



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

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

As at 28 February 2009

NTA before tax on unrealised gains	\$0.9678
NTA after tax	\$0.9391

MONTH IN REVIEW

The market moved lower again in February as the economic news grew steadily worse and investors lost hope in an economic recovery in the second half of 2009.

The portfolio performed well through February as companies reported their Interim results. A number of cyclical businesses we were "short" either downgraded or reported disappointing results including Brambles, Ansell, and Woolworths. We were also very short a range of infrastructure names which fell sharply with DUET and Connect East having trouble refinancing. We were also short two corporate situations with Ten Network pursuing a failed placement and Transpacific Industries suspending its shares having breached banking covenants.

On the long side of the ledger we built a large position in Wesfarmers a cheap defensive (hard to find) on weakness during the rights trading period. Henderson did particularly well following the highly accretive acquisition of Newstar, a UK fund Manager.

We recently became a substantial shareholder in RHG Ltd, the old Rams Home Loans. The book is a closed portfolio of mortgages in run off, margins are actually increasing as seen in their interim result released during the month. The company made more in the 6 months to December (20cps) than the share price! With an NTA of 54c and increasing as the book winds down this company is extremely cheap, the risks are modest even if the warehouse facilities are not rolled over. RHG performed particularly strongly in February up 50% contributing significantly to fund performance.

The fund does not own any Telstra shares which fell sharply in February contributing to relative performance following their downgraded guidance and their preclusion from the National Broadband Network build.

While this bear market is close to a bottom, the final sell off can often be quite savage as investors capitulate and give up on equities. If/ when this happens we will look to invest the funds substantial cash holdings to take advantage of any recovery.

Going forward we will separate out the attribution coming from the Long/Short portfolios and from cash. As can be seen on page 2 the short portfolio fell by 9% in February, as these are borrowed shares which have been sold to fund our investment portfolio we are better off as they are worth 9% less.

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 March 2009 7,781,288 shares have been bought back.

A second buyback for up to 7,185,623 shares or approximately 10% of issued capital will commence on 13 March 2009 for a 12 month duration.

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PORTFOLIO PERFORMANCE INCLUDING ATTRIBUTION

	1 MONTH			3 MONTH			6 MONTH			Financial Year to Date		
	Portfolio Return (%)	All Ords Return (%)	Attribution (%)*	Portfolio Return (%)	All Ords Return (%)	Attribution (%)*	Portfolio Return (%)	All Ords Return (%)	Attribution (%)*	Portfolio Return (%)	All Ords Return (%)	Attribution (%)*
Long Portfolio	-3.7	-4.3	0.7	-1.2	-9.1	12.1	-27.7	-35.1	11.5	-24.7	-36.0	19.1
Short Portfolio	-9.3	-4.3	5.3	-9.2	-9.1	1.9	-31.1	-35.1	-3.4	-28.3	-36.0	-6.7
Cash			1.5			4.6			8.9			9.1
Total Portfolio	3.2	-4.3	7.5	9.5	-9.1	18.6	-18.1	-35.1	17.0	-14.5	-36.0	21.5

*Attribution column explains which part of the total portfolio return i.e return on long, short or cash gave rise to the out performance over the All Ords Return for the same period

PORTFOLIO STRUCTURE

Investment Type	As at 31 January 2009		As at 28 February 2009	
	\$m	%	\$m	%
Listed Securities – Long	108	180	92	148
Listed Securities - Short	-51	-85	-71	-114
NET EXPOSURE	57	95	21	34
Fixed interest and Cash	3	5	41	66
Shareholder Funds	60	100	62	100

The listed securities portfolio is detailed on the following page

As at 28 February 2009 the equity portfolio gave exposure to:

Consumer Discretionary			Real Estate		
Webjet Ltd.	1,509,277	1.65%	Westfield Group Australia	2,130,000	2.32%
TABCorp Holdings Ltd.	957,000	1.04%	Stockland Australia	952,000	1.04%
Sky City Entertainment Group Ltd.	1,050,480	1.15%	ING Office Fund	195,000	0.21%
Crown Ltd.	1,358,467	1.48%		3,277,000	3.57%
Aristocrat Leisure Ltd.	2,226,000	2.42%	Health Care		
	7,101,224	7.74%	Primary Health Care Ltd.	2,095,641	2.29%
Media			Mesoblast Ltd.	239,607	0.26%
News Corp.	3,190,574	3.49%		2,335,248	2.55%
Consolidated Media Holdings Ltd.	3,094,302	3.37%	Industrials		
Austereo Group Ltd.	866,238	0.94%	SEEK Ltd.	1,695,871	1.85%
	7,151,114	7.80%	McMillan Shakespeare Ltd.	3,432,633	3.74%
Retailing			Virgin Blue Holdings Ltd.	1,899,355	2.07%
Wotif.com Holdings Ltd.	834,900	0.91%	Toll Holdings Ltd.	661,180	0.72%
Harvey Norman Holdings Ltd.	1,814,500	1.98%	Qantas Airways Ltd.	742,500	0.81%
	2,649,400	2.89%	Australian Infrastructure Fund Ltd.	2,032,808	2.22%
Consumer Staples				10,464,347	11.41%
Graincorp Ltd.	2,664,105	2.91%	Information Technology		
Goodman Fielder Ltd.	138,756	0.15%	Melbourne IT Ltd.	1,028,360	1.12%
	2,802,861	3.06%	IRESS Market Technology Ltd.	569,729	0.62%
Energy				1,598,089	1.74%
WorleyParsons Ltd.	1,515,250	1.64%	Materials		
Roc Oil Co. Ltd.	858,025	0.94%	Rio Tinto PLC	5,336,296	5.81%
Oil Search Ltd.	1,087,754	1.19%	OneSteel Ltd.	2,252,063	2.46%
	3,461,029	3.77%	Orica Ltd.	1,329,000	1.45%
Financials			Nufarm Ltd.	914,485	1.00%
Westpac Banking Corp.	4,746,090	5.17%	Mount Gibson Iron Ltd.	1,104,000	1.20%
RHG Ltd.	3,859,624	4.21%	Macarthur Coal Ltd.	883,220	0.96%
National Australia Bank Ltd.	2,403,877	2.62%	Mirabela Nickel Ltd.	783,480	0.85%
Commonwealth Bank of Australia	1,788,000	1.95%	Gunns Ltd.	1,309,766	1.43%
Australia & New Zealand Banking Group Ltd.	2,868,877	3.13%	EQUINOX MINERALS LIMITED	579,938	0.63%
	15,666,468	17.08%	Boral Ltd.	849,000	0.93%
Diversified Financials			Alumina Ltd.	1,325,500	1.45%
Macquarie Group Ltd.	701,053	0.76%		16,666,748	18.17%
Henderson Group PLC	1,493,301	1.63%	Telecommunication Services		
BT Investment Management Ltd.	695,841	0.76%	Telecom Corp. of New Zealand (AUST Listing)	925,000	1.01%
ASX Ltd.	1,209,630	1.32%	Reverse Corp. Ltd.	1,037,006	1.13%
	4,099,825	4.47%		1,962,006	2.14%
Insurance			Utilities		
Tower Australia Group Ltd.	3,884,541	4.23%	Babcock & Brown Wind Partners Group	2,249,413	2.45%
Suncorp-Metway Ltd.	2,815,952	3.07%		2,249,413	2.45%
QBE Insurance Group Ltd.	2,332,563	2.54%			
AMP Ltd.	1,207,292	1.32%	TOTAL LONG PORTFOLIO	91,725,119	100.00%
	10,240,347	11.16%	TOTAL SHORT PORTFOLIO	(70,677,605)	
			Contact:		
			Justin Braitling		
			Australian Leaders Fund		
			info@braitlinginvestments.com.au		