



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

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

As at 31st December 2011

NTA before tax on unrealised gains and losses	\$1.2223
NTA after Tax	\$1.1942

MONTH IN REVIEW

Macroeconomic developments remain the key determinant of the direction of equity markets globally. The month of December experienced continuing concerns over Europe with no clear indication that the situation is improving. Domestically the Reserve Bank of Australia cut rates by 25bps which was largely anticipated.

The Fund outperformed the All Ordinaries Index by 2.7% during December, increasing by 1.1% on a gross basis. Headlines out of Europe drove the All Ordinaries down 1.6% through December. One of the key stocks which contributed to outperformance was Ainsworth Game Technology which pre-announced a profit upgrade. Another key contributor was Hastings Diversified Utilities Fund which received an offer from APA Group. With the Retail industry continuing to experience difficult trading conditions, our investments in JB Hi-Fi and Myer Holdings detracted from the Fund's performance.

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 15th March 2011 for a 12 month duration.

As at close of market on 12th January 2012 1,565,149 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	-1.9	-1.6	-0.5	2.9	1.9	1.8	-13.1	-9.6	-6.1	-13.1	-9.6	-6.1
Short Portfolio	-5.1	-1.6	3.2	-1.5	1.9	3.0	-10.5	-9.6	1.2	-10.5	-9.6	1.2
Cash			0.0			-0.1			2.2			2.2
Total	1.1	-1.6	2.7	6.5	1.9	4.6	-12.3	-9.6	-2.7	-12.3	-9.6	-2.7

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 December, the Long Portfolio decreased in value by 1.9% underperforming the All Ordinaries Index, which decreased by 1.6%.

The portfolio of securities that ALF has borrowed and