

CHAIRMAN'S ADDRESS

AUSTRALIAN LEADERS FUND LIMITED ANNUAL GENERAL MEETING

Wednesday 23rd November 2016 – 2pm.

Morgan Stanley, Chifley Tower

Level 39, 2 Chifley Square

Sydney NSW 2000

Good afternoon Ladies and Gentlemen,

Welcome to the 13th Annual General Meeting for the Australian Leaders Fund Limited (ALF). Thank you for your continued support over the last year.

My name is Justin Braitling and I am chairman of the board of directors. I would like to introduce the other members of the board Geoff Wilson, John Abernethy and Julian Gosse.

I am pleased to say that your Company has gone from strength to strength and is in good shape to weather the challenges ahead. We do find ourselves in uncertain times. Despite the best efforts of central banks, the global economy is still mired in a structural slowing, a result of adverse demographic trends and a failure of governments to implement reforms.

We are seeing a shift in political leadership across western countries as dissenting voters reject the neo-liberal orthodoxy of open markets and globalisation. These changes all create uncertainty for financial markets. Asset markets generally are expensive which is consistent with a maturing recovery, seven years on from the financial crisis. Your company is well positioned to deal with these challenges.

Australian Leaders Fund Limited (ALF) reported strong profit growth for the period ending June 30 2016 with after tax profit rising to \$29 million. By virtue of its absolute return focus, ALF can generate investment returns independent of the direction of the share market. As such, the Investment Manager was able to deliver healthy profits in a difficult year for the Australian share market, allowing the Board to maintain the dividend at 10 cents per share, fully franked.

The gross portfolio value increased by 15.4% over the course of the financial year. This is compared with the All Ordinaries Accumulation Index which increased by only 2%. Once again stock selection was excellent. Our Long portfolio increased in value by 24%, funded by our Short portfolio that was relatively flat, rising only 2%. Our average cash weighting for the year was 111%, meaning that we were modestly short the market with your capital fully protected throughout the year. During periods of heightened uncertainty, ALF will typically have little or no net exposure to the share market. As such, the Fund returns will have little or no correlation with the performance of the broader share market.

In December 2014 the Board extended the Company's investment mandate allowing for international investments. The financial results validated this change with the international portfolio delivering a gross return of 20%. The returns from our international portfolio have tended to be uncorrelated with our domestic performance, smoothing out fund volatility. With the early success of this change in strategy, in February of this year, the Board further increased the allowable exposure to international shares to 50% of the Fund.

Since inception, the net value of the portfolio has increased by 402% while the benchmark All Ordinaries Accumulation Index has increased by 173%. The investment process has added 228% to the value of your Company (after all fees and expenses). The Board has endeavoured to return a significant portion of this to shareholders via ordinary and special dividends (110.5c paid to date; 115.5c declared to date).

After slipping to a modest discount to NTA in the final months of FY15, the price of the Company's shares rebounded strongly in the new financial year. ALF shares traded well through the year, reaching a peak of \$1.58 per share in March and maintaining a consistent premium to the Company's NTA. The Board remain vigilant in monitoring where the shares trade relative to NTA, mindful of the risks that arise when the shares diverge materially from the value of the Company's assets and of the capital management options at its disposal.

As we enter the early stages of what will be a prolonged period of normalisation in interest rates around the world, the medium-term outlook for global share markets is unclear and risks remain. It is clear however that top line growth will be subdued and that we are now in a low-return environment for shares for some time.

Your Company is well positioned to deal with prevailing market conditions. Given its ability to hedge market risk, ALF offers protection against any set-back in share markets. For the same reason, returns are less dependent on a rising share market, successful security selection will once again be the key.