



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

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

As at 30th September 2009

| | NTA before tax on unrealised gains | NTA after tax |
|---------------------|------------------------------------|---------------|
| Before Dividend | \$1.56 | \$1.44 |
| Dividend Provision* | (\$0.03) | (\$0.03) |
| After Dividend | \$1.53 | \$1.41 |

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

MONTH IN REVIEW

Global equity markets rallied in September as economic and financial indicators improved further. Economic agencies from the IMF to the OECD upgraded growth expectations further and with many investors still sitting on cash the old adage buy the dips has never been more pertinent.

With no significant negatives emerging, investors continued to embrace sectors with leverage to an improving economy. The Financial, REIT and Consumer Discretionary sectors outperformed while the defensive sectors of Telecom, Energy and Utilities lagged. Materials (including Resources) also lagged with weaker commodity prices.

The fund performed well outperforming the broader market as key positions in RHG and FlexiGroup continued to find support on inclusion in the ASX 300 indexes.

We believe the market is due for a period of consolidation following a stellar run since March. While valuations still look supportive and the medium term trend is still bullish a countercyclical correction at some stage is likely. We have increased our cash weighting accordingly.

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 13th March 2009 for 12 month duration.

As at close of market on 12th October 2009 5,230,667 shares have been bought back.

OPTIONS ISSUE

On 21st August 2009, the Directors of Australian Leaders Fund Limited announced a 1 for 1 bonus issue of options to its shareholders. The options were allotted to shareholders on 11th 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 30th November 2010.

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

As at the 13th October 2009 58,486 options have been exercised for a total consideration of \$73,108 with a remaining balance of outstanding options being 67,082,095.

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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 | 7.7 | 6.1 | 3.2 | 31.3 | 21.6 | 19.7 | 69.4 | 36.9 | 49.1 | 31.3 | 21.6 | 19.6 |
| Short Portfolio | 7.0 | 6.1 | -0.9 | 22.5 | 21.6 | -1.2 | 38.3 | 36.9 | -0.3 | 22.5 | 21.6 | -1.2 |
| Cash | | | -1.3 | | | -5.9 | | | -15.1 | | | -5.9 |
| Total | 7.1 | 6.1 | 1.0 | 34.2 | 21.6 | 12.6 | 70.6 | 36.9 | 33.7 | 34.1 | 21.6 | 12.5 |

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 September, the Investment Portfolio increased in value by 7.7% outperforming the All Ordinaries Index, which increased by 6.1%. The portfolio of securities that ALF has borrowed and sold (short) increased by 7.0% outperforming the All Ordinaries Index detracting from performance.

At the end of September ALF has 78% 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 7.1% on a gross basis in September well ahead of the Index which increased by 6.1%.

Individual stock contributions:

A/ Investment Portfolio (Long):

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

| Stock | Total monthly return % | Attribution Effect % |
|-----------------|-------------------------------|-----------------------------|
| FlexiGroup Ltd. | 17.6% | 1.4% |
| RHG Ltd. | 19.1% | 1.4% |
| PanAust Ltd | 19.5% | 0.9% |

The following 3 portfolio positions detracting from overall performance.

| Stock | Total monthly return % | Attribution Effect % |
|--------------------------------|-------------------------------|-----------------------------|
| Commonwealth Bank of Australia | 0.0% | -0.4% |
| Telstra Corp. Ltd. | -0.9% | -0.4% |
| PaperlinX Ltd. | -2.3% | -0.6% |

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. | -6.9% | 0.6% |
| Perpetual Ltd. | -4.8% | 0.5% |
| Coca-Cola Amatil Ltd. | -1.0% | 0.3% |

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 % |
|-----------------------|------------------------|----------------------|
| Goodman Fielder Ltd. | 12.0% | -0.3% |
| Equinox Minerals Ltd. | 18.5% | -0.5% |
| Cochlear Ltd. | 18.6% | -0.7% |

PORTFOLIO STRUCTURE

| Investment Type | As at 31 st August 2009 | | As at 30 th September 2009 | |
|---------------------------|------------------------------------|------------|---------------------------------------|------------|
| | \$m | % | \$m | % |
| Listed Securities – Long | 205 | 201 | 195 | 179 |
| Listed Securities - Short | -104 | -102 | -110 | -101 |
| NET EXPOSURE | 101 | 99 | 85 | 78 |
| Fixed interest and Cash | 1 | 1 | 24 | 22 |
| Shareholder Funds | 102 | 100 | 109 | 100 |

The listed securities portfolio is detailed on the following page

As at 30th September 2009 the equity portfolio gave exposure to:

Consumer Discretionary

| | | |
|-------------------------|------------------|--------------|
| Tatts Group Ltd. | 3,810,000 | 1.95% |
| TABCorp Holdings Ltd. | 5,347,500 | 2.75% |
| Aristocrat Leisure Ltd. | 630,000 | 0.32% |
| | 9,787,500 | 5.02% |

Media

| | | |
|-----------------------|------------------|--------------|
| News Corp. | 5,095,832 | 2.61% |
| APN News & Media Ltd. | 2,154,270 | 1.11% |
| | 7,250,102 | 3.72% |

