



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

AUSTRALIAN LEADERS FUND LIMITED (ALF) – JANUARY 2009
INVESTMENT UPDATE & NTA

As at 31 January 2009

NTA before tax on unrealised gains	\$0.9342
NTA after tax	\$0.9202

MONTH IN REVIEW

Ongoing weak macroeconomic data combined with a number of profit warnings ahead of the February reporting period saw the ASX200 retest the November lows before staging a modest rally to finish the month down 4.9%. Equity raisings continued unabated as companies seek to repair balance sheets.

With the IMF forecasting 2009 global growth to be the lowest since the depression, the outlook has clearly deteriorated further. Locally, December building approvals fell significantly while the employment data saw a large decline in full-time jobs.

The portfolio performed particularly well with a number of funding securities (shorts) falling on profit warnings. We were short a number of cyclical names in building and construction (Boral, GWA, Crane and Leighton) as well as retailer David Jones Ltd, all these companies revised guidance or saw profit expectation lowered sharply.

At the same time we had bought a number of deep cyclicals that we thought had been oversold- Mirabela and Equinox are world class projects. With copper and nickel prices at levels where a large portion of the industry is losing cash, we considered it the right time to be adding to these low cost producers. Similarly, we added to Virgin Blue, trading at 0.3 times the value of the equity tied up in the business which is an attractive entry into a duopoly carrier not forsaking the challenging environment ahead.

Transfield Services Ltd completed a very unpopular, heavily discounted rights issue providing an opportunity to invest in this business on attractive terms. RHG Ltd, the old RAMs Home Loans is the holding company for a closed book of mortgages held previously by the entity that has since been sold to Westpac. As the company's warehouses are being refunded and the mortgages are repaid this business is expected to report profits each year in line with the company's market value representing an outstanding opportunity for what is now a relatively low risk proposition.

While the economic outlook is dire a number of leading indicators are improving in so much as they are not getting worst. This 'uptick' is typically the catalyst for a rally in risk assets which is well and truly overdue. The market is absorbing bad news particularly well indicating the weight of selling may be drying up.

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	<u>Accumulation Index Performance Since</u>		
	<u>31/12/2008</u>	<u>31/07/2008</u>	<u>31/01/2008</u>
S&P/ASX 200	-4.9%	-27.0%	-34.3%
S&P/ASX 200 Industrials	-6.1%	-22.9%	-35.5%
S&P/ASX 200 Resources	-1.7%	-35.3%	-30.7%
S&P/ASX Small Ordinaries	-4.7%	-41.5%	-47.9%

	<u>Recommendation</u>	<u>Risk Bias</u>	<u>Relative Index Performance to S&P/ASX 200</u>		
			<u>1 Month</u>	<u>6 Months</u>	<u>12 Months</u>
			Consumer Discretionary	Underweight	Up
Consumer Staples	Underweight	Down	4.2%	16.4%	17.0%
Energy	Neutral	Up	-1.0%	-2.5%	24.0%
Financials	Overweight	Up	-3.9%	1.5%	-6.7%
Healthcare/Biotech	Underweight	Down	10.9%	38.0%	36.1%
Industrials	Overweight	Down	-6.2%	-7.9%	-11.5%
Information Technology	Overweight	Down	-1.1%	11.3%	27.2%
Materials	Overweight	Up	3.9%	-10.9%	-2.7%
REITS	Underweight	Up	-4.3%	-10.0%	-17.4%
Telecommunication Services	Overweight	Down	5.0%	13.3%	24.9%
Utilities	Underweight	Down	3.3%	8.4%	13.1%

Source: IRESS, CEBU Research estimates

DIVIDEND

The final dividend declared for the 2008 financial year is 2.0 cents a share fully franked and was paid on 28 August 2008.

BUYBACK

The board is focused on maximising returns to shareholders and this will from time to time involve active capital management. The board views the introduction of an on market share buy back as being in line with this aim as it will add value to the remaining shares on issue and increase the NTA per share.

A buyback of approximately 10% of the issued capital commenced on 12 March 2008.

As at close of market on 10th February 2009 7,614,288 shares have been bought back.

