

AUSTRALIAN LEADERS FUND LIMITED
ABN 64 106 845 970
(ASX:ALF)

Off-Market Share Buy-Back Booklet

This is an important Booklet. It does not provide financial product advice and has been prepared without taking into account your particular objectives, financial situations or needs. You should consider the appropriateness of the Buy-Back having regard to your objectives, financial situation and needs. If you are in any doubt as to the action you should take, you should consult your financial, taxation or other professional adviser.

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IMPORTANT NOTICES

General

Eligible Shareholders should read this entire Booklet before making a decision on whether to participate in the Buy-Back.

If Eligible Shareholders decide not to participate in the Buy-Back, they do not need to do anything. If Eligible Shareholders decide to participate in the Buy-Back, the Acceptance Form must be provided to ALF by no later than 5:00pm (Sydney time) on the Closing Date.

Purpose of this Booklet

The purpose of this Booklet is to provide important information regarding the Buy-Back and to assist Eligible Shareholders in making an informed decision about whether to participate in the Buy-Back.

Investment decisions

This Booklet does not provide financial product advice and has been prepared without taking into account your particular objectives, financial situations or needs. You should consider the appropriateness of the Buy-Back having regard to your objectives, financial situation and needs. If you are in any doubt as to the action you should take, you should consult your financial, taxation or other professional adviser. The distribution of this Booklet in some jurisdictions outside of Australia and New Zealand may be restricted by law and does not constitute an invitation to participate in any place where, or to any person to whom, it would be unlawful to do so. Persons who come into possession of this Booklet should seek advice on it and observe any restrictions on distributing it.

In reviewing this Booklet Eligible Shareholders should also have regard to other information previously made available about ALF, including market announcements that are available on ASX and on ALF's website at <http://wffunds.com.au/fund/australian-leaders-fund/>.

Please note that this invitation does not constitute or give rise to a legally binding offer capable of Eligible Shareholders acceptance. If Eligible Shareholders elect to sell their Shares Buy-Back, they make a formal offer to sell those Shares on the terms and conditions set out in the Buy-Back Documents. If ALF accepts the offer, a Buy-Back Contract is formed and the Shares will be sold to ALF on those terms and conditions.

Eligibility to participate

Excluded Shareholders are not eligible to participate in the Buy-Back. An Excluded Shareholder is a person who resides outside of Australia and New Zealand and also includes any person who is (or who is acting for the account of benefit of a person who is) in the United States, a US Person (or any other jurisdiction outside of Australia and New Zealand).

Eligible Shareholders are eligible to participate in the Buy-Back in respect of Shares registered in their name on the Buy-Back Record Date, and in accordance with the Settlement Rules, those Shares confer an entitlement to receive this invitation.

Copies of the Buy-Back Documents are not being mailed or otherwise distributed or sent into the United States.

Any person receiving any of the Buy-Back Documents must not distribute or send them into the United States or make them available to any US Person (including to any legal or beneficial owner of Australian Leaders Fund Limited Shares that is a US Person) or any person who is in the United States.

Forward looking statements

Certain statements contained in this Booklet, including statements regarding the implementation of the Buy-Back and its effect on our business and securities, may constitute 'forward-looking statements' for the purposes of applicable securities laws. ALF undertakes no obligation to revise the forward-looking statements included in this Booklet to reflect any future events or circumstances.

ALF's actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences include the number of Shares bought back, the Buy-Back Price and general trading and economic conditions affecting ALF.

Defined terms

Some words in this Booklet have defined meanings. Section 7 defines the capitalised words used in this Booklet and also sets out other rules regarding interpretation.

Electronic document

This Booklet can be downloaded from ALF's announcement platform on ASX (<https://www.asx.com.au/>).

For further information, Shareholders may contact the Registry on 1300 737 760 or Watermark Funds Management Pty Limited on 02 9252 0225 between 8:30am and 5:30pm (Sydney time) Monday to Friday.

1. IMPORTANT DATES

EVENT	DATE
ALF Annual General Meeting (approval for the Buy-Back)	29 November 2019
Announcement of Buy-Back	29 January 2020
Last day that Shares can be acquired on ASX to be eligible to participate in the Buy-Back	5 February 2020
Ex-Entitlement Date: the date that Shares commence trading on an ex-Buy-Back basis. Shares acquired on ASX on or after this date will not confer an entitlement to participate in the Buy-Back	6 February 2020
Buy-Back Record Date: determination of Shareholders entitled to participate in the Buy-Back	7 February 2020
Mailing of the Buy-Back Booklet to Shareholders expected to be completed	12 February 2020
Buy-Back Price determined	17 February 2020
Closing Date	28 February 2020
Buy-Back proceeds despatched to participating shareholders completed	13 March 2020

While ALF does not anticipate any changes to these dates and times, it reserves the right to vary them by announcement to that effect on ASX. Such an announcement will be taken to amend this Booklet (and other Buy-Back Documents) accordingly. ALF may, in its absolute discretion, vary the size or the price of the Buy-Back or decide not to proceed with the Buy-Back at any time.

2. CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the Board, I am pleased to invite you to participate in an off-market buy-back (**Buy-Back**) of ordinary Shares in Australian Leaders Fund Ltd (**ALF** or the **Company**). Each Eligible Shareholder will be entitled to tender up to 20% of their Shares they hold on the Record Date into the Buy-Back, to be purchased at a price that reflects the liquidated value of the Company's assets (**Buy-Back Price**).

The Buy-Back Price will be calculated with reference to the most recent published net tangible asset (**NTA**) of the Company at 31 January 2020, net of deferred tax assets sitting on the Company's balance sheet and any expenses relating to the Buy-Back.

