



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

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

As at 30th September 2011

NTA before tax on unrealised gains	\$1.17
NTA after tax	\$1.15

MONTH IN REVIEW

September was another terrible month for shares, particularly for foreign investors in Australia where the market fell by 15% in US dollar terms. European Sovereign debt issues continued to impact markets with multiple downgrades from rating agencies and a sharp sell-off in both in European bonds and the Euro. Action by policy makers to calm markets was to little avail with the US Federal Reserves "operation twist" poorly received.

China was the worst performing market. Australian resource shares fell sharply along with weaker commodity prices. While the focus was squarely on Europe, of equal concern was the weakness in economic indicators on both sides of the Atlantic raising the prospects of a recession in advanced countries.

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 October 2011 1,491,309 shares had been bought back.

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	-8.1	-6.3	-3.2	-15.5	-11.3	-7.1	-18.9	-15.5	-5.9	-15.5	-11.3	-7.1
Short Portfolio	-6.9	-6.3	0.6	-9.2	-11.3	-1.5	-16.3	-15.5	0.5	-9.2	-11.3	-1.5
Cash			0.7			2.3			2.8			2.3
Total	-8.2	-6.3	-1.9	-17.6	-11.3	-6.3	-18.1	-15.5	-2.6	-17.6	-11.3	-6.3

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 September, the Long Portfolio decreased in value by 8.1% underperforming the All Ordinaries Index, which decreased by 6.3%.

The portfolio of securities that ALF has borrowed and sold (short) decreased by 6.9% underperforming the All Ordinaries Index, and contributing to performance.

At the end of September ALF has 65% of net Shareholders Funds invested in equities with the balance retained in cash.

On balance, Shareholders Funds decreased by 8.2% on a gross basis in September underperforming the market 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 %
Fortescue Metals Group Ltd.	-7.1	0.3
CSL Ltd.	9.4	0.2
Tatts Group Ltd.	-0.8	0.2

The following 3 portfolio positions detracting from overall performance.

Stock	Total monthly return %	Attribution Effect %
Kagara Ltd.	-34.3	-0.6
Paladin Energy Ltd.	-44.4	-0.6
Service Stream Ltd.	-37.0	-0.8

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 %
Rex Minerals Ltd.	-33.4	0.4
Bradken Ltd.	-17.9	0.3
Aquila Resources Ltd.	-22.6	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 %
Navitas Ltd.	1.6	-0.2
GPT Group	1.1	-0.2
Sigma Pharmaceuticals Ltd.	45.5	-0.4

GROSS PORTFOLIO STRUCTURE

Investment Type	As at 31 st August 2011		As at 30 th September 2011	
	\$m	\$m	\$m	\$m
Listed Securities – Long	144	170%	116	147%
Listed Securities - Short	-72	-86%	-65	-82%
NET EXPOSURE	72	84%	51	65%
Fixed interest and Cash	13	16%	27	35%
Gross Assets	85	100%	77	100%

The listed securities portfolio is detailed on the following page.

TOP 20 LONG PORTFOLIO HOLDINGS

1	BHP Billiton Limited	7,264,268.64	6.29%	11	Crown Limited	3,108,300.00	2.69%
2	Telstra Limited	4,913,500.00	4.25%	12	Newcrest Mining Limited	2,797,968.00	2.42%
3	Stockland Ltd	4,800,915.09	4.15%	13	Amp Limited	2,670,144.70	2.31%
4	Woolworths Limited	4,623,960.00	4.00%	14	Orica Limited	2,632,413.24	2.28%
5	Commonwealth Bank of Australia	4,557,960.75	3.94%	15	Westfield Group	2,480,000.00	2.15%
6	ANZ Banking Group Limited	4,271,717.76	3.70%	16	QBE Insurance Group Limited	2,464,253.12	2.13%
7	Westpac Banking Corporation	4,158,309.60	3.60%	17	Rio Tinto Limited	2,410,200.00	2.09%
8	Asciano Group Limited	4,081,410.70	3.53%	18	Ten Network Holdings Ltd	2,340,932.09	2.03%
9	Tatts Group Limited	3,523,400.00	3.05%	19	Boral Ltd	2,163,245.00	1.87%
10	Origin Energy Limited	3,417,000.00	2.96%	20	Qantas Airways Limited	2,133,843.24	1.85%

