



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

AUSTRALIAN LEADERS FUND LIMITED (ALF) – June 2011
INVESTMENT UPDATE & NTA

As at 30th June 2011

NTA before tax on unrealised gains	\$1.42
NTA after tax	\$1.40

MONTH IN REVIEW

Financial markets were weaker as the Greek debt extension fixated investors. While tension eased when the Greek parliament backed a new austerity package and the EU approved the next instalment of the bailout package, investor focus quickly shifted to contagion risks elsewhere in Europe with Italian bond spreads in particular deteriorating sharply. The end of the US quantitative easing program also weighed on sentiment as did the debate with the US Federal Debt ceiling unfolding in congress.

The Australian government's proposed "Carbon Tax" continued to dampen consumer sentiment with the Westpac survey indicating a sharp contraction in household confidence. The fund outperformed following poor results from Caltex and Nexus, two of our larger short positions.

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 buyback 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 share buyback for up to 6,461,392 shares or approximately 10% of issued capital commenced on 15 March 2011 for a 12 month duration.

As at close of market on 13th July 2011 731,309 shares had 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	-2.8	-2.4	-0.7	-4.0	-4.8	1.3	1.8	-2.0	6.0	26.0	12.2	18.5
Short Portfolio	-4.3	-2.4	1.4	-7.9	-4.8	2.3	-8.0	-2.0	4.5	9.9	12.2	1.6
Cash			0.2			0.6			0.3			-3.8
Total	-1.5	-2.4	0.9	-0.6	-4.8	4.2	8.8	-2.0	10.8	28.5	12.2	16.3

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.

²Attribution 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 June, the Long Portfolio decreased in value by 2.8% underperforming the All Ordinaries Index, which decreased by 2.4%.

The portfolio of securities that ALF has borrowed and sold (short) decreased by 4.3% underperforming the All Ordinaries Index, and contributing to performance.

At the end of June ALF has 88% of net Shareholders Funds invested in equities with the balance retained in cash.

On balance, Shareholders Funds decreased by 1.5% on a gross basis in June outperforming the market by 0.9%

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 %
Asciano Ltd.	4.5	0.3
Woodside Petroleum Ltd.	0.4	0.2
Mesoblast Ltd.	6.5	0.2

The following 3 portfolio positions detracting from overall performance.

Stock	Total monthly return %	Attribution Effect %
Gujarat NRE Coking Coal Ltd.	-28.0	-0.2
Ten Network Holdings Ltd.	-13.2	-0.3
Qantas Airways Ltd.	-12.4	-0.4

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 %
Caltex Australia Ltd.	-25.5	0.6
Aquila Resources Ltd.	-9.3	0.3
Nexus Energy Ltd.	-15.6	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 %
Ansell Ltd.	0.3	-0.1
Foster's Group Ltd.	7.0	-0.1
Dexus Property Group	2.4	-0.2

GROSS PORTFOLIO STRUCTURE

Investment Type	As at 31st May 2011		As at 30th June 2011	
	\$m	\$m	\$m	%
Listed Securities – Long	164	163%	162	163%
Listed Securities - Short	-82	-82%	-75	-75%
NET EXPOSURE	82	81%	87	88%
Fixed interest and Cash	19	19%	12	12%
Gross Assets	101	100%	99	100%

The listed securities portfolio is detailed on the following page.

As at 30th June 2011 the equity portfolio gave exposure to:

Consumer Discretionary

Billabong International Ltd. 2,404,000 1.49%

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Consumer Services

Crown Ltd. 1,786,000 1.10%

Ainsworth Game Technology Ltd. 469,972 0.29%

2,255,972 1.39%

Media

News Corp. 5,339,676 3.30%

Ten Network Holdings Ltd. 2,708,958 1.68%

8,048,634 4.98%

Retailing

Harvey Norman Holdings Ltd. 2,739,177 1.69%

Myer Holdings Ltd. 1,969,498 1.22%

4,708,675 2.91%

Consumer Staples

Wesfarmers Ltd. 2,707,250 1.67%

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Energy

Origin Energy Ltd. 2,431,659 1.50%

Oil Search Ltd. 2,207,800 1.37%

Woodside Petroleum Ltd. 1,640,000 1.01%

Santos Ltd. 1,489,400 0.92%

Cockatoo Coal Ltd. 1,480,000 0.92%

Carabella Resources Ltd. 1,302,205 0.81%

Texon Petroleum Ltd. 1,272,211 0.79%

Coal & Allied Industries Ltd 1,015,438 0.63%

Extract Resources Ltd. 948,899 0.59%

13,787,612 8.54%

Financials

Westpac Banking Corp. 8,568,764 5.30%

Commonwealth Bank of Australia 7,848,400 4.85%

Australia & New Zealand Banking Group Ltd. 7,454,436 4.61%

National Australia Bank Ltd. 4,099,200 2.53%

27,970,800 17.29%

Diversified Financials

Henderson Group PLC 4,016,733 2.48%

Macquarie Group Ltd. 2,066,406 1.28%

ASX Ltd. 1,522,500 0.94%

7,605,639 4.70%

Insurance

QBE Insurance Group Ltd. 4,836,245 2.99%

AMP Ltd. 3,765,300 2.33%

Insurance Australia Group Ltd. 2,720,000 1.68%

11,321,545 7.00%

Real Estate

Westfield Retail Trust 5,420,000 3.35%

Stockland Australia 4,697,064 2.90%

Lend Lease Group 3,060,241 1.89%

13,177,305 8.15%

Health Care

ResMed Inc. (CDI- 3,191,638 1.98%

10CDI/1SHS)

Atcor Medical Holdings Ltd. 1,475,641 0.91%

REVA Medical Inc. 1,083,886 0.67%

Mayne Pharma Group Ltd. 583,283 0.36%

Bionomics Ltd. 475,888 0.29%

Sunshine Heart Inc. 399,852 0.25%

Mesoblast Ltd. 3,148,583 1.95%

10,358,771 6.41%

Industrials

CSR Ltd. 3,132,000 1.94%

RCR Tomlinson Ltd. 2,420,866 1.50%

Service Stream Ltd. 1,641,014 1.01%

Sedgman Ltd. 1,017,500 0.63%

8,211,380 5.08%

Commercial & Professional Services

Brambles Ltd. 2,166,000 1.34%

Downer EDI Ltd. 1,165,500 0.72%

3,331,500 2.06%

Transportation

Asciano Ltd. 4,479,578 2.77%

Qantas Airways Ltd. 3,428,590 2.12%

Virgin Blue Holdings Ltd. 560,000 0.35%

8,468,168 5.24%

Materials

BHP Billiton Ltd. 7,749,622 4.80%

Rio Tinto Ltd. 3,564,835 2.21%

Newcrest Mining Ltd. 3,190,266 1.97%

Perilya Ltd. 2,235,587 1.38%

James Hardie Industries SE 2,125,908 1.31%

PAPERLINX SPS TRUST 1,972,278 1.22%

Alacer Gold Corp. 1,771,000 1.10%

Sandfire Resources N.L. 1,737,120 1.07%

Independence Group N.L. 1,238,600 0.77%

Kagara Ltd. 1,160,590 0.72%

BlueScope Steel Ltd. 1,017,824 0.63%

Alkane Resources Ltd. 864,595 0.53%

Tiger Resources Ltd. 700,365 0.43%

YTC Resources Ltd. 698,011 0.43%

Mineral Deposits Ltd. 602,603 0.37%

Eureka Energy Ltd. 342,538 0.21%

Base Resources Ltd. 294,117 0.18%

31,265,859 19.33%

Telecommunication Services

Telstra Corp. Ltd. 1,878,500 1.16%

iiNET Ltd. 1,132,367 0.70%

3,010,867 1.86%

Utilities

AGL Energy Ltd. 2,219,475 1.37%

Hastings Diversified Utilities Fund 869,000 0.54%

3,088,475 1.91%

TOTAL LONG PORTFOLIO 161,722,452 100.00%

TOTAL SHORT PORTFOLIO -74,538,206