The Board is focused on maximising returns to Shareholders, which includes active capital management from time to time. Over the 15 years since ALF listed, the Board has deployed a broad variety of capital management initiatives, when it has formed the view that it is prudent to do so. This has included on-market buy-backs, capital returns, share purchase plans, rights issues, share placements and bonus option issues.

The Directors believe it is reasonable to continue pursuing multiple strategies in managing the Company's capital, particularly at times when the Company's Shares are trading at a discount to its NTA. To this end, the Board has elected to renew the on-market buy-back (**On-Market Buy-Back**), providing scope to purchase additional shares should a significant discount persist. In conjunction with the Off-Market Buy-Back, the Board expects that its capital management program can have a meaningful impact in closing the discount between ALF's share price and its NTA.

In considering whether to participate in the Buy-Back, I encourage you to seek professional advice in relation to your personal circumstances.

If, after reading this Booklet, you have queries in relation to the Buy-Back, please contact Boardroom Pty Limited (**Registry**) on 1300 737 760, or Watermark Funds Management Pty Limited on (02) 9252 0225.

If you do not wish to participate in the Buy-Back, there is no need for you to take further action.

If you are an Issuer Sponsored Holder and you wish to participate in the Buy-Back, please ensure your completed and signed Acceptance Form is received by the Registry, no later than 5:00pm (Sydney time) on the Closing Date (28 February 2020).

If you are a CHESS Holder and you wish to participate in the Buy-Back, please contact your controlling participant (**Broker**) and instruct them to accept the Buy-Back on your behalf.

Yours Sincerely,

Justin Braitling

3. KEY FEATURES OF THE BUY-BACK

Buy-Back size	ALF proposes to buy back up to 20% of its Shares.
How the Buy-Back works	Eligible Shareholders can elect to sell Shares to ALF by completing the Acceptance Form attached to this Booklet. Eligible Shareholders can accept to sell up to, or less than, 20% of their Shares.
Buy-Back Price	The proposed Buy-Back Price will be calculated using the after tax NTA on 31 January 2020, net of expenses and any deferred tax assets on the balance sheet at the time. The Buy-Back Price will be announced to ASX prior to the Opening Date. See Section 4.7 for more detail.
Buy-Back period	The Buy-Back period will be between the Opening Date and the Closing Date.
Total number of Shares which may be bought back	ALF proposes buying back a maximum of 45,629,098 Shares (being 20% of Shares on issue) from Eligible Shareholders who agree to sell their Shares under the Buy-Back.
Funding of Buy-Back	The Buy-Back will be funded from surplus cash. The maximum potential outlay of cash by ALF 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 ALF's ability to maintain and service its operations.
Eligible Shareholders	ALF will offer to buy back Shares from all Shareholders with a registered address in Australia or New Zealand (Eligible Shareholders) registered as at 5:00pm (Sydney time) on the Record Date. Share transfers registered after that time will be disregarded in determining entitlements to participate in the Buy-Back.
Excluded Shareholders	Excluded Shareholders, including any person who is (or who is acting on behalf of or for the account of a person who is) in the United States or a US Person are not eligible to participate in the Buy-Back.
The Buy-Back is voluntary	Eligible Shareholders are not required to accept the Buy-Back for all or any of their Shares. If Eligible Shareholders do not wish to accept the Buy-Back, they do not need to do anything.
Director's participation	ALF 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.

Further information about the Buy-Back and ALF can be found in this Booklet and on ALF's website at <http://wffunds.com.au/fund/australian-leaders-fund/>. Alternatively, if you have any questions in relation to the Buy-Back, please contact the Registry on 1300 737 760 or Watermark Funds Management Pty Limited on (02) 9252 0225 between 8:30am and 5:30pm (Sydney time) Monday to Friday.

4. DETAILS OF THE BUY-BACK

4.1. What is an equal access off-market buy-back?

The Buy-Back is considered an “equal access buy-back” as defined in Section 257B(2) of the Corporations Act. An equal access buy-back is a buy-back allowing shareholders an equal opportunity to participate.

Under a buy-back a company buys back its own shares from its shareholders. Any shares bought-back are then cancelled, with the result that the total number of the company's shares on issue is reduced by the number of shares bought back.

The Corporations Act states that an equal access buy-back is one that satisfies all of the following conditions:

- (a) the offers under the buy-back relate only to ordinary shares;
- (b) the offers are to be made to every shareholder who holds ordinary shares to buy-back the same percentage of their ordinary shares;
- (c) all shareholders 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.

With one exception, the Buy-Back complies with these conditions. See Section 4.19 for details.

4.2. Background to the Buy-Back

The Board is committed to the active management of ALF's capital, particularly at times when its Shares are trading at a significant discount to NTA. Since initiating the On-Market Buy-Back in November 2017, the Board has purchased almost 35 million Shares. These purchases have been made at a substantial discount to the Company's NTA, creating value for remaining Shareholders.

On 27 September 2019, the Board announced its intention to take further action by way of the Buy-Back, with the aim of closing the discount between the share price and NTA, and to provide Shareholders with an opportunity to liquidate part of their holding, at a price that better reflects the value of the Company's assets.

The Buy-Back was approved by Shareholders at the Company's annual general meeting on 29 November 2019.

