Section 250V Meeting**) be held within 90 days of the passing of this resolution;*
- ii. *all of the Directors in office when the Board resolution to make the Directors' Report for the financial year ended 30 June 2019 was passed (being Justin Braitling, John Abernethy, Julian Gosse and Geoff Wilson and who remain in office at the time of the Section 250V Meeting, cease to hold office immediately before the end of the Section 250V Meeting; and*

resolutions to appoint persons to offices that will be vacated immediately before the end of the Section 250V Meeting be put to the vote of Shareholders at the Section 250V Meeting."

Note: In accordance with Section 250V(2) of the Corporations Act, the Company will disregard any votes cast on this resolution:

- (a) by or on behalf of a member of each **Excluded Key Manager**; or
- (b) as proxy by a person or entity that is an Excluded Key Manager except if an Excluded Key Manager is appointed as proxy in writing and:
 - (i) is directed in writing on how to vote on the resolution; or
 - (ii) in the case of the Chairman of the Meeting, is authorised to vote on the resolution.

Resolution 5 – Approval of Equal Access Share Buy Back

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 2.7(b) of the Constitution, section 257C(1) of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the Company to buy back up to 20% of the Company’s Shares on the terms and conditions set out in the Explanatory Statement.”

ENTITLEMENT TO VOTE

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the AGM all Shares will be taken to be held by the persons who held them as registered Shareholders at **7:00pm (Sydney Time) on Wednesday 27 November 2019**. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the AGM.

PROXIES

A member entitled to attend and vote at this meeting is entitled to appoint no more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

If the member appoints two proxies, the member may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number of votes is specified, each proxy may exercise half of the votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded. If the proxy has 2 or more appointments that specify different ways to vote on the resolution - the proxy must not vote on a show of hands.

Proxies must be:

- (a) lodged at the Company’s share registrar:

Hand deliveries:

Boardroom Pty Limited
Grosvenor Place
Level 12, 225 George Street
Sydney NSW 2000

Postal address:

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

- (b) received at the fax number specified below:

Fax number:

+612 9290 9655

- (c) lodged online at:

Website:

www.votingonline.com.au/alfagm2019

No later than 48 hours before the meeting i.e. **10.00am (Sydney Time) Wednesday 27 November 2019**.

By order of the Board



Mark Licciardo
Company Secretary
29 October 2019

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the Shareholders of Australian Leaders Fund Limited to provide information about the items of business to be considered at the Annual General Meeting of Shareholders to be held on Friday 29 November 2019.

With the exception of Resolution 1, all other resolutions to be voted on are ordinary resolutions. An ordinary resolution requires a simple majority of votes cast by Shareholders entitled to vote on the resolution in order for it to be carried.

If appropriate, and if time permits, the Chairman will discuss significant issues raised by Shareholders prior to the meeting and will invite questions and comments from Shareholders on these key issues and any other matters that Shareholders would like to raise at the meeting.

In addition, a reasonable opportunity will be given to members present at the meeting to ask the Company's auditor, Pitcher Partners, questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor. If you would like to submit a written question to Pitcher Partners before the Meeting on any of the foregoing matters, please send your question to the Company Secretary, Mark Licciardo, at markl@mertons.com.au before 27 November 2019.

If you have a more general issue or question that you would like discussed at the Meeting, please write to the Company Secretary, Mark Licciardo, at the above email address.

How will the Chairman vote as proxy if the Shareholder has not directed the Chairman to vote?

The Chairman intends to vote in favour of resolutions 1, 2, 3 and 5 and against resolution 4. If a Shareholder appoints the Chairman of the Annual General Meeting as proxy and does not direct the Chairman how to vote on a resolution then, if that Shareholder is entitled to vote on that resolution, the Chairman will vote in favour of all resolutions.

Resolution 1 - Adoption of the Remuneration Report

Consistent with section 250R of the Corporations Act, the Company submits to Shareholders for consideration and adoption, by way of a non-binding resolution, its Remuneration Report for the year ended 30 June 2019.

The Remuneration Report is a distinct section of the annual Directors' Report which deals with the remuneration of Directors and executives (which includes senior management) of the Company. The Remuneration Report can be located in the Company's Annual Report. The Annual Report is available online at <http://wffunds.com.au/fund/australian-leaders-fund/>.

