



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

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

As at 31 May 2009

NTA before tax on unrealised gains	\$1.1844
NTA after tax	\$1.1444

MONTH IN REVIEW

We are extremely pleased with the fund's performance in May, outperforming the market comfortably. We have seen an ongoing rotation by investors out of defensive shares which we are short.

With the cost of debt still prohibitive, a number of companies have taken advantage of the recent rally to raise capital to retire debt facilities. As you know we look to short sell overvalued shares and have benefited from this trend. The companies are in effect doing the same as us, taking advantage of the inflated value of their shares by selling equity. Two of our largest shorts (Santos and Billabong) raised capital at heavily discounted levels in May allowing us to buy back our positions on favourable terms. This trend is ongoing and should provide further support to performance in months ahead.

We are becoming increasingly confident the bear market is behind us. With evidence of recovery in the global economy coming through daily, the recession should be behind us by the second half of 2009. Technically the bear market appears to have bottomed in March, it is increasingly likely we have moved into a new phase as investors become comfortable adding risk to portfolios. We were not positioned for this at the end of May and have since invested a significant portion of the cash on the balance sheet into the portfolio. This has not impacted performance. We are currently not far from being fully invested.

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 second buyback for up to 10% of issued capital commenced on 13 March 2009 for a 12 month duration.

As at close of market on 10th June 2009 3,087,592 shares have been bought back.

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PORTFOLIO PERFORMANCE INCLUDING ATTRIBUTION

	1 MONTH RETURN (%)			3 MONTH RETURN (%)			6 MONTH RETURN (%)			FINANCIAL YEAR TO DATE RETURN (%)		
	Total Portfolio ¹	Total All Ords	Attribution ²	Total Portfolio	Total All Ords	Attribution	Total Portfolio	Total All Ords	Attribution	Total Portfolio	Total All Ords	Attribution
Long Portfolio	4.7	2.2	3.2	30.8	17.1	18.5	29.2	6.6	34.1	-1.5	-24.8	40.8
Short Portfolio	-4.1	2.2	8.0	4.7	17.1	17.0	-4.9	6.6	19.1	-24.9	-24.8	5.9
Cash			-3.0			-14.9			-9.1			-4.3
Total	10.2	2.2	8.0	37.7	17.1	20.6	50.7	6.6	44.1	17.6	-24.8	42.4

¹ The "Total Portfolio" column displays the return achieved in the period from the Investment Portfolio (long) and from the Borrowed Securities portfolio (short) separately. The Total Portfolio performance, representing the underlying return achieved on Shareholder's Funds is a weighted return of the long and short portfolios as well as cash. As such this column will not sum.

² Attribution shows the contribution to the outperformance of Shareholder's Funds in the period coming from the Investment Portfolio (long) and the portfolio of Borrowed Securities (Short) as well as from the cash retained on the Balance Sheet. Each contribution sums to the overall outperformance of shareholders funds.

Fund Attribution:

In May, the Investment Portfolio increased in value by 4.7% outperforming the All Ordinaries Index, which increased by 2.2%. The portfolio of securities that ALF has borrowed and sold (short) decreased by 4.1% also outperforming the index.

The Fund was defensively positioned as illustrated in the portfolio structure table below with greater than 100% of shareholders funds held in cash. In a rising market, this is a significant drag on overall performance with our cash weight detracting 3% from the funds May attribution.

On balance, Shareholders Funds grew by 10.2% on a gross basis well ahead of the Index which increased by 2.2%.

Individual stock contributions:

A/ Investment Portfolio (Long):

The overall portfolio returns were supported during the month by strong contributions from the following 3 investments

Stock	Total monthly return %	Attribution Effect %
RHG Ltd	33.5%	2.4%
Tower Australia Group Ltd	27.7%	1.2%
ROC Oil Co Ltd	40.3%	1.0%

The following 3 portfolio investments detracting from overall performance.

Stock	Total monthly return %	Attribution Effect %
Qantas Airways Limited	-8.03	-0.28%
National Australia Bank Ltd	-2.05%	-0.31%
Melbourne IT Ltd	-23.69%	-0.51%

B/ Funding Portfolio (Short):

We are expecting companies that have been sold short to perform poorly. Positive attribution is achieved when borrowed securities (shorts) underperformed the benchmark.

Overall portfolio returns were supported during the month by the poor relative performance of the following securities which have been sold short.

Stock	Total monthly return %	Attribution Effect %
Billabong International Ltd	-36.41%	0.99%
AGL Energy Ltd	-7.94%	0.74%
APA Group	-7.09%	0.57%

Shares of the following securities that have been sold short performed well in the period detracting from overall performance.

Stock	Total monthly return %	Attribution Effect %
David Jones	13.38%	-0.61%
Caltex Australia Ltd	17.19%	-0.61%
Macarthur Coal Ltd	29.47%	-0.63%

PORTFOLIO STRUCTURE

At the end of May, the company's overall exposure to the market was neutral with greater than 100% of the company's Shareholder's Funds retained in cash. This is a very conservative position. Shareholder's Funds are well protected from any correction in the broader market.

Investment Type	As at 30 April 2009		As at 31 May 2009	
	\$m	%	\$m	%
Listed Securities – Long	83	110	102	123
Listed Securities - Short	-88	-116	-106	-128
NET EXPOSURE	-5	-6	-4	-5
Fixed interest and Cash	81	106	87	105
Shareholder Funds	76	100	83	100

The listed securities portfolio is detailed on the following page

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

Consumer Discretionary			Industrials		
Webjet Ltd.	2,312,371	2.26%	MacMahon Holdings Ltd.	111,825	0.11%
Sky City Entertainment Group Ltd.	1,784,081	1.74%	AJ Lucas Group Ltd.	625,471	0.61%
Crown Ltd.	3,443,244	3.35%	Ausenco Ltd.	3,712,715	3.62%
Aristocrat Leisure Ltd.	816,750	0.80%	Transfield Services Ltd.	2,983,791	2.91%
	8,356,446	8.15%	McMillan Shakespeare Ltd.	2,298,114	2.24%
Media				9,731,917	9.49%
News Corp.	2,166,480	2.11%	Transportation		
Consolidated Media Holdings Ltd.	2,359,375	2.30%	Virgin Blue Holdings Ltd.	3,113,424	3.04%
Austar United Communications Ltd.	1,450,000	1.41%	Qantas Airways Ltd.	1,244,750	1.21%
Austereo Group Ltd.	2,180,840	2.13%		4,358,174	4.25%
	8,156,695	7.95%	Information Technology		
Consumer Staples			Melbourne IT Ltd.	1,167,312	1.14%
Graincorp Ltd.	2,377,547	2.32%		1,167,312	1.14%
	2,377,547	2.32%	Materials		
Energy			Rio Tinto Ltd.	2,631,102	2.58%
Santos Ltd.	2,219,200	2.17%	PanAust Ltd	2,808,489	2.74%
Roc Oil Co. Ltd.	1,573,145	1.53%	Newcrest Mining Ltd.	1,153,600	1.13%
Beach Petroleum Ltd.	1,170,000	1.14%	Mount Gibson Iron Ltd.	387,500	0.38%
	4,962,345	4.84%	Mirabela Nickel Ltd.	2,779,469	2.71%
Financials			James Hardie Industries N.V.	431,000	0.42%
Westpac Banking Corp.	3,774,000	3.68%	Incitec Pivot Ltd.	1,468,500	1.43%
RHG Ltd.	7,967,432	7.77%	Iluka Resources Ltd.	1,590,000	1.55%
National Australia Bank Ltd.	2,224,020	2.17%	Gunns Ltd.	1,943,527	1.90%
Henderson Group PLC	4,014,062	3.92%	Adelaide Brighton Ltd.	1,717,500	1.68%
FlexiGroup Ltd.	3,681,605	3.59%		16,910,687	16.52%
	21,661,119	21.13%	Telecommunication Services		
Insurance			Telstra Corp. Ltd.	4,665,000	4.56%
Tower Australia Group Ltd.	5,194,572	5.07%	Reverse Corp. Ltd.	25,095	0.02%
AMP Ltd.	2,129,600	2.08%		4,690,095	4.58%
	7,324,172	7.15%	Utilities		
Real Estate			Infigen Energy	797,320	0.78%
Stockland Australia	1,550,000	1.51%		797,320	0.78%
	1,550,000	1.51%			
Health Care			TOTAL LONG PORTFOLIO	102,489,732	100.00%
ResMed Inc. (CDI-10CDI/1SHS)	924,000	0.90%	TOTAL SHORT PORTFOLIO	(106,370,010)	
Primary Health Care Ltd.	4,676,366	4.56%			
Mesoblast Ltd.	2,509,537	2.45%	Contact:		
CSL Ltd.	2,336,000	2.28%	Justin Braitling		
	10,445,903	10.19%	Australian Leaders Fund		
			info@braitlinginvestments.com.au		