4.3. What is the Buy-Back?

ALF is seeking to buy back some of its Shares from Eligible Shareholders through a Buy-Back. Under the Buy-Back, ALF will buy back up to 45,629,098 Shares, being 20% of ALF's issued capital. Eligible Shareholders will have the opportunity to accept up to, or less than, 20% of their Shares. The Buy-Back Price will be calculated using the after tax NTA on 31 January 2020, net of expenses and any deferred tax assets on the balance sheet at the time. The Shares bought back are subsequently cancelled, which reduces the total number of Shares ALF has on issue.

4.4. Why is ALF conducting the Buy-Back?

The Buy-Back is part of the Board's capital management strategy. The Board is focused on maximising returns to Shareholders, which it seeks to achieve principally by deploying the Company's capital in accordance with the investment strategy that it has set for the Investment Manager. The capital management strategy may also include other initiatives which are reasonably expected to create value for Shareholders from time to time.

The Directors consider that it is preferable for Shares to trade at or around a price that reflects the value of its NTA, with investment returns driven primarily from the Company's investment activities.

During periods where Shares trade at a price that is materially below NTA, Shareholders' ability to realise 'fair value' for their investment is curtailed. This can lead to reduced liquidity in the trading of Shares and exacerbate the NTA discount. Therefore, the Board considers it is also practical to deploy capital using strategies that may materially reduce the NTA discount. To date, ALF's On-Market Buy-Back program undertaken within the 10/12 limit, while accretive to NTA, has not had a meaningful effect on the NTA discount.

The Board is currently of the view that buying back some of ALF's ordinary Shares would be a prudent use of capital. A Buy-Back provides Shareholders an opportunity to realise part of their investment should they not wish to maintain their entire holding in ALF.

Further, the Board does not consider it a reasonable use of capital, nor a desirable outcome for remaining Shareholders, to undertake capital management strategies which materially increase the management expense ratio (**MER**) of the Company. Any significant reduction in ALF's capital would result in a material increase in the Company's MER as fixed operating costs are amortised over a reduced capital base. Neither does the Board consider that it is a prudent use of capital to pursue other costly initiatives that can cause undue expense, uncertain commercial outcomes for ALF, or which may result in a write down in the value of assets, such as deferred tax assets, for Shareholders.

The Board considers that the Buy-Back could have a material impact on the NTA discount at which Shares have been trading, giving rise to an investment return for existing Shareholders. The Buy-Back is expected to be executed in a cost effective and timely manner by the Board. It is not expected that the Buy Back will have a material impact on the MER of the Company.

4.5. What are the advantages and disadvantages of the Buy-Back?

Advantages

ALF is of the opinion that a Buy-Back has a number of advantages, including:

- (a) The Buy-Back would provide a partial 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 Buy-Back Price is broadly in line with the adjusted NTA at the time of the Record Date.
- (c) There will be a lesser number of Shares on issue. Consequently, the ownership interest in ALF of each Shareholder who does not or is not entitled to accept the Buy-Back, will increase.
- (d) As the Buy-Back Price will be adjusted to reflect the value of deferred tax assets, the value of these assets per share will increase as a result of the reduction in the number of Shares on issue after the Buy-Back is completed.
- (e) No transaction costs will be incurred directly by Eligible Shareholders who participate in the Buy-Back.

Disadvantages

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

- (a) The Buy-Back will reduce ALF's cash assets, resulting in a reduction in Shareholders' funds. However, the Directors believe this will not prejudice ALF's ability to pay its creditors or the interests of Shareholders generally.
- (b) Once ALF 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 Contract is terminated.
- (c) Eligible Shareholders who accept the Buy-Back will cease to gain any benefits associated with an investment in ALF to the extent of the number of Shares bought back.
- (d) Eligible Shareholders who, as a result of acceptance into the Buy-Back, hold Shares with an aggregate value of \$500 or less will have an unmarketable parcel and may find it more difficult or expensive to dispose of their Shares in the usual way.

- (e) 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.
- (f) As the Buy-Back will reduce ALF's cash assets, ALF will also have a reduced capacity to pay dividends to Shareholders. It will also have a reduced capacity to avail itself of investment opportunities.
- (g) There may be adverse tax consequences for participating Shareholders (see Section 4.18).

4.6. Effect of the Buy-Back

The Buy-Back is expected to have the following effects:

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.

As at the date of this Booklet, ALF Directors (and their related parties) have indicated that it is their intention not to participate in the Buy-Back and as such, it is unlikely that all the Shares will be bought back.

ALF Directors and their related parties hold a total of 9,739,581 Shares as at the date of this Booklet.

Share Capital

As at the date of this Booklet, ALF has 237,885,071 Shares on issue. Assuming the Buy-Back is accepted up to the Buy-Back limit but excluding Directors' Shares, the overall effect of the Buy-Back on ALF's Share capital will be to reduce the total number of Shares on issue to approximately 192,255,973 Shares.

ALF has no partly paid Shares on issue and no convertible securities on issue.

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:

Assumed Acceptances	100%	50%	25%	Nil
Shares on issue	237,885,071	237,885,071	237,885,071	237,885,071
Less Shares bought back	45,629,098	22,814,549	11,407,274	0
Shares upon completion of Buy-Back	192,255,973	215,070,522	226,477,797	237,885,071

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

Control

All of the Shares bought back under the Buy-Back will be cancelled. Consequently, 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 that Eligible Shareholder. Accordingly, the effect of the Buy-Back on the control of ALF will not be known until the Buy-Back is completed.

Creditors

The Buy-Back involves a reduction in ALF's cash reserves. However, the Board does not expect this reduction to materially prejudice ALF's ability to pay its creditors. This is because the Buy-Back has been structured in a manner to ensure ALF will have sufficient cash reserves to pay its creditors after the Buy-Back.