The Resolution is advisory only and does not bind the Company or its Directors. However, the Board will consider the outcome of the vote and comments made by Shareholders at the meeting on the remuneration report when reviewing the Company's remuneration policies.

If 25% or more of votes that are cast are voted against the adoption of the remuneration report at two consecutive AGMs, Shareholders will be required to vote at the second of those AGMs on a resolution (a "Section 250V resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director / CEO) must stand for re-election. The Company encourages all Shareholders to cast their votes on Resolution 1 (Adoption of the Remuneration Report).

The Chairman intends to exercise all undirected proxies in **FAVOUR** of Resolution 1. If the Chairman of the meeting is appointed as your proxy and you have not directed the Chairman how to vote on Resolution 1 by signing and returning the Proxy Form, the Shareholder is considered to have provided an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

Resolution 2 – Re-election of Mr John Abernethy as a Director

Pursuant to the Rule 6.7 of the Constitution and the ASX Listing Rules, Mr Abernethy will retire by rotation and seeks re-election.

John Abernethy has over 35 years' experience in funds management and corporate advisory. He holds a Bachelor of Commerce and Bachelor of Laws (BCom/LLB) from the University of New South Wales. He spent ten years at NRMA

Investments as Head of Equities. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Clime Investment Management Limited in 1996.

John Abernethy has been a Director of the Company since November 2003.

The non-candidate directors recommend that Shareholders vote in **FAVOUR** of Resolution 2. The Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of Resolution 2.

Resolution 3 – Re-election of Mr Justin Braitling as a Director

Pursuant to the Rule 6.7 of the Constitution and the ASX Listing Rules, Mr Braitling will retire by rotation and seeks re-election.

Justin Braitling has over 25 years' experience in investing in Australian and international companies. He was an Investment Analyst and Portfolio Manager at Bankers Trust for 12 years from January 1991 to June 2002. He was a key member of the investment team at Bankers Trust that was consistently ranked in the top quartile of managers by InTech.

Justin Braitling has been a Director of the Company since October 2003 of which he became Chairman in February 2007.

The non-candidate directors recommend that Shareholders vote in **FAVOUR** of Resolution 3. The Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of Resolution 3.

Resolution 4 – Section 250V Meeting

The Board recommends that Shareholders vote **AGAINST** resolution 4. The Chairman of the meeting intends to vote undirected proxies **AGAINST** resolution 4.

This resolution will only be put to the AGM if at least 25% of the votes cast on Resolution 1 to adopt the Remuneration Report for 2019 are cast against. If less than 25% of the votes cast are against adopting the Remuneration Report, then there will be no second strike and Resolution 4 will not be put to the AGM. If put, the section 250V resolution will be considered as an ordinary resolution. If this resolution is passed and becomes effective, a special meeting of Shareholders must be held within 90 days of the date of the Annual General Meeting. The following Non-Executive Directors will cease to hold office at the end of that EGM unless they are re-elected at that EGM:

- Justin Braitling;
- John Abernethy;
- Julian Gosse; and
- Geoff Wilson.

Even if Justin Braitling and John Abernethy are re-elected at the AGM, they will need to be re-elected at the Section 250V Meeting in order to remain in office.

The Company notes that the Corporations Act contains a provision which will ensure that the Company has at least 3 directors following the Section 250V Meeting.

Resolution 5 – Approval of Equal Access Share Buy Back

5.1 Introduction

The Company has decided to seek Shareholder approval to allow it to conduct an off-market buy back of its Shares (**Buy Back**). The approval of this Resolution will allow the Company to conduct a Buy Back of up to 48,037,668 Shares (being 20% of the Company's issued shares). If resolution 5 is passed the Company is not required to conduct a Buy Back; it simply gives the Company the discretion to do so. The Directors of the Company at the relevant time will determine whether to conduct the Buy back. Whilst it is the current intention of the current Directors to proceed to conduct a Buy Back, any changes to the Board following this AGM or any section 250V meeting will likely determine whether the Buy Back proceeds. There is no guarantee that the Buy Back will proceed if the composition of the Board changes.

Passage of Resolution 5 does not guarantee that the Buy Back will proceed.

5.2 Rationale

The Company's Board is currently of the view that buying back some of the Company's ordinary shares would be a prudent use of capital.

A Buy Back would provide Shareholders an opportunity to realise part of their investment should they not wish to maintain their entire holding in the Company.

