



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

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

As at 31 July 2009

NTA before tax on unrealised gains	\$1.3296
NTA after tax	\$1.2496

MONTH IN REVIEW

We are very pleased with the strong performance of the fund in July. All the more so because we were poorly positioned with more than half of the company's equity in cash at the start of the month. Stock selection more than compensated for the drag from cash with the investment portfolio increasing by almost 12%. We did particularly well out of the Virgin Blue recapitalisation. ALF is a major shareholder in the company. VBA shares rose by 16% following the successful capital raising. The company now has close to \$ 1 billion in cash on the balance sheet (following pending assets sales) and is poised to see strong profit growth as yields recover.

Flexigroup also rose appreciably following the company's profit upgrade. The Certegy acquisition has proven to be a great success. The fund also did well out of its significant investment in Asciano (AIO) which rose by 34% during July following the company's successful entitlement offer. AIO's balance sheet is now in good shape, the company has exceptional assets and management are more focused on increasing value in the group's core businesses of Ports and Pacific National.

We would expect to see some consolidation of recent gains before the market stages a further rally later in the year

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 12 month duration.

As at close of market on 12th August 2009 4,657,310 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	11.7	7.7	8.3	30.14	14.3	24.0	56.6	25.5	43.0	11.7	7.7	8.3
Short Portfolio	10.1	7.7	-3.0	17.1	14.3	-2.8	15.9	25.5	16.3	10.1	7.7	-3.0
Cash			-3.1			-5.3			-16.9			-3.1
Total	9.9	7.7	2.2	30.2	14.3	15.9	67.9	25.5	42.4	9.9	7.7	2.2

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 July, the Investment Portfolio increased in value by 11.7% outperforming the All Ordinaries Index, which increased by 7.7%. The portfolio of securities that ALF has borrowed and sold (short) increased by 10.1% to the detriment of overall performance.

At the end of July ALF has 89% of Shareholders Funds invested in equities with the balance retained in cash. This is close to a fully invested position, reflecting our confidence in the medium term outlook for equities.

On balance, Shareholders Funds grew by 9.9% on a gross basis in July well ahead of the Index which increased by 7.7%.

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 %
FlexiGroup Ltd.	47.3%	2.5%
Virgin Blue Holdings Ltd.	16.1%	1.7%
Asciano Group	33.8%	1.5%

The following 3 portfolio investments detracting from overall performance.

Stock	Total monthly return %	Attribution Effect %
Webjet Ltd.	-9.9%	-0.6%
Tower Australia Group Ltd.	-11.6%	-1.0%
RHG Ltd.	1.0%	-1.1%

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 %
Cochlear Ltd.	-3.9%	0.8%
Transpacific Industries Group Ltd.	-44.0%	0.7%
Caltex Australia Ltd.	-5.1%	0.5%

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 %
Bradken Ltd.	38.6%	-0.7%
Leighton Holdings Ltd.	28.6%	-1.0%
Kagara Ltd.	59.8%	-1.3%

PORTFOLIO STRUCTURE

Investment Type	As at 30 June 2009		As at 31 July 2009	
	\$m	%	\$m	%
Listed Securities – Long	133	153	189	202
Listed Securities - Short	-94	-108	-106	-113
NET EXPOSURE	39	45	83	89
Fixed interest and Cash	48	55	10	11
Shareholder Funds	87	100	93	100

The listed securities portfolio is detailed on the following page

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

Consumer Discretionary			Health Care		
Webjet Ltd.	2,421,049	1.28%	Sonic Healthcare Ltd.	1,989,000	1.05%
Tatts Group Ltd.	1,715,000	0.91%	ResMed Inc.	4,693,000	2.48%
Crown Ltd.	2,625,000	1.39%	Primary Health Care Ltd.	2,714,634	1.43%
	6,761,049	3.58%	Mesoblast Ltd.	5,080,330	2.68%
			CSL Ltd.	3,818,750	2.02%
				18,295,714	9.66%
Media			Industrials		
News Corp.	3,013,042	1.59%	Boart Longyear Ltd.	44,250	0.02%
APN News & Media Ltd.	4,039,146	2.13%	AJ Lucas Group Ltd.	1,881,521	0.99%
	7,052,188	3.72%	Ausenco Ltd.	4,120,000	2.18%
Retailing			Transfield Services Ltd.	5,185,721	2.74%
Harvey Norman Holdings Ltd.	2,148,400	1.14%	Norfolk Group Ltd.	981,122	0.52%
	2,148,400	1.14%	McMillan Shakespeare Ltd.	2,369,190	1.25%
Consumer Staples			Brambles Ltd.	3,294,500	1.74%
AWB Ltd.	1,848,000	0.98%		17,876,304	9.44%
Graincorp Ltd.	2,867,130	1.52%	Transportation		
	4,715,130	2.50%	Virgin Blue Holdings Ltd.	12,750,389	6.74%
Energy			Toll Holdings Ltd.	2,070,950	1.09%
Roc Oil Co. Ltd.	1,944,690	1.03%	Australian Infrastructure Fund Ltd.	111,000	0.06%
Oil Search Ltd.	3,333,240	1.76%	Asciano Group	4,957,061	2.62%
Origin Energy Ltd.	3,116,253	1.65%		19,889,400	10.51%
Centennial Coal Co. Ltd.	2,541,500	1.34%	Information Technology		
Australian Worldwide Exploration Ltd.	1,545,930	0.82%	Melbourne IT Ltd.	2,148,577	1.14%
	12,481,613	6.60%		2,148,577	1.14%
Financials			Materials		
Westpac Banking Corp.	1,518,300	0.80%	Rio Tinto PLC	6,998,505	3.70%
RHG Ltd.	12,302,037	6.50%	PaperlinX Ltd.	1,515,000	0.80%
National Australia Bank Ltd.	8,303,342	4.39%	PanAust Ltd	4,233,183	2.24%
Australia & New Zealand Banking Group Ltd.	2,531,142	1.34%	OZ Minerals Ltd.	1,288,000	0.68%
Henderson Group PLC	4,493,947	2.37%	OneSteel Ltd.	2,691,000	1.42%
HFA Holdings Ltd.	1,167,297	0.62%	Newcrest Mining Ltd.	984,000	0.52%
FlexiGroup Ltd.	7,703,924	4.07%	Murchison Metals Ltd.	947,526	0.50%
	38,019,989	20.09%	Mirabela Nickel Ltd.	5,289,341	2.79%
Insurance			Gunns Ltd.	2,018,375	1.07%
Tower Australia Group Ltd.	2,994,950	1.58%	Aquarius Platinum Ltd.	5,119,100	2.71%
Suncorp-Metway Ltd.	1,420,000	0.75%		31,084,030	16.43%
QBE Insurance Group Ltd.	3,315,000	1.75%	Telecommunication Services		
AMP Ltd.	3,484,400	1.84%	Telecom Corp. of New Zealand (AUST Listing)	6,548,112	3.46%
	11,214,350	5.92%		6,548,112	3.46%
Real Estate			TOTAL LONG PORTFOLIO	189,245,219	100.00%
Macquarie Office Trust	2,467,500	1.30%	TOTAL SHORT PORTFOLIO	-105,971,990	
ING Office Fund	1,697,500	0.90%			
Goodman Group	420,750	0.22%	Contact:		
FKP Property Group	1,414,552	0.75%	Justin Braitting		
Dexus Property Group	1,825,000	0.96%	Australian Leaders Fund		
Australand Property Group	3,185,061	1.68%	info@braittinginvestments.com.au		
	11,010,363	5.81%			

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