ALF's contributed equity

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

Financial

The financial effect of the Buy-Back on ALF will be to:

- reduce ALF's cash reserves. The size of the reduction will depend on the Buy-Back Price and the extent that Shareholders participate; and
- cause an increase in the underlying value of ALF'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 22,814,549 Shares are bought back, the underlying value of ALF's assets per Share will increase.

Dilutionary effect

There will be no dilutionary effect on Shareholders, other than those Shareholders whose Shares are acquired under the Buy-Back.

4.7. How will the Buy-Back Price be set?

The Board will determine the Buy-Back Price as at the Record Date.

The Buy-Back Price will be announced to ASX prior to the Opening Date. The Buy-Back Price will be calculated by deducting the deferred tax asset (**DTA**) per share from the NTA of the Company per share as at 31 January 2020. The current value of the DTA per share is 6.8 cents per share. The DTA may be reduced to the extent that financial year to date tax (**YTD Tax**) payments are deducted from the DTA.

As an example, if the Buy-Back Price was calculated as at the end of December 2019, the Buy-Back Price would be as follows:

$$\begin{aligned}\text{Buy-Back Price} &= \text{NTA} - (\text{DTA} + \text{YTD Tax}) \\ &= \$1.15 - (6.8 \text{ cents per share} + 1.3 \text{ cents per share}) \\ &= \$1.095 \text{ per share.}^1\end{aligned}$$

4.8. How will the Buy-Back be financed?

The Buy-Back will be funded from ALF's current cash balances. As at 30 June 2019, as per the audited financial statements accompanying this Booklet, ALF had \$249,034,761 held in cash and cash equivalents. Assuming 20% of Shares were bought back at \$1.095², cash on hand balances would reduce by approximately \$52.6 million and total equity would reduce by the same amount.

4.9. How does the Buy-Back process work?

Under the Buy-Back process, Eligible Shareholders can accept to sell up to 20% of their Shares to ALF. If Eligible Shareholders decide to participate, they will have the opportunity to accept up to, or less than, 20% of their Shares.

¹ The value of the YTD Tax to be applied to reduce the DTA will not be known until the Record Date.

² This price is used as an example only based on the NTA and tax position as at 31 December 2019. The Buy-Back Price may be higher or lower than this.

4.10. Who can participate in the Buy-Back?

Eligible Shareholders can participate in the Buy-Back. The Buy-Back is not being made to Excluded Shareholders.

ALF 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.

4.11. Do Eligible Shareholders have to participate?

No. If Eligible Shareholders do not wish to participate in the Buy-Back they do not need to do anything. If they choose not to participate or are not eligible to participate, and the Buy-Back is completed, the number of Shares held will not change, although their proportional shareholding will increase (as there will be fewer Shares on issue).

4.12. Why would Eligible Shareholders participate?

It is completely their decision. If unsure as to what to do, seek professional advice. This Booklet has been prepared without taking into account particular objectives, financial situations or needs.

ALF makes no recommendation as to whether or not Eligible Shareholders should participate.

4.13. How and when will Eligible Shareholders receive payment for Shares bought back?

ALF will pay Eligible Shareholders the Buy-Back Price for each of their Shares that are bought back.

If they have a direct credit authority on their Shares recorded by the Registry at 5:00 pm (Sydney time) on the Closing Date, all proceeds due to them under the Buy-Back will be credited to their nominated account. In all other cases, Eligible Shareholders will be sent a cheque for the Buy-Back proceeds in Australian dollars to the address as recorded by the Registry at 5:00pm (Sydney time) on the Closing Date. Payments to those accounts and despatch of cheques to those addresses will be made on 13 March 2020 and will satisfy ALF's obligations to pay for any Shares bought back.

4.14. Can Eligible Shareholders trade their Shares after submitting an Acceptance?

Eligible Shareholders should not separately sell or offer to sell the Shares that they have accepted in the Buy-Back. Nor should they convert the Shares from an Issuer Sponsored Holding to a CHESS Holding or vice versa or move them between CHESS Holdings. If Eligible Shareholders sell or offer to sell any Shares after they submit an Acceptance, and at the Closing Date they do not hold at least the number of Shares accepted, ALF may, in its absolute discretion, reject their Acceptance(s) or treat their Acceptance(s) as if they had accepted the number of Shares held by them at the Closing Date.

4.15. What are the interests of any Director that may participate in the Buy-Back?

As at the date of this Booklet the Directors indirectly hold the following Shares in ALF:

Director	Current Holding	% of Company's issued capital (pre-Buy-Back)
ABERNETHY, JOHN	10,000	0.004%
BRAITLING, JUSTIN	4,195,367	1.76%
WILSON, GEOFFREY	5,534,214	2.33%