PORTFOLIO PERFORMANCE

Gross Performance	1 month	3 month	6 month	Financial YTD 09
Australian Leaders Ltd*	2.60%	-0.57%	-16.38%	-17.22%
All Ords Accum	-4.95%	-11.88%	-29.47%	-33.16%
Relative Performance	7.55%	11.31%	13.09%	15.94%

* Includes the contribution from the buyback

PORTFOLIO STRUCTURE

Investment Type	As at 31 December 2008		As at 31 January 2009	
	\$m	\$m	\$m	%
Listed Securities	92.09	155.29%	108.48	179.43%
Fixed interest and Cash	9.10	15.35%	3.19	5.28%
Gross Assets	101.19	170.64%	111.67	184.71%
Short positions	-41.89	-70.64%	-51.21	-84.71%
Net Assets	59.30	100.00%	60.46	100.00%

The listed securities portfolio is detailed on the following page

As at 31 January 2009 the equity portfolio gave exposure to:

Consumer Discretionary			Health Care		
Billabong International Ltd.	1,523,275	1.40%	Primary Health Care Ltd.	2,756,069	2.54%
Webjet Ltd.	862,650	0.80%		2,756,069	2.54%
TABCorp Holdings Ltd.	936,000	0.86%	Industrials		
Sky City Entertainment Group Ltd.	1,203,257	1.11%	Bradken Ltd.	1,675,256	1.54%
Crown Ltd.	711,042	0.66%	Transfield Services Ltd.	552,765	0.51%
Aristocrat Leisure Ltd.	1,518,750	1.40%	SEEK Ltd.	1,941,837	1.79%
	6,754,974	6.23%	McMillan Shakespeare Ltd.	2,298,630	2.12%
Media			Virgin Blue Holdings Ltd.	1,848,833	1.70%
News Corp.	2,131,415	1.96%	Toll Holdings Ltd.	1,094,000	1.01%
Fairfax Media Ltd.	1,119,098	1.03%	Australian Infrastructure Fund Ltd.	2,379,542	2.19%
Consolidated Media Holdings Ltd.	2,986,001	2.76%		11,790,863	10.86%
Austereo Group Ltd.	848,267	0.78%	Information Technology		
Wotif.com Holdings Ltd.	1,129,600	1.04%	Melbourne IT Ltd.	962,720	0.89%
	8,214,381	7.57%	IRESS Market Technology Ltd.	1,614,354	1.49%
Consumer Staples				2,577,074	2.38%
Wesfarmers Ltd.	2,935,013	2.71%	Materials		
AWB Ltd.	1,755,574	1.62%	Rio Tinto Ltd.	2,616,166	2.41%
Graincorp Ltd.	2,561,073	2.36%	OneSteel Ltd.	2,891,700	2.67%
Goodman Fielder Ltd.	1,719,407	1.58%	Orica Ltd.	3,046,500	2.80%
	8,971,067	8.27%	Nufarm Ltd.	1,008,163	0.93%
Energy			Mount Gibson Iron Ltd.	810,000	0.75%
WorleyParsons Ltd.	1,584,450	1.47%	Macarthur Coal Ltd.	1,800,000	1.66%
Roc Oil Co. Ltd.	1,140,270	1.05%	Mirabela Nickel Ltd.	457,095	0.42%
Oil Search Ltd.	1,110,736	1.02%	Iluka Resources Ltd.	570,278	0.53%
Caltex Australia Ltd.	1,625,046	1.50%	Gunns Ltd.	2,011,329	1.85%
Centennial Coal Co. Ltd.	849,000	0.78%	Fortescue Metals Group Ltd.	1,026,600	0.95%
	6,309,502	5.82%	EQUINOX MINERALS LIMITED	903,183	0.83%
Financials			Boral Ltd.	827,500	0.76%
Westpac Banking Corp.	3,753,599	3.45%	Alumina Ltd.	2,394,000	2.21%
RHG Ltd.	2,273,083	2.10%		20,362,514	18.77%
National Australia Bank Ltd.	3,141,339	2.90%	Real Estate		
Commonwealth Bank of Australia	2,959,000	2.73%	Westfield Group Australia	2,408,000	2.23%
Australia & New Zealand Banking Group Ltd.	3,258,356	3.00%	Stockland Australia	1,638,000	1.51%
	15,385,377	14.18%	ING Office Fund	371,250	0.34%
Diversified Financials			Dexus Property Group	1,216,000	1.12%
Henderson Group PLC	2,078,115	1.92%	Commonwealth Property Office Fund	731,000	0.67%
Challenger Financial Services Group	484,000	0.45%		6,364,250	5.87%
BT Investment Management Ltd.	937,416	0.86%	Utilities		
ASX Ltd.	1,900,500	1.75%	Babcock & Brown Wind Partners Group	1,195,400	1.10%
	5,400,031	4.98%		1,195,400	1.10%
Insurance					
Tower Australia Group Ltd.	3,085,599	2.84%	TOTAL LONG PORTFOLIO	108,480,326	100.00%
AMP Ltd.	2,634,773	2.43%	TOTAL SHORT PORTFOLIO	(51,214,332)	
	5,720,372	5.27%			
Telecommunication Services					
Telstra Corp. Ltd.	2,463,500	2.27%	Contact:		
Telecom Corp. of New Zealand (AUST Listing)	2,968,000	2.74%	Justin Braitling		
Reverse Corp. Ltd.	1,246,952	1.15%	Australian Leaders Fund		
	6,678,452	6.16%	info@braitlinginvestments.com.a		