Retailing

| | | |
|---------------------|------------------|--------------|
| Pacific Brands Ltd. | 3,600,000 | 1.85% |
| | 3,600,000 | 1.85% |

Consumer Staples

| | | |
|----------------|------------------|--------------|
| AWB Ltd. | 1,208,404 | 0.62% |
| Graincorp Ltd. | 3,452,025 | 1.77% |
| | 4,660,429 | 2.39% |

Energy

| | | |
|--------------------------|-------------------|--------------|
| Santos Ltd. | 1,375,600 | 0.71% |
| Oil Search Ltd. | 4,779,450 | 2.45% |
| Origin Energy Ltd. | 5,139,396 | 2.64% |
| Centennial Coal Co. Ltd. | 966,000 | 0.50% |
| | 12,260,446 | 6.29% |

Financials

| | | |
|--|-------------------|---------------|
| Westpac Banking Corp. | 1,837,500 | 0.94% |
| RHG Ltd. | 15,495,834 | 7.95% |
| National Australia Bank Ltd. | 8,959,773 | 4.60% |
| Australia & New Zealand Banking Group Ltd. | 3,331,601 | 1.71% |
| Henderson Group PLC | 3,848,303 | 1.97% |
| FlexiGroup Ltd. | 10,759,127 | 5.52% |
| ASX Ltd. | 3,924,800 | 2.01% |
| | 48,156,938 | 24.71% |

Insurance

| | | |
|----------------------------|------------------|--------------|
| Tower Australia Group Ltd. | 1,573,075 | 0.81% |
| QBE Insurance Group Ltd. | 4,055,313 | 2.08% |
| | 5,628,388 | 2.89% |

Real Estate

| | | |
|---------------------------|------------------|--------------|
| Macquarie Office Trust | 1,200,000 | 0.62% |
| Mirvac Group | 840,000 | 0.43% |
| Goodman Group | 997,500 | 0.51% |
| Australand Property Group | 2,237,277 | 1.15% |
| | 5,274,777 | 2.71% |

Health Care

| | | |
|------------------------------|-------------------|--------------|
| ResMed Inc. (CDI-10CDI/1SHS) | 1,578,398 | 0.81% |
| Ramsay Health Care Ltd. | 2,194,000 | 1.13% |
| Primary Health Care Ltd. | 5,510,549 | 2.82% |
| Mesoblast Ltd. | 4,590,123 | 2.36% |
| Angioblast Systems Limited | 2,425,000 | 1.24% |
| | 16,298,070 | 8.36% |

Industrials

| | | |
|--------------------------|------------------|--------------|
| AJ Lucas Group Ltd. | 940,023 | 0.48% |
| Transfield Services Ltd. | 2,477,929 | 1.27% |
| Norfolk Group Ltd. | 1,361,704 | 0.70% |
| | 4,779,656 | 2.45% |

Transportation

| | | |
|-------------------------------------|-------------------|--------------|
| Virgin Blue Holdings Ltd. | 6,897,822 | 3.54% |
| Australian Infrastructure Fund Ltd. | 3,633,750 | 1.86% |
| Asciano Group | 5,623,960 | 2.89% |
| | 16,155,532 | 8.29% |

Information Technology

| | | |
|-------------------|------------------|--------------|
| Melbourne IT Ltd. | 1,933,719 | 0.99% |
| | 1,933,719 | 0.99% |

Materials

| | | |
|-----------------------------|-------------------|---------------|
| Rio Tinto PLC | 4,884,192 | 2.51% |
| Rio Tinto Ltd. | 1,184,800 | 0.61% |
| PaperlinX Ltd. | 3,494,256 | 1.79% |
| PanAust Ltd | 4,324,170 | 2.22% |
| OZ Minerals Ltd. | 1,140,000 | 0.58% |
| Northern Iron Ltd. | 3,538,460 | 1.82% |
| Newcrest Mining Ltd. | 1,046,320 | 0.54% |
| Mirabela Nickel Ltd. | 4,436,382 | 2.28% |
| Iluka Resources Ltd. | 1,791,000 | 0.92% |
| Gunns Ltd. | 2,654,727 | 1.36% |
| Fortescue Metals Group Ltd. | 1,470,700 | 0.75% |
| Alumina Ltd. | 1,830,000 | 0.94% |
| Aquarius Platinum Ltd. | 7,120,800 | 3.65% |
| | 38,915,807 | 19.97% |

Telecommunication Services

| | | |
|---|-------------------|--------------|
| Telstra Corp. Ltd. | 9,156,000 | 4.70% |
| Telecom Corp. of New Zealand (AUST Listing) | 2,196,228 | 1.13% |
| | 11,352,228 | 5.83% |

Utilities

| | | |
|---|------------------|--------------|
| Transfield Services Infrastructure Fund | 3,008,000 | 1.54% |
| Infigen Energy | 3,775,000 | 1.94% |
| AGL Energy Ltd. | 2,050,500 | 1.05% |
| | 8,833,500 | 4.53% |

| | | |
|------------------------------|----------------------|----------------|
| TOTAL LONG PORTFOLIO | 194,887,092 | 100.00% |
| TOTAL SHORT PORTFOLIO | (110,433,983) | |

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