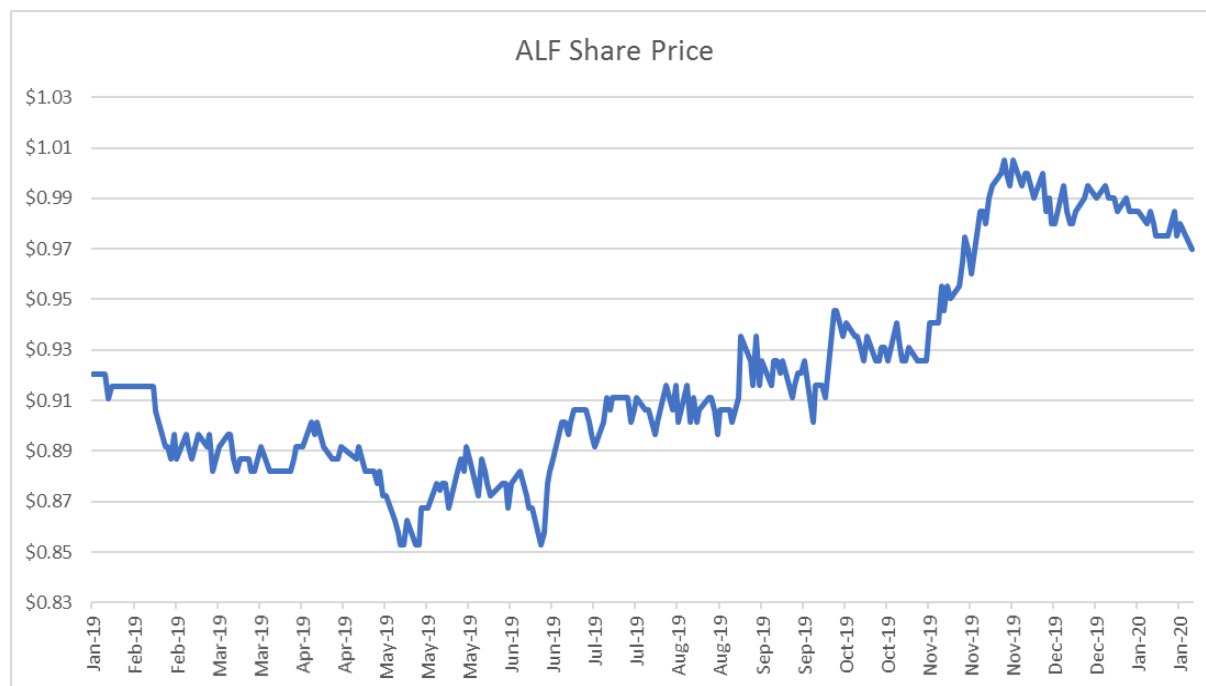
4.16. Will the Directors participate in the Buy-Back?

ALF 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.

4.17. What is the price of Shares in ALF?

The price of Shares in ALF is quoted on the ASX and can be observed (subject to certain time delays) on the ASX website (www.asx.com.au) by reference to the ASX code (ASX:ALF). The price of Shares in ALF at market close on 28 January 2019 was \$0.970.

The following table provides information in relation to the market prices of Shares in ALF on ASX over the previous 12 months:



4.18. Taxation

The following is a general guide to the Australian Income Tax and Capital Gains Tax (**CGT**) consequences of the proposed Buy-Back on ALF and Shareholders. This guide has been prepared based on the current Australian Income Tax legislation and administrative practices at the date of this Booklet. These laws, the interpretation of them by the courts and administrative practices may change at any time and sometimes with retrospective effect.

If you decide to participate in the Buy-Back, your particular tax treatment will depend on your personal tax situation. It is therefore important that you seek professional tax advice to take into account your particular circumstances.

The general Australian income tax guide 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 (**TOFA**) provisions.

ALF 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.

General

The Buy-Back is an 'off-market' buy-back for the purposes of Division 16K of Part III of the *Income Tax Assessment Act 1936 (Cth)* (**Tax Act**). This means that the amount that you may receive from participating in the Buy-Back will comprise:

- the capital component; and
- the dividend component (if any) – the amount by which the Buy-Back Price exceeds the capital component. The dividend component (if any) may be a frankable distribution.

Tax consequences for ALF

For the Company buying back its own Shares, the purchase and the subsequent cancellation of the Shares does not give rise to any taxation consequences for the Company. Accordingly, no amount is to be included in ALF's assessable income or allowed as a deduction, nor does any capital gain or loss arise in respect of the Buy-Back.

However, ALF may be required to reduce its franking account balance in respect of an off-market share buy-back if the Buy-Back Price includes a franked dividend component.

Tax consequences for Australian resident Eligible Shareholders

The Tax Act contains provisions that govern the Australian income tax treatment of off-market share buy-backs. The Tax Act provides that the difference between the Buy-Back Price and the amount debited against the share capital account is taken to be a dividend paid by ALF.

In line with the above, the ATO has published a Practice Statement (PS LA 2007/9) which states that the ATO's preferred methodology for determining the capital/dividend split in an off-market share Buy-Back is the average capital per Share. This calculation divides the company's ordinary issued capital by the number of Shares on issue. The amount derived is a reasonable estimate of any capital component of the split. The balance of any Buy-Back Price would be a dividend.

(a) The capital component

ALF's Shareholders participating in the Buy-Back will be treated for CGT purposes as if they disposed of each Share for the capital component (discussed below) plus the amount (if any) by which the market value of the Share exceeds the Buy-Back Price (**Capital Proceeds**).

If the Buy-Back was conducted 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, the whole of the Buy-Back Price would be debited against ALF's Share capital account. In other words, the Buy-Back Price is expected to consist of a capital return only and no part of the Buy-Back Price is expected to be a dividend.

Further, in the event where the market value of the Share exceeds the Buy-Back Price, the Shareholder is deemed to have received market value consideration.

The Directors consider the Buy-Back Price is unlikely to be less than the market value of the Share.

Accordingly, the whole of the Buy-Back Price will be taken to have been received as Capital Proceeds for the sale of each Share.

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 ALF.

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.

(b) The dividend component

As outlined above and on the basis the Buy-Back Price is less than the average capital per Share, the Buy-Back Price is expected to consist of capital return only and consequently, the dividend component of the Buy-Back Price is expected to be nil.

There would be a dividend component if there is a significant increase in the value of the Company's investment portfolio resulting in the NTA exceeding the paid-up capital of the Company on the basis that the Buy-Back would be undertaken within the framework provided in PS LA 2007/9.