5.3 Buy Back - process and timing

If Shareholder approval is granted the Company would first review prevailing market conditions, business development opportunities and its cash position prior to commencing any Buy Back. The Company will only implement a Buy Back at such time and in circumstances which would allow for the efficient management of the Company's capital. Any Shares purchased by the Company in the Buy Back would be cancelled in due course.

The Company expects to reserve the right to terminate, suspend or vary the terms of the Buy Back at any time. The implementation and timing of the Buy Back and the actual number of Shares acquired will depend on market conditions and the factors detailed above. The Directors advise that, in order to provide the Company with flexibility in relation to the deployment of cash reserves, they unanimously recommend that Shareholders approve the Buy Back by voting in favour of Resolution 5.

5.4 Intention of the Board if the Buy Back is not approved

In the event the Buy Back is not approved by Shareholders, the Board may proceed with a buy back of its Shares within the "10/12 limit" set out in sections 257B(4) and (5) of the Corporations Act. Any decision will be taken by the Directors of the Company at the relevant point in time in the future.

5.5 Effect of Buy Back on creditors

The Buy Back will involve a reduction in the Company's cash reserves. However, the Board does not expect this reduction to materially prejudice the Company's ability to pay its creditors. This is because the Buy Back will be managed to ensure the Company will have sufficient cash reserves to pay its creditors post the Buy Back.

5.6 Effect on Shareholders

Only Shareholders who participate in the Buy Back will have some of their Shares acquired. The Buy Back will have no effect on the number of Shares held by Shareholders who choose not to participate.

The Company has no partly paid Shares on issue and no convertible securities on issue.

5.7 Effect on Company's contributed equity

On completion of a Buy Back, the contributed equity of the Company will be reduced by the amount equal to that paid by the Company in buying back the Shares.

5.8 Why Shareholders' approval is required

The Company's Constitution provides:

" 2.7 Power to alter capital

- (a) *The Company may by resolution passed at a General Meeting alter its share capital:*
- (i) *by converting any or all of its existing shares into a larger or smaller number of shares, provided that the proportion of the amount unpaid on shares being converted (if any) must be the same on the converted shares; and*
 - (ii) *by cancelling share that, at the dates of the passing of the resolution to that effect, have not been taken or agreed to be taken by any person or that have been forfeited and by reducing its share capital by the amount of the shares so cancelled; and*
 - (iii) *by, subject to the Act and the terms of issue of a class of shares, converting shares from one class to another.*
- (b) *Without limiting Rule 2.7(a), the Company may reduce, alter or buy-back its share capital in any manner provided under the Act. The Directors may do anything required to give effect to any resolution authorising a reduction, alteration or buy-back of the share capital of the Company."*

The Corporations Act rules relating to share buy backs are designed to protect the interests of Shareholders and creditors by:

- (a) addressing the risk of the transaction leading to the company's insolvency;
- (b) seeking to ensure fairness between the Shareholders of the company; and
- (c) requiring the company to disclose all material information.

In particular, Section 257A of the Corporations Act requires that a company may only buy back its own shares if:

- (a) the buy back does not materially prejudice the company's ability to pay its creditors; and
- (b) the company follows the procedures laid down in Division 2 of Part 2J.1 of the Corporations Act.

Division 2 of Part 2J.1 of the Corporations Act permits a company to conduct an equal access buy back if each of the following conditions set out in subsection 257B(2) is satisfied:

- (a) the offers under the scheme relate only to ordinary shares;
- (b) the offers are to be made to every person who holds ordinary shares to buy back the same percentage of their ordinary shares;
- (c) all of those persons have a reasonable opportunity to accept the offers made to them;
- (d) buy back agreements are not entered into until a specified time for acceptances of offers has closed; and
- (e) the terms of all the offers are the same.

The Company has applied to ASIC for relief under subsection 257(D) of the Corporations Act. This exemption would permit the Company to conduct the Buy Back in substantially the same manner as an equal access buy-back, in accordance with Division 2 of Part 2J.1 of the Corporations Act, except that the offers under the Buy Back are not made to Shareholders whose registered addresses are in jurisdictions where offers cannot be made because of the laws of those jurisdictions. If ASIC relief is not granted additional Shareholder approval to the proposed Buy Back would be required at another general meeting.

An equal access buy back in excess of the "10/12 Limit" (defined by sections 257B(4) and (5) of the Corporations Act as 10% of the smallest number of votes attaching to voting shares that the company had on issue that year) also requires approval under section 257C(1) of the Corporations Act by an ordinary resolution passed at a general meeting of the company.

