

**AUSTRALIAN LEADERS FUND LIMITED**  
**A.B.N. 64 106 845 970**

**AUSTRALIAN LEADERS FUND LIMITED (ALF) – DECEMBER 2007**  
**INVESTMENT UPDATE & NTA**

As at 31 December 2007

NTA before tax	132.95c*
NTA after tax and before tax on unrealised gains	129.59c*
NTA after tax	126.58c*

\*After the payment of \$1,652,066 (2.1 cents per share) in tax.

**MONTH IN REVIEW**

The direction of international markets will ultimately take their lead from the US, particularly given the current uncertain environment. The US market is likely to struggle through most of 2008, weighed down by weak economic data, profit downgrades and restrictive credit conditions.

As Australian shares have been re-rated in recent years, it is hard to see domestic equities continuing to outperform in spite of the solid underlying fundamentals. On this basis we would expect the local market to consolidate at current levels and deliver at best, modest returns for the year ahead.

While the environment looks challenging, equity markets are starting to reflect this. When we look at the portfolio, we are encouraged by the value embedded in key positions. This is not to say the market cannot move lower, but the bad news from subprime and softer growth is increasingly being priced into asset values.

What is not yet priced into asset markets but will emerge as a risk moving forward, is the prospect of a prolonged downturn in US activity which inevitably would be matched by much broader credit losses. Much will depend on how well global growth holds up without the support of US consumers, a key source of incremental demand in this current cycle.

**DIVIDEND**

The final dividend declared for the 2007 year is 4.0 cents a share fully franked and a special dividend of 2.0 cents a share fully franked, paid on 16 November 2007.

**PORTFOLIO PERFORMANCE**

<b>Gross Performance</b>	<b>1 month</b>	<b>3 month</b>	<b>6 month</b>	<b>Financial YTD 07</b>
Wilson Leaders Ltd	-1.63%	-0.55%	5.77%	5.77%
All Ords Accum	-2.36%	0.85%	3.66%	3.66%
Relative Performance	0.73%	-1.40%	2.11%	2.11%

**PORTFOLIO STRUCTURE**

<b>Investment Type</b>	<b>As at 30 November 2007</b>		<b>As at 31 December 2007</b>	
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>% of net assets</b>
Listed Securities	131.94	120.80%	136.30	128.9%
Fixed interest and Cash	2.32	2.10%	3.37	3.2%
<b>Gross Assets</b>	<b>134.26</b>	<b>122.90%</b>	<b>139.67</b>	<b>132.1%</b>
Short positions	-25.03	-22.90%	-33.94	-32.1%
<b>Net Assets</b>	<b>109.23</b>	<b>100.00%</b>	<b>105.73</b>	<b>100.0%</b>

The listed securities portfolio is detailed on the following page.

As at 31 December 2007 the equity portfolio gave exposure to:

<b>Consumer Discretionary</b>			<b>Industrials</b>		
A.B.C. Learning Centres Ltd.	3,263,400	2.39%	Toll Holdings Ltd.	1,717,500	1.26%
Amalgamated Holdings Ltd.	1,442,785	1.06%		<b>1,717,500</b>	<b>1.26%</b>
APN News & Media Ltd.	3,510,695	2.58%	<b>Information Technology</b>		
Austar United Communications Ltd.	982,700	0.72%	Computershare Ltd.	2,173,600	1.59%
Consolidated Media Holdings Ltd.	840,000	0.62%	Reckon Ltd.	1,247,286	0.92%
Mitchell Communication Group Ltd.	412,560	0.30%		<b>3,420,886</b>	<b>2.51%</b>
News Corp.	7,812,450	5.73%	<b>Materials</b>		
Tatts Group Ltd.	1,596,000	1.17%	Boral Ltd.	1,224,000	0.90%
Village Roadshow Ltd Prf A	3,325,027	2.44%	Gunns Ltd.	1,456,000	1.07%
Webjet Ltd.	2,850,733	2.09%	James Hardie Industries N.V.	322,500	0.24%
	<b>26,036,350</b>	<b>19.10%</b>	PaperlinX Ltd.	1,064,000	0.78%
<b>Consumer Staples</b>				<b>4,066,500</b>	<b>2.99%</b>
ABB Grain Ltd.	2,940,600	2.16%	<b>Resources</b>		
AWB Ltd.	3,516,000	2.58%	Alumina Ltd.	2,993,900	2.20%
Metcash Ltd.	870,000	0.64%	BHP Billiton Ltd.	8,630,100	6.32%
Select Harvests Ltd.	2,796,406	2.05%	Rio Tinto Ltd.	4,295,910	3.15%
	<b>10,123,006</b>	<b>7.43%</b>		<b>15,919,910</b>	<b>11.67%</b>
<b>Property</b>			<b>Energy</b>		
Lend Lease Corp. Ltd.	3,806,000	2.79%	Oil Search Ltd.	2,570,500	1.89%
Tishman Speyer Office Fund	3,164,262	2.32%	Roc Oil Co. Ltd.	3,729,788	2.73%
Westfield Group Australia	3,780,000	2.77%		<b>6,300,288</b>	<b>4.62%</b>
	<b>10,750,262</b>	<b>7.88%</b>	<b>Telecommunication Services</b>		
<b>Financials</b>			PIPE Networks Ltd.	999,688	0.73%
Australia & New Zealand Banking Group Ltd.	8,921,754	6.55%	Reverse Corp. Ltd.	2,128,464	1.56%
Babcock & Brown Ltd.	1,276,050	0.94%	Telecom Corp. of New Zealand Ltd.	1,930,000	1.42%
Henderson Group PLC	3,691,800	2.71%		<b>5,058,152</b>	<b>3.71%</b>
Macquarie Group Ltd.	3,810,000	2.80%	<b>Utilities</b>		
National Australia Bank Ltd.	10,127,721	7.42%	AGL Energy Ltd.	1,598,400	1.17%
RAMS Home Loans Group Ltd.	1,917,771	1.41%	ConnectEast Group	1,595,000	1.17%
St. George Bank Ltd.	2,653,560	1.95%		<b>3,193,400</b>	<b>2.34%</b>
Westpac Banking Corp.	5,501,329	4.04%			
	<b>37,899,985</b>	<b>27.82%</b>			
<b>Insurance</b>					
QBE Insurance Group Ltd.	8,335,000	6.12%			
	<b>8,335,000</b>	<b>6.12%</b>			
<b>Health Care</b>			<b>Long</b>	<b>136,301,368</b>	<b>100.00%</b>
Primary Health Care Ltd.	1,487,500	1.09%	<b>Short</b>	<b>-33,935,112</b>	
Pharmaxis Ltd.	1,992,629	1.46%			
	<b>3,480,129</b>	<b>2.55%</b>			