The dividend component cannot be franked to the extent the Buy-Back Price exceeds the market value per Share.

Tax consequences for non-resident Eligible Shareholders

Non-resident Eligible Shareholders 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 Eligible Shareholders.

Non-resident Eligible Shareholders should seek their own tax advice in their respective countries regarding their own tax implications before making any decision to participate in 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.

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 ALF 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 ALF, its officers, employees and advisors will not be responsible or liable for any losses incurred by Shareholders in this regard. ALF 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.

4.19. ASIC Lodgement

In accordance with Sections 257E and 257F of the Corporations Act, a copy of this Booklet will be lodged with ASIC at least 14 days before the Buy-Back agreements are entered into. ASIC does not approve documents lodged with it. ASIC may, but is not required to, notify ALF if it believes a document lodged with it does not comply with applicable laws. ALF has received no notification from ASIC concerning this Booklet.

4.20. ASIC Relief

ALF has obtained ASIC relief under subsection 257D(4) of the Corporations Act. This relief permits ALF 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.

5. HOW TO PARTICIPATE

5.1. Step One: Choose whether to participate

Accompanying this Booklet, Eligible Shareholders will have received a personalised Acceptance Form for each separate registered holding of Shares eligible to participate in the Buy-Back.

Eligible Shareholders who wish to participate will need to complete their personalised Acceptance Form.

Eligible Shareholders who do not wish to participate do not need to take any action.

5.2. Step Two: Decide how many Shares to sell

The maximum number of Shares that Eligible Shareholders may sell in the Buy-Back is shown in Section A on the Acceptance Form. Eligible Shareholders may sell any number of Shares up to their maximum number shown in Section A on their Acceptance Form.

5.3. Step Three: Complete the Acceptance Form and submit Acceptance

How Eligible Shareholders submit their Acceptance will depend on their holding. This will be specified on the personalised Acceptance Form, which is enclosed with this Booklet.

Issuer Sponsored Holdings

If Eligible Shareholders would like to participate in the Buy-Back, they will need to complete and sign their personalised Acceptance Form and return it to the Registry as set out below.

Return the completed and signed Acceptance Form in the enclosed reply-paid envelope (within Australia). Acceptance Forms can either be mailed or delivered to the addresses provided below:

Mailing Address

Australian Leaders Fund Limited
C/- Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Delivery Address

Australian Leaders Fund Limited
C/- Boardroom Pty Limited
Level 12, 225 George Street
SYDNEY NSW 2000

Acceptances must be received by the Registry by no later than 5.00pm (Sydney time) on the Closing Date. ALF will not accept an Acceptance Form after the Closing Date. Eligible Shareholders should allow sufficient time for sending their Acceptance Form by mail.

Once Eligible Shareholders have submitted an Acceptance Form, Eligible Shareholders should not, before the Buy-Back Date, sell or offer to sell to others the Shares nominated to sell into the Buy-Back.

CHESS Holders

Either:

- (a) contact their controlling participant (i.e. a broker) and instruct them to accept the Offer on their behalf (***If Eligible Shareholders do that, they do not need to complete and return the Acceptance Form to Boardroom Pty Limited***). It is their responsibility to allow sufficient time for the controlling participant to initiate acceptance on their behalf.

OR

- (b) complete the Acceptance Form received with this Booklet detailing their controlling participant's details so that ALF can contact the controlling participant on their behalf. Return the completed and signed Acceptance Form in the enclosed reply-paid envelope (within Australia).

Alternatively, Acceptance Forms can either be mailed or delivered to the addresses provided below:

Mailing Address

Australian Leaders Fund Limited
C/- Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Delivery Address

Australian Leaders Fund Limited
C/- Boardroom Pty Limited
Level 12, 225 George Street
SYDNEY NSW 2000

Eligible Shareholders must ensure that their completed and signed Acceptance Form is received by the Registry by no later than 5:00pm (Sydney time) on the Closing Date. ALF will not accept an Acceptance Form after the Closing Date. Eligible Shareholders should allow sufficient time for sending their Acceptance Form by mail.

5.4. If Eligible Shareholders have both Issuer Sponsored and CHESS Sponsored holdings

If Eligible Shareholders have both an Issuer Sponsored Holding and a CHESS-Sponsored Holding of Shares, they will receive two Application & Acceptance Forms – one for each holding.

Eligible Shareholders will need to complete and return each form separately according to the instructions outlined above if they wish to participate in respect of each of their separate holdings.

5.5. Can Eligible Shareholders withdraw or amend Acceptances?

Once Eligible Shareholders have submitted their Acceptance Form, the decision to sell cannot be revoked.

5.6. If Eligible Shareholders choose not to participate

If Eligible Shareholders choose not to participate in the Buy-Back (or are ineligible to participate), they do not need to take any action. The number of Shares they hold will not change; however, their proportional shareholding in ALF will increase if other shareholders participate in the Buy-Back. Eligible Shareholders will benefit from any improvement in ALF, and will continue to be subject to the normal benefits and investment risks associated with share ownership.

5.7. Obtaining additional Acceptance Forms

If Eligible Shareholders require a replacement Acceptance Form, please call the Registry on 1300 7370 760 between 8:30am and 5:30pm (Sydney time) Monday to Friday.

6. ADDITIONAL INFORMATION ON THE BUY-BACK

This section outlines further information regarding the terms of the Buy-Back, including important information for foreign shareholders, joint shareholders, trustees and nominees.