In relation to these requirements:

- (a) the size of the Buy Back has been calculated after taking into account all current and future existing and contingent obligations. Accordingly, the Board considers that the approval of the Buy Back will not have a material impact on the Company's ability to meet its creditor obligations; and
- (b) Shareholders are being asked to approve the proposal at the Meeting. The Company's Constitution provides that, subject to the Corporations Act and in accordance with the provisions of Part 2J.1 Division 2 of the Corporations Act, the Company may purchase its own Shares on such terms and at such times as may be determined by the Directors from time to time.

Pursuant to Section 257C(2) of the Corporations Act, the Company is required to provide a disclosure statement setting out all information known to the Company that is material to the decision of how to vote on the Buy Back Resolution (**Explanatory Statement**). However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company has previously disclosed the information to its Shareholders.

Accordingly, this Explanatory Statement describes:

- (a) the proposed terms of the Buy Back;
- (b) the reasons for the Buy Back;
- (c) the effect of the Buy Back on the Company;
- (d) the possible advantages and disadvantages of the Buy Back; and
- (e) other information material to a Shareholders' decision on how to vote on the Buy Back Resolution.

5.9 Summary of and effect of proposed Buy Back

It is expected that the terms of the proposed Buy Back will be as follows:

- (a) **(Buy Back price):** The proposed Buy Back price will be calculated using the after tax NTA on the record date, net of expenses and any deferred tax assets on the balance sheet at the time. **(Buy Back Price).**
- (b) **(Buy Back period):** This will be announced in due course and detailed in the Buy Back Booklet.
- (c) **(Total number of Shares to be bought back):** The Company proposes buying back a maximum of 48,037,668 being 20% of shares on issue from Eligible Shareholders who agree to sell their Shares under the Buy Back. The Company has been informed that it is the current intention of the Directors (and their related parties) not to participate in the Buy Back and as such it is unlikely that all the Shares will be bought back.
- (d) **(Dilutionary effect):** There will be no dilutionary effect on Shareholders, other than those whose shares are acquired under the Buy Back.
- (e) **(Funding of Buy Back):** The Buy Back will be funded by surplus cash. The maximum potential outlay of cash by the Company on the Buy Back (before transaction costs) will only be known once the Buy Back Price is set. The Directors will then ensure that they are satisfied that this outlay will have no material effect on the Company's ability to maintain and service its operations prior to proceeding with the Buy Back.
- (f) **(Eligible Shareholders):** The Company will offer to Buy Back Shares from all Shareholders with a registered address in Australia or New Zealand **(Eligible Shareholders)** registered as at 5pm (AEST) on a date to be determined by the Board should the Buy Back proceed **(Record Date)**. Share transfers registered after that time will be disregarded in determining entitlements to participate in the proposed Buy Back.
- (g) **(Directors' interests):** As at the date of this Notice, the Directors' interests in the Company's securities are as follows:

Director	Current Holding	% of Company's issued capital (pre-Buy Back)
ABERNETHY, JOHN	10,000	0.004%
BRAITLING, JUSTIN	4,195,367	1.75%
WILSON, GEOFFREY	5,534,214	2.30%

- (h) **(Effect on Share capital):** As at the date of this Notice of Meeting, the Company has 240,188,342 Shares on issue. Assuming the Buy Back is accepted up to the Buy Back Limit, the overall effect of the Buy Back on the Company's Share capital will be to reduce the total number of Shares on issue to approximately 192,150,674 Shares. The following table demonstrates the overall effect of the Buy Back if Eligible Shareholders accept the Buy Back offer in the varying proportions set out below:

Assumes Acceptances:	100%	50%	25%	Nil
Shares on issue	240,188,342	240,188,342	240,188,342	240,188,342
Less Shares bought back	46,089,752	23,044,876	11,522,438	0
Shares upon completion of Buy Back offer	194,098,590	217,143,466	228,665,904	240,188,342

NB: The above figures assume that the Shares controlled by the current Directors do not participate in the Buy Back

