



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

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

As at 31st October 2009

	NTA before tax on unrealised gains	NTA after tax
Before Dividend	\$1.55	\$1.43
Dividend Provision*	(\$0.03)	(\$0.03)
After Dividend	\$1.52	\$1.40

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

MONTH IN REVIEW

Equity markets rose strongly during the first half of the month on a better-than-expected US reporting season, and then fell back in the latter half of the month on rising risk aversion, finishing the month marginally lower. For the first time in months, defensive sectors such as Consumer Staples and Infrastructure generally outperformed. Health Care was a poorly performing sector domestically hamstrung by the rising Australian dollar. Energy was also a poorly performing sector despite a rising oil price. REITs were the worst performing domestic sector by a wide margin.

The bank reporting season kicked off on a positive note with the ANZ Banking Group and the National Australia Bank reported solid full-year results, characterised by stronger-than-expected margins and evidence of peaking bad debt charges.

Looking forward we are comfortable to be fully invested with the market having consolidated recent gains.

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 11th November 2009 5,766,707 shares had 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.

As at the 11th November 2009 508,566 options had been exercised for a total consideration of \$635,708 with a remaining balance of outstanding options being 66,632,015.

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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	-0.4	-1.9	2.7	17.2	10.8	11.9	52.5	26.6	42.0	30.8	19.3	22.5
Short Portfolio	-1.4	-1.9	-0.4	9.7	10.8	2.0	28.5	26.6	-1.0	20.9	19.3	-1.5
Cash			-0.5			-2.7			-8.8			-6.3
Total	-0.1	-1.9	1.8	22.0	10.8	11.2	58.8	26.6	32.2	34.0	19.3	14.7

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 October, the Investment Portfolio decreased in value by 0.4% outperforming the All Ordinaries Index, which decreased by 1.9%. The portfolio of securities that ALF has borrowed and sold (short) decreased by 1.4% outperforming the All Ordinaries Index detracting from performance.

At the end of September ALF has 94% 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 decreased by 0.1% on a gross basis in October well ahead of the Index which decreased by 1.9%.

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 %
RHG Ltd.	8.4%	1.5%
Virgin Blue Holdings Ltd.	19.0%	1.0%
Telstra Corp. Ltd.	1.2%	0.9%

The following 3 portfolio positions detracting from overall performance.

Stock	Total monthly return %	Attribution Effect %
Asciano Group	-9.6%	-0.3%
Gunns Ltd.	-16.1%	-0.4%
FlexiGroup Ltd.	-8.8%	-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 %
Caltex Australia Ltd.	-14.9%	0.4%
GPT Group	-13.9%	0.4%
Macquarie Group Ltd.	-10.2%	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 %
CSR Ltd.	5.3%	-0.2%
Transurban Group	5.7%	-0.3%
Equinox Minerals Ltd.	8.8%	-0.4%

GROSS PORTFOLIO STRUCTURE

Investment Type	As at 30 th September 2009		As at 31 st October 2009	
	\$m	%	\$m	%
Listed Securities – Long	195	179	199	183
Listed Securities - Short	-110	-101	-97	-89
NET EXPOSURE	85	78	102	94
Fixed interest and Cash	24	22	7	6
Shareholder Funds	109	100	109	100

The listed securities portfolio is detailed on the following page

As at 31st October the equity portfolio gave exposure to:

Consumer Discretionary

TABCorp Holdings Ltd.	3,575,000	1.80%
Sky City Entertainment Group Ltd.	2,208,000	1.11%
	5,783,000	2.91%

Media

News Corp.	6,703,468	3.37%
APN News & Media Ltd.	2,363,422	1.19%
	9,066,890	4.56%

Retailing

Pacific Brands Ltd.	3,513,799	1.76%
	3,513,799	1.76%

Consumer Staples

Wesfarmers Ltd.	3,370,800	1.69%
AWB Ltd.	3,625,755	1.82%
Graincorp Ltd.	4,415,201	2.22%
Foster's Group Ltd.	3,788,100	1.90%
	15,199,856	7.63%

Energy

Oil Search Ltd.	6,697,670	3.36%
Origin Energy Ltd.	1,364,568	0.69%
Centennial Coal Co. Ltd.	1,435,500	0.72%
	9,497,738	4.77%

Financials

Westpac Banking Corp.	1,845,900	0.93%
RHG Ltd.	16,797,011	8.43%
National Australia Bank Ltd.	8,694,708	4.37%
Australia & New Zealand Banking Group Ltd.	2,227,527	1.12%
Henderson Group PLC	4,771,426	2.40%
FlexiGroup Ltd.	8,689,413	4.36%
ASX Ltd.	5,135,850	2.58%
	48,161,835	24.19%

Insurance

QBE Insurance Group Ltd.	5,431,784	2.73%
	5,431,784	2.73%

Real Estate

Stockland Australia	1,131,000	0.57%
Macquarie Office Trust	1,280,000	0.64%
Mirvac Group	3,438,500	1.73%
Lend Lease Corp. Ltd.	938,000	0.47%
ING Office Fund	2,852,400	1.43%
Australand Property Group	1,857,134	0.93%
	11,497,034	5.77%

Health Care

ResMed Inc. (CDI-10CDI/1SHS)	3,564,970	1.79%
Ramsay Health Care Ltd.	3,406,760	1.71%
Primary Health Care Ltd.	5,412,939	2.72%
Mesoblast Ltd.	4,723,816	2.37%
Angioblast Systems Limited	2,425,000	1.22%
	19,533,485	9.81%

Industrials

Transfield Services Ltd.	1,857,750	0.93%
	1,857,750	0.93%

Transportation

Virgin Blue Holdings Ltd.	3,555,930	1.79%
Australian Infrastructure Fund Ltd.	850,678	0.43%
Asciano Group	2,139,189	1.07%
	6,545,797	3.29%

Materials

Rio Tinto PLC	4,961,704	2.49%
Rio Tinto Ltd.	4,916,226	2.47%
PaperlinX Ltd.	730,073	0.37%
PanAust Ltd	3,241,798	1.63%
Northern Iron Ltd.	1,937,439	0.97%
Newcrest Mining Ltd.	1,059,440	0.53%
Mirabela Nickel Ltd.	4,388,508	2.20%
Iluka Resources Ltd.	1,575,000	0.79%
Independence Group N.L.	1,115,143	0.56%
Gunns Ltd.	3,268,935	1.64%
Fletcher Building Ltd.	2,664,000	1.34%
Alumina Ltd.	2,847,500	1.43%
Aquarius Platinum Ltd.	6,900,000	3.45%
Adelaide Brighton Ltd.	710,000	0.36%
	40,315,766	20.23%

Telecommunication Services

Telstra Corp. Ltd.	18,170,360	9.12%
	18,170,360	9.12%

Utilities

Transfield Services Infrastructure Fund	1,044,656	0.52%
Infigen Energy	2,156,962	1.08%
AGL Energy Ltd.	1,387,000	0.70%
	4,588,618	2.30%

TOTAL LONG PORTFOLIO 199,163,712 100.00%

TOTAL SHORT PORTFOLIO (\$97,437,173)

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