6.1. What are the implications for Shares being held by trustees and nominees?

It is the responsibility of trustees and nominees:

- to complete an aggregated Acceptance Form on behalf of all relevant beneficial owners; and
- not to accept the Buy-Back on behalf of an Excluded Shareholder.

6.2. What are the implications for Shares held under margin lending arrangements?

If Shares are held under margin lending arrangements or if Shares are held as security for a loan, or as Australian Clearing House Pty Ltd collateral, Eligible Shareholders should ensure that their participation in the Buy-Back is permitted by those margin lending arrangements, the loan documentation, or by Australian Clearing House Pty Ltd.

6.3. Shareholders with more than one holding of Shares

Eligible Shareholders will receive a personalised Acceptance Form for each separate registered holding of Shares. For example, if Eligible Shareholders hold some Shares in their name and some Shares jointly with their spouse, they will receive two Acceptance Forms. Eligible Shareholders may send their Acceptance Form with respect to their Shares for the Buy-Back from any or all of their separate registered holdings provided that they make separate online lodgements or complete a Acceptance Form for each holding they wish to sell.

6.4. Joint shareholders

If Eligible Shareholders hold their Shares jointly with another person (for example, their spouse) and they have an Issuer Sponsored Holding, they must complete and return the Acceptance Form in accordance with the instructions for joint holdings on the Acceptance Form.

6.5. Can Eligible Shareholders rights under the Buy-Back Invitation be transferred?

No. Eligible Shareholders cannot transfer their rights under the Buy-Back Invitation. Those rights are personal to Eligible Shareholders.

6.6. What is the effect of submitting an Acceptance?

An Acceptance constitutes an acceptance of ALF's invitation to sell Eligible Shareholders Shares to ALF on the terms and conditions set out in the Buy-Back Documents.

On the Closing Date a binding Buy-Back Contract is formed between Eligible Shareholders and ALF.

By submitting an Acceptance Form, Eligible Shareholders:

- agree to the terms and conditions set out in the Buy-Back Documents;
- agree to sell to ALF on the Closing Date the number of Shares nominated for sale on their Acceptance Form at the Buy-Back Price;
- warrant to ALF that at all times after Eligible Shareholders offer their Shares for sale in the Buy-Back, and on the Closing Date, they are the registered holder of the Shares agreed to sell and that they are free from any mortgage, charge, lien or other encumbrance (whether legal or equitable) and from any third party rights;
- warrant to ALF that they are a person to whom the Buy-Back may be lawfully made and whose participation in the Buy-Back is permitted under the laws of the jurisdiction in which they reside;
- warrant to ALF that they are not a person (nor are they acting on behalf of or for the account of a person) who is an Excluded Shareholder;

- authorise ALF (and its officers, agents or contractors) to correct any error in or omission from their Acceptance Form and to insert any missing details;
- acknowledge that neither ALF nor any other party involved in the Buy-Back has provided Eligible Shareholders with financial product advice or any securities recommendation, or has the obligation to provide this advice or any securities recommendation, concerning their decision to participate in the Buy-Back or the manner of such participation;
- undertake not to sell, or offer to sell, Shares to any other person if, as a result, Eligible Shareholders will at any time after submission of their Acceptance until the Closing Date, hold fewer Shares than the number of Shares that they have offered for sale in the Buy-Back;
- agree that damages are not an adequate remedy for breach of the covenants, undertakings, agreements and warranties in the Buy-Back Documents; and
- undertake that if breach any of the covenants, undertakings, agreements or warranties in the Buy-Back Documents they will indemnify ALF for all liabilities, damages, losses, costs and expenses arising from the breach.

Eligible Shareholders will be taken to have submitted an Acceptance when the Registry receives the signed and validly completed Acceptance Form(s), or when the Controlling Participant effects acceptance on their behalf.

6.7. What are ALF's rights to accept, vary or terminate the Buy-Back?

ALF may, in its absolute discretion, vary the dates, price and times of or terminate the Buy-Back by making the announcement to that effect to the ASX (without otherwise notifying any shareholder).

6.8. How will the Buy-Back proceeds be paid?

ALF will pay Eligible Shareholders the Buy-Back Price for each of their Shares that are bought back.

If Eligible Shareholders have a direct credit authority on their Shares recorded by the Registry at 5.00pm (Sydney time) on the Closing Date, all proceeds due to them under the Buy-Back will be credited to their nominated account.

In all other cases, Eligible Shareholders will be sent a cheque for the Buy-Back proceeds in Australian Dollars to their address as recorded by the Registry at 5:00pm (Sydney time) on the Closing Date.

Payments to those accounts and despatch of cheques to those addresses will satisfy ALF's obligations to pay for any Shares bought back.

6.9. Can Eligible Shareholders trade my Shares after an Acceptance is submitted?

Once Eligible Shareholders have offered to sell Shares in the Buy-Back, they must not:

- sell or offer to sell those Shares;
- convert those Shares from Issuer Sponsored Holding to a CHESS Holding or vice versa; or
- move those Shares between Chess Holdings (for example, by changing the Controlling Participant).

6.10. Can Eligible Shareholders still vote Shares after an Acceptance is submitted?

Eligible Shareholders will still be entitled to vote after they accept to sell their Shares in the Buy-Back (in accordance with the voting rights attached to those Shares) at any ALF shareholders' meeting that is held on or before the Closing Date.

6.11. Duty

Stamp, transaction or other duty will not be payable on the cancellation of Eligible Shareholders' Shares following Acceptance.

6.12. Privacy

ALF is carrying out the Buy-Back in accordance with the Corporations Act. This involves the collection of personal information contained in Acceptance Forms to enable ALF to process Eligible Shareholder's Acceptances. If Eligible Shareholders do not provide this information, ALF may be hindered in, or prevented from, processing their Acceptance.