- (i) **(Effect on control):** All of the Shares bought back under the Buy Back will be cancelled. Consequently, if Resolution 5 is approved and the Buy Back proceeds, the Buy Back will reduce the total number of Shares on issue. Whilst the opportunity to participate for each Eligible Shareholder under the Buy Back is equal, the percentage of each Eligible Shareholder's interest which may be bought back will depend on the number of Shares nominated for sale by the Eligible Shareholder. Accordingly, the effect of the Buy Back on the control of the Company will not be known until any Buy Back is completed.
- (j) **(Financial effect):** The financial effect of the Buy Back on the Company will be to:
 - (i) reduce the Company's cash reserves. The size of the reduction will depend on the Buy Back Price and the extent that Shareholders participate. As the Buy Back Price is not known at this time it is not possible to provide an accurate estimate of the maximum decrease; and
 - (ii) cause an increase in the underlying value of the Company's net assets per Share (as a result of the cancellation of the Shares which are bought back under the Buy Back). By way of example, if the Buy Back is accepted at a rate of 50%, so that 24,018,834 Shares are bought back, the underlying value of the Company's net assets per Share will increase. The size of the decrease will depend on the Buy Back Price which has not been set.

5.10 Advantages and disadvantages of the proposed Buy Back

Advantages

The Board believes that the Buy Back will provide the following advantages to Shareholders:

- (a) The Buy Back would provide an exit mechanism for those Eligible Shareholders who wish to sell some of their Shares.
- (b) The Buy Back will allow Shareholders to realise value in the short term, compared with the uncertainty of realising superior value and liquidity in the future. The proposed Buy Back Price is expected to broadly in line with the adjusted NTA at the time the Buy Back is conducted.
- (c) Having sold some of their Shares, Eligible Shareholders will lower their exposure to the risks associated with an investment in the Company.
- (d) There will be a lesser number of Shares on issue, consequently the ownership interest in the Company of each Shareholder who does not or is not entitled to accept the Buy Back, will increase.
- (e) No transaction costs will be incurred by Eligible Shareholders pursuant to the Buy Back.

Disadvantages

The Board believes the disadvantages to Shareholders of the Buy Back include:

- (a) The Buy Back will reduce the Company's cash assets resulting in a reduction in Shareholders' funds. However, as stated elsewhere in this Notice, the Directors believe this will not prejudice the Company's ability to pay its creditors or the interests of Shareholders generally.

- (b) Once the Company enters into an agreement with an Eligible Shareholder to acquire their purchased Shares, all rights attaching to purchased Shares are suspended, unless and until the Buy Back agreement is terminated.
- (c) Eligible Shareholders who accept the Buy Back offer will cease to gain any benefits associated with an investment in the Company to the extent of the number of Shares bought back.
- (d) The Buy Back Price is expected to be below the NTA backing per share at the relevant time to take into account the adjustment for expenses of the Buy Back and a deferred tax asset reduction.
- (e) As the Buy Back will reduce the Company's cash assets as noted above, the Company may also have a reduced capacity to pay dividends to Shareholders. It will also have a reduced capacity to avail itself of investment opportunities.
- (f) Their may be adverse tax consequences for participating Shareholders (see below).

5.11 Australian tax considerations

The following is a general guide to the Australian Income Tax and Capital Gains Tax (CGT) consequences of the proposed Buy Back on the Company and Shareholders. The information below applies only to Shareholders who hold their Shares on capital account and it does not apply to Shareholders who hold their Shares as trading stock (e.g. share traders), on revenue account or are subject to the taxation of financial arrangements (the TOFA) provisions.

The Company has not received a class ruling from the ATO for Shareholders who may participate in the proposed Buy Back, nor does it intend to seek such a ruling.

Tax consequences for the Company

The Directors do not consider that the proposed Buy Back will affect the Company's taxation position.

Tax consequences for Australian resident Shareholders

The whole of the Buy Back Price will be debited against ALF's share capital account. Accordingly, no part of the Buy Back Price is expected to be a dividend, subject to our comments below in relation to the Dividend/capital split. A Shareholder who sells Shares in the Buy Back will trigger income tax and CGT consequences. The proposed Buy Back Price is expected to consist of a capital return only. The Buy Back Price will be taken to have been received as consideration for the sale of each Share. In the event where the Buy Back Price is lower than the Share's market value, the Shareholder is deemed to have received market value consideration. This would affect the capital gain or loss resulting from the disposal of Shares under the Buy Back as discussed below under the subheading of 'The capital component'. Where the Buy Back Price is higher than the Share's market value, the excess is treated as an un-franked dividend to the extent the market value exceeds the average capital per Share.

Dividend/capital split

The Income tax Assessment Act 1936 ("the Tax Act") contains provisions that govern the Australian income tax treatment of off-market share buy-backs. The Buy Back constitutes an off-market share buy-back for Australian income tax purposes. The Tax Act provides that the difference between the purchase price of the Shares and the amount debited to the standing to the credit of the share capital account is taken to be a dividend paid by the Company.

The ATO has published a Practice Statement (PS LA 2007/9) in which it states that the ATO's preferred methodology for determining the dividend/capital split is the average capital per share calculation. This calculation divides the company's ordinary issued capital by the number of shares on issue, which then provides the capital component of the split. Based on the average capital share of the Company as at the date of this document, the Directors consider that the Buy Back price per share will be less than the average capital per share. Accordingly, there should be no dividend component to the Buy Back.

The capital component

Where the Shares are held on capital account, the Shareholder is taken to have disposed of a CGT asset and a capital gain or loss will arise. The capital proceeds for CGT purposes will be the total purchase price, representing the amount that is debited to the Share capital of the Company.

A Shareholder will make a capital gain if the capital proceeds exceed the Share's cost base. If the Shareholder has held the Shares for a period of more than 12 months, a CGT discount may apply to reduce the capital gain by 50% for an individual and a trust, and by 33 1/3% for complying superannuation funds and life insurance companies.

Conversely, a Shareholder will make a capital loss if the capital proceeds are less than the Share's cost base.

Tax consequences for non-Australian resident Shareholders

If a non-Australian resident Shareholder participates in the Buy Back, the unfranked dividend (if any) received from the Buy Back Price is subject to dividend withholding tax. Non-Australian resident taxpayers are only subject to CGT on the disposal of 'Taxable Australian Real Property'. On the basis the Shares would not constitute Taxable Australian Real Property, no CGT implications should arise for non-resident Shareholders.

Non-Australian resident Shareholders should seek their own tax advice in their respective countries regarding their own tax implications of the Buy Back.

The tax anti-avoidance provisions

There are a number of tax anti-avoidance provisions which deal with the streaming of capital benefits to tax advantaged Shareholders (e.g. non-resident Shareholders) and also various tax avoidance provisions in relation to imputation benefits. These provisions also can deem certain payments to be dividends, if the relevant circumstances exist.

The Board considers that the Buy Back should not attract the application of the anti-avoidance provisions, on the basis the Buy Back would be undertaken within the framework provided in PS LA 2007/9, and the Buy Back price would be less than the average capital per share.

However, if the ATO were to successfully apply these provisions, the ATO has the discretion to make a determination that some or all of the Buy Back Price is an unfranked dividend. This will have impact on the Shareholder's assessable income or liability to withholding tax.

General value shifting regime

The Board considers that the Buy Back should not be subject to the general value shifting regime as the Buy Back will be conducted at arm's length or market value terms.

Disclaimer

The above tax information is a general guide to the Australian Income Tax and CGT consequences of the Buy Back to the Company and Shareholders and is not designed to be relied upon as personal taxation advice. Shareholders should seek their own professional taxation advice in respect of their own particular circumstances. Any Shareholder who relies on the above information without seeking additional taxation advice as to their own individual circumstances does so at their own risk, and the Company, its officers, employees and advisors will not be responsible or liable for any losses incurred by Shareholders in this regard. The Company will not under any circumstance accept any responsibility, liability or loss to any other person who may seek to rely on the above tax information for any reason whatsoever.

5.12 Financial position

The pro-forma balance sheet extract as at 30 June 2019 set out below reflects the impact of the Buy Back based on the Buy Back Limit less the related party Shareholders as it is their intention not to participate in the buy back. The pro-forma balance sheet assumes that the Shares controlled by the current Directors do not participate in the Buy Back.

For the purposes of showing the impact of the Buy Back on the Company's financial position, the balance sheet is prepared on the assumption that the Buy Back was completed on 30 June 2019.

**Australian Leaders Fund Limited
Statement of Financial Position
As at 30 June 2019**

Statement of Financial Position

	At	
	2019	2018
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	284,857,076	273,626,097
Trade and other receivables	31,604,510	23,507,653
Financial assets at fair value through profit or loss	180,883,389	309,152,937
Current tax assets	3,123,540	2,573,217
Total current assets	464,646,200	608,859,904
Non-current assets		
Deferred tax assets	16,795,294	8,415,180
Total non-current assets	16,795,294	8,415,180
Total assets	481,441,494	617,275,084
LIABILITIES		
Current liabilities		
Trade and other payables	25,676,081	21,178,417
Derivative financial instruments	-	87,300
Financial liabilities at fair value through profit or loss	177,769,567	270,570,853
Total current liabilities	203,445,648	291,836,570
Non-current liabilities		
Deferred tax liabilities	1,356,474	50,638
Total non-current liabilities	1,356,474	50,638
Total liabilities	204,802,122	291,887,208
Net assets	276,639,372	325,387,876
EQUITY		
Issued capital	274,986,689	335,660,880
Profits reserve	325,304	4,880,272
Accumulated losses	(34,494,936)	(15,153,276)
Total equity	276,639,372	325,387,876

5.13 Board recommendation

The Board unanimously recommends that the Shareholders vote in favour of Resolution 5 approving the off-market Share Buy Back for the reasons set out in this Notice of Meeting and noting that approval of the Resolution 5 will give Shareholders the **OPTION** to accept the Buy Back in relation to their shareholding should the Company use its discretion to conduct the Buy Back.

Individual Directors have undertaken to vote all Shares controlled by them in accordance with the above recommendation.

The Chairman of the Meeting intends to vote undirected Proxies in favour of this Resolution. The decision as to whether individual Shareholders should accept the Buy Back in respect to their own shareholding is an entirely separate issue and should be based on individual circumstances known only to the holder and their professional advisers. From the perspective of a value proposition solely, the Buy Back Price will represent a discount to the NTA value per Share and therefore, solely on the basis of value, the Directors recommend that you do not accept the Buy Back in respect of your shareholding. Other individual circumstances need to be taken into consideration in making this decision and you are encouraged to seek advice from your professional advisers as appropriate. It should also be noted that the NTA is based on the market price of ASX listed securities which may be different to the realisable value. By indicating their intention not to accept the Buy Back, the Directors (and any other Shareholder who does not accept the Buy Back) would receive a potential benefit from the Buy Back because the NTA attributable to all Shares which are not accepted into the Buy Back would increase as a result of the Buy Back. The extent of this benefit would depend on how many Shares are accepted into the Buy Back.

5.14 Other material information

There is no information material to the making of a decision by a Shareholder whether or not to approve Resolution 5 being information that is known to any of the Directors and which has not been previously disclosed to Shareholders, other than as disclosed in this Explanatory Statement.

In accordance with section 257H(3) of the Corporations Act, immediately after the registration of the transfer to the Company of the Shares bought back, the Shares will be cancelled.

5.15 Buy Back Offer Document and Buy Back Acceptance Form

Should the Board decide to proceed with the Buy Back a Buy Back Offer Document and the Buy Back Acceptance Form will be sent to Eligible Shareholders.

Eligible Shareholders who intend to accept the Buy Back Offer must return a Buy Back Acceptance Form in accordance with the instructions on that form on or before the closing date.

Definitions

In this Notice of Meeting and Explanatory Memorandum:

\$ means Australian dollars.

ASX means ASX Limited (ACN 008 624 691).

Board means the board of Directors.

Constitution means the constitution of the Company as at the commencement of the Annual General Meeting.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Excluded Key Manager means key management personnel and their closely related parties

Listing Rules means the listing rules of ASX.

Manager means Watermark Funds Management Pty Limited (ACN 106 302 505).

NTA means net tangible assets per Share

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of Shares.



All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10.00am (Sydney time) on Wednesday 27 November 2019.**

🖨 TO VOTE ONLINE

STEP 1: VISIT <https://www.votingonline.com.au/alfagm2019>

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10.00am (Sydney time) on Wednesday 27 November 2019.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

💻 **Online** <https://www.votingonline.com.au/alfagm2019>

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

👤 **In Person** Level 12, 225 George Street
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Australian Leaders Fund Limited

ABN 64 106 845 970

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Australian Leaders Fund Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the **Wesley Conference Centre, 220 Pitt St, Sydney NSW on Friday 29 November 2019 at 10.00am (Sydney time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 1 and 4, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this resolution even though Resolutions 1 and 4 are connected with the remuneration of a member of key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of Resolutions 1, 2, 3 and 5 and against Resolution 4. If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr John Abernethy as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Mr Justin Braiting as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Section 250V Meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Equal Access Share Buy Back	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2019