



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

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

As at 31<sup>st</sup> August 2009

	NTA before tax on unrealised gains	NTA after tax
Before Dividend	\$1.49	\$1.37
Dividend Provision*	(\$0.03)	(\$0.03)
After Dividend	\$1.46	\$1.34

\*The Ex-Date for the dividend is 19<sup>th</sup> October 2009 and payment will be made on the 4<sup>th</sup> November 2009.

**MONTH IN REVIEW**

We were extremely pleased with the performance of the fund in August, outperforming the benchmark by a comfortable margin. With most of the major Australian companies reporting their year end results in August the market moved higher as reported profits were generally better than many had feared. While outlook commentary from most companies was guarded, it was sufficiently reassuring to push the market higher.

ALF performed particularly well on the back of a successful recapitalisation of Virgin Blue and an exceptional result from Flexigroup. Transfield, Paperlinx and Henderson Group also contributed to performance. On the short side of the ledger we did well also from the underperformance of Sigma, Singtel and the general insurers (IAG and SUN). We had sold out of the diversified miners also with BHP performing poorly.

**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 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 for up to 10% of issued capital commenced on 13<sup>th</sup> March 2009 for 12 month duration.

As at close of market on 9<sup>th</sup> September 2009 4,878,760 shares have been bought back.

**OPTIONS ISSUE**

On 21<sup>st</sup> August 2009, the Directors of Australian Leaders Fund Limited announced a 1 for 1 bonus issue of options to its shareholders. The options will be allotted to shareholders on 11<sup>th</sup> September 2009 and have been issued at no cost to shareholders. The options have an exercise price of \$1.25 per option and can be exercised any time up until the expiry date of 30<sup>th</sup> November 2010.

Optionholders who elect to exercise their Options on or before 16<sup>th</sup> October 2009 will be entitled to the final dividend to be paid on 4<sup>th</sup> November 2009.

## **PORTFOLIO PERFORMANCE INCLUDING ATTRIBUTION**

	<b>1 MONTH RETURN (%)</b>			<b>3 MONTH RETURN (%)</b>			<b>6 MONTH RETURN (%)</b>			<b>FINANCIAL YEAR TO DATE RETURN (%)</b>		
	Total Portfolio <sup>1</sup>	Total All Ords	Attribution <sup>2</sup>	Total Portfolio	Total All Ords	Attribution	Total Portfolio	Total All Ords	Attribution	Total Portfolio	Total All Ords	Attribution
Long Portfolio	9.2	6.5	5.5	31.8	19.1	23.3	77.4	39.5	55.3	21.9	14.6	15.3
Short Portfolio	4.0	6.5	3.0	22.8	19.1	-5.1	32.9	39.5	12.7	14.5	14.6	-0.3
Cash			-0.9			-2.6			-22.0			-4.3
<b>Total</b>	<b>14.1</b>	<b>6.5</b>	<b>7.6</b>	<b>34.8</b>	<b>19.1</b>	<b>15.6</b>	<b>85.5</b>	<b>39.5</b>	<b>46.0</b>	<b>25.3</b>	<b>14.6</b>	<b>10.7</b>

<sup>1</sup> 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.

<sup>2</sup> 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 August, the Investment Portfolio increased in value by 9.2% outperforming the All Ordinaries Index, which increased by 6.5%. The portfolio of securities that ALF has borrowed and sold (short) increased by 4.0% underperforming the All Ordinaries Index and therefore contributed to overall performance.

At the end of August ALF has 99% 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 14.1% on a gross basis in August well ahead of the Index which increased by 6.5%.

### **Individual stock contributions:**

A/ Investment Portfolio (Long):

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

<b>Stock</b>	<b>Total monthly return %</b>	<b>Attribution Effect %</b>
Virgin Blue Holdings Ltd.	33.8%	2.2%
FlexiGroup Ltd.	20.1%	1.0%
BHP Billiton Ltd.	0.0%	0.9%

The following 3 portfolio investments detracting from overall performance.

<b>Stock</b>	<b>Total monthly return %</b>	<b>Attribution Effect %</b>
PanAust Ltd	-2.3%	-0.5%
Rio Tinto PLC	-7.7%	-0.9%
Mesoblast Ltd.	-21.1%	-1.4%

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 %
Sigma Pharmaceuticals Ltd.	-6.5%	0.9%
Singapore Telecom SGD0.15 (Chess Unit)	-7.1%	0.7%
Sims Metal Management Ltd.	-15.8%	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 %
Leighton Holdings Ltd.	21.5%	-0.6%
Boral Ltd.	18.1%	-0.7%
Flight Centre Ltd.	99.1%	-1.1%

#### **PORTFOLIO STRUCTURE**

Investment Type	As at 31 <sup>st</sup> July 2009		As at 31 <sup>st</sup> August 2009	
	\$m	%	\$m	%
Listed Securities – Long	189	202	205	201
Listed Securities - Short	-106	-113	-104	-102
<b>NET EXPOSURE</b>	<b>83</b>	<b>89</b>	<b>101</b>	<b>99</b>
Fixed interest and Cash	10	11	1	1
<b>Shareholder Funds</b>	<b>93</b>	<b>100</b>	<b>102</b>	<b>100</b>