The personal information collected by ALF will be disclosed to Boardroom Pty Limited in its capacity as ALF's share registry, to ALF's advisers in relation to the Buy-Back and to the financial institutions in respect of payments to Eligible Shareholders in connection with the Buy-Back, or as required or authorised by law.

If Eligible Shareholders wish to access the individual information collected by ALF in relation to their shareholding, please contact the Registry on 1300 737 760 between 8:30am and 5:30pm (Sydney time) Monday to Friday.

6.13. Applicable Law

The Buy-Back Invitation, Acceptance, and any Buy-Back Contract generally are governed by the laws of New South Wales, Australia.

7. DEFINITIONS

Definition of words, terms and abbreviations which are used in this Booklet.

In this Booklet:

\$	means Australian dollars.
Acceptance	means a Shareholder's acceptance of ALF's Invitation to sell nominated Shares back to ALF at the Buy-Back Price on the terms and conditions set out in the Buy-Back Documents as amended in accordance with the procedures set out in this Booklet.
Acceptance Form	means the form of offer by a Shareholder to sell its nominated Shares to ALF, which is enclosed with this Booklet and includes an Acceptance Form amended in accordance with the procedures set out in the Buy-Back Documents.
ALF or the Company	means Australian Leaders Fund Limited (ABN 64 106 845 970).
ASIC	means Australian Securities & Investments Commission.
ASTC	means the ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532), the securities clearing house of ASX.
ASX	means ASX Limited (ACN 008 624 691) or the market it operates.
ASX Settlement	means ASX Settlement Pty Limited (ABN 49 008 504 532), the securities clearing house of the ASX.
ATO	means the Australian Taxation Office.
Board	means the board of Directors.
Buy-Back	means the buy-back of Shares by ALF by way of an off-market acceptance process as set out in the Buy-Back Documents.
Buy-Back Contract	means the contract formed on the Closing Date between the Shareholder and ALF.
Buy-Back Date	means the date and time that ALF announces to the ASX the Buy-Back Price and the total number of Shares to be bought back.
Buy-Back Documents	means the Booklet and the Acceptance Form.
Buy-Back Price	means the price determined in accordance with the formula set out in Section 4.7 of this Booklet.
Booklet	means this booklet.
CHESS Holder	means Clearing House Electronic Subregister System.
CGT	means capital gains tax.
Closing Date	means 5:00pm (Sydney time) on 28 February 2020, unless the Board announces a later date (in which case it is that later date).
Corporations Act	means <i>Corporations Act 2001</i> (Cth) as amended from time to time.
Director	means a director of ALF.

Eligible Shareholder	means any person with Shares registered in their name on the Record Date, except for Excluded Shareholders.
Excluded Shareholders	means any person holding Shares: ➤ to whom ALF would be prohibited from paying money pursuant to: ○ the Banking (Foreign Exchange) Regulations 1959 (Cth); ○ part 4 of the Charter of the United Nations Act 1945 (Cth); ○ the Charter of the United Nations (Terrorism and Dealings with Assets) Regulations 2002 (Cth); or ○ any other act, rule or regulation prohibiting ALF from making payments to a foreign person; ➤ who resides in a foreign jurisdiction where it would be illegal under the laws of that jurisdiction to permit shareholders residing in that jurisdiction to participate in the Buy-Back: ○ at any time; or ○ without amendment to the Buy-Back Documents in their current form.
Ex-Entitlement Date	means the date that Shares commence trading on the ASX on an ex-Buy-Back basis being 6 February 2020. Shares acquired on or after this date will not confer an entitlement to participate in the Buy-Back
Investment Manager	means Watermark Funds Management Pty Limited (ACN 106 302 505).
Invitation	means the invitation by ALF to Eligible Shareholders to offer to sell Shares to ALF as set out in the Buy-Back Documents.
Issuer Sponsored Holder	means a holder of Shares on the issuer sponsored subregister of ALF.
Issuer Sponsored Holding	means a holding of Shares on the issuer sponsored subregister of ALF.
NTA	means net tangible asset backing per Share after tax.
Opening Date	means 12 February 2020.
Record Date	means 7 February 2020.
Registry	means Boardroom Pty Limited.
Settlement Rules	means the S Settlement Rules as amended from time to time.
Shares	means fully paid ordinary shares in the capital of ALF.
Shareholder	means a registered holder of Shares.
United States	means United States of America, its territories and possessions, any State of the United States and the District of Columbia.
US Person	has the meaning given by Regulation S under the United States Securities Act of 1933, as amended from time to time.

Interpretations

In the Buy-Back Documents, unless the context otherwise requires:

- the singular includes the plural and vice versa;
- words importing one gender, includes other genders;
- other parts of speech and grammatical forms of a word or phrase defined in this Booklet have a corresponding meaning;
- terms used in the Buy-Back Documents and defined in the Corporations Act have the meanings given to them in the Corporations Act (unless expressly provided to the contrary in the Buy-Back Documents);
- an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- a reference to a section, attachment and schedule is a reference to a section of and an attachment and schedule to this Booklet, as relevant;
- reference to any statute, regulation, proclamation, ordinance or law includes all statutes, regulations, proclamations, ordinances, or laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- headings and bold type are for convenience only and do not affect the interpretation of this Booklet;
- a reference to writing includes electronic communications and facsimile transmissions;
- “including” and “includes” are not words of limitation;
- a reference to currency is to Australian dollars; and
- a reference to time is Sydney time.

The postal acceptance rule does not apply to Acceptances.