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

Consumer Discretionary

Billabong International Ltd.	1,629,788	1.41%
	1,629,788	1.41%

Consumer Services

Tatts Group Ltd.	3,523,400	3.05%
Crown Ltd.	3,108,300	2.69%
Ainsworth Game Technology Ltd.	1,362,794	1.18%
	7,994,494	6.92%

Media

Ten Network Holdings Ltd.	2,340,932	2.03%
Consolidated Media Holdings Ltd.	1,353,442	1.17%
	3,694,374	3.20%

Retailing

Myer Holdings Ltd.	1,917,600	1.66%
Harvey Norman Holdings Ltd.	1,512,153	1.31%
	3,429,753	2.97%

Consumer Staples

Woolworths Ltd.	4,623,960	4.00%
	4,623,960	4.00%

Energy

Origin Energy Ltd.	3,417,000	2.96%
Oil Search Ltd.	1,709,320	1.48%
Whitehaven Coal Ltd.	1,439,100	1.25%
Cockatoo Coal Ltd.	1,288,395	1.12%
Santos Ltd.	1,139,399	0.99%
Paladin Energy Ltd.	592,717	0.51%
Stanmore Coal Ltd.	491,855	0.43%
Drillsearch Energy Ltd.	437,000	0.38%
	10,514,786	9.12%

Financials

Commonwealth Bank of Australia	4,557,961	3.94%
Australia & New Zealand Banking Group Ltd.	4,271,718	3.70%
Westpac Banking Corp.	4,158,310	3.60%
	12,987,988	11.24%

Diversified Financials

Henderson Group PLC	1,051,162	0.91%
	1,051,162	0.91%

Insurance

AMP Ltd.	2,670,145	2.31%
QBE Insurance Group Ltd.	2,464,253	2.13%
Insurance Australia Group Ltd.	1,661,000	1.44%
	6,795,398	5.88%

Real Estate

Stockland Australia	4,800,915	4.15%
Westfield Group Australia	2,480,000	2.15%
Lend Lease Group	1,064,195	0.92%
	8,345,110	7.22%

Health Care

Primary Health Care Ltd.	1,396,715	1.21%
ResMed Inc. (CDI-10CDI/1SHS)	1,358,483	1.18%
Cochlear Ltd.	778,842	0.67%
Atcor Medical Holdings Ltd.	678,726	0.59%
REVA Medical Inc.	442,438	0.38%

Mayne Pharma Group Ltd.	1,849,541	1.60%
CSL Ltd.	1,632,400	1.41%
	8,137,145	7.04%

Industrials

RCR Tomlinson Ltd.	1,268,001	1.10%
Service Stream Ltd.	1,226,104	1.06%
Leighton Holdings Ltd.	1,145,514	0.99%
	3,639,619	3.15%

Commercial & Professional Services

Brambles Ltd.	1,520,450	1.32%
	1,520,450	1.32%

Transportation

Asciano Ltd.	4,081,411	3.53%
Qantas Airways Ltd.	2,133,843	1.85%
Toll Holdings Ltd.	970,200	0.84%
	7,185,454	6.22%

Materials

BHP Billiton Ltd.	7,264,269	6.28%
Newcrest Mining Ltd.	2,797,968	2.42%
Orica Ltd.	2,632,413	2.28%
Rio Tinto Ltd.	2,410,200	2.09%
Boral Ltd.	2,163,245	1.87%
OneSteel Ltd.	1,604,999	1.39%
PAPERLINX SPS TRUST	1,494,150	1.29%

Fortescue Metals Group Ltd.	1,326,000	1.15%
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Alumina Ltd.	1,184,000	1.02%
Kagara Ltd.	881,711	0.76%
Teranga Gold Corp Cdi	861,283	0.75%
Base Resources Ltd.	776,300	0.67%
Independence Group N.L.	648,000	0.56%
YTC Resources Ltd.	440,729	0.38%
Alacer Gold Corp.	426,400	0.37%
Mirabela Nickel Ltd.	385,150	0.33%
PanAust Ltd	381,000	0.33%
Tiger Resources Ltd.	265,985	0.23%
	27,943,802	24.17%

Telecommunication Services

Telstra Corp. Ltd.	4,913,500	4.24%
iiNET Ltd.	291,653	0.25%
	5,205,153	4.49%

Utilities

Hastings Diversified Utilities Fund	849,750	0.74%
	849,750	0.74%

TOTAL LONG PORTFOLIO 115,548,187 100.00%

TOTAL SHORT PORTFOLIO -64,681,158