The listed securities portfolio is detailed on the following page

As at 31<sup>st</sup> August 2009 the equity portfolio gave exposure to:

#### Consumer Discretionary

Billabong International Ltd.	1,386,000	0.68%
Webjet Ltd.	3,265,364	1.59%
Tatts Group Ltd.	1,736,000	0.85%
TABCORP Holdings Ltd.	5,032,500	2.46%
	<b>11,419,864</b>	<b>5.58%</b>

#### Media

News Corp.	4,548,722	2.22%
APN News & Media Ltd.	4,093,290	2.00%
	<b>8,642,012</b>	<b>4.22%</b>

#### Retailing

Harvey Norman Holdings Ltd.	3,565,700	1.74%
	<b>3,565,700</b>	<b>1.74%</b>

#### Consumer Staples

AWB Ltd.	4,509,933	2.20%
Graincorp Ltd.	2,989,461	1.46%
	<b>7,499,394</b>	<b>3.66%</b>

#### Energy

Roc Oil Co. Ltd.	3,067,233	1.50%
Oil Search Ltd.	5,273,070	2.57%
Origin Energy Ltd.	3,290,333	1.61%
Centennial Coal Co. Ltd.	1,053,000	0.51%
	<b>12,683,637</b>	<b>6.19%</b>

#### Financials

Westpac Banking Corp.	1,705,900	0.83%
RHG Ltd.	13,011,769	6.35%
National Australia Bank Ltd.	8,295,654	4.05%
Australia & New Zealand Banking Group Ltd.	2,908,150	1.42%
Henderson Group PLC	5,058,303	2.47%
FlexiGroup Ltd.	11,823,404	5.77%
ASX Ltd.	976,450	0.48%
	<b>43,779,631</b>	<b>21.37%</b>

#### Insurance

Tower Australia Group Ltd.	3,946,110	1.93%
QBE Insurance Group Ltd.	5,000,424	2.44%
	<b>8,946,534</b>	<b>4.37%</b>

#### Real Estate

Macquarie Office Trust	2,835,000	1.38%
Mirvac Group	1,480,000	0.72%
Goodman Group	3,100,000	1.51%
Australand Property Group	3,587,385	1.75%
	<b>11,002,385</b>	<b>5.37%</b>

#### Health Care

ResMed Inc.	792,690	0.39%
Ramsay Health Care Ltd.	2,625,000	1.28%
Primary Health Care Ltd.	5,617,033	2.75%
Mesoblast Ltd.	4,010,787	1.96%
CSL Ltd.	2,093,650	1.02%
Angioblast Systems Limited	2,425,000	1.18%
	<b>17,564,160</b>	<b>8.58%</b>

#### Industrials

AJ Lucas Group Ltd.	3,490,087	1.71%
Ausenco Ltd.	2,668,205	1.30%
Transfield Services Ltd.	2,361,320	1.15%
Norfolk Group Ltd.	2,022,170	0.99%
McMillan Shakespeare Ltd.	2,190,584	1.07%
	<b>12,732,366</b>	<b>6.22%</b>

#### Transportation

Virgin Blue Holdings Ltd.	6,484,314	3.17%
Australian Infrastructure Fund Ltd.	1,560,000	0.76%
Asciano Group	5,403,079	2.64%
	<b>13,447,393</b>	<b>6.57%</b>

#### Information Technology

Melbourne IT Ltd.	2,088,895	1.02%
	<b>2,088,895</b>	<b>1.02%</b>

#### Materials

Rio Tinto PLC	4,712,481	2.30%
PaperlinX Ltd.	5,796,000	2.83%
PanAust Ltd	5,801,559	2.83%
OZ Minerals Ltd.	159,000	0.08%
OneSteel Ltd.	1,137,500	0.56%
Northern Iron Ltd.	328,000	0.16%
Newcrest Mining Ltd.	2,184,728	1.07%
Mirabela Nickel Ltd.	4,158,382	2.03%
Iluka Resources Ltd.	2,370,000	1.16%
Gunns Ltd.	2,979,833	1.45%
Aquarius Platinum Ltd.	7,235,800	3.53%
	<b>36,863,283</b>	<b>18.00%</b>

#### Telecommunication Services

Telstra Corp. Ltd.	8,150,000	3.98%
Telecom Corp. of New Zealand (AUST Listing)	2,176,054	1.06%
	<b>10,326,054</b>	<b>5.04%</b>

#### Utilities

Transfield Services Infrastructure Func	2,912,000	1.42%
Infigen Energy	1,350,000	0.66%
	<b>4,262,000</b>	<b>2.08%</b>

**TOTAL LONG PORTFOLIO 204,823,306 100.00%**

**TOTAL SHORT PORTFOLIO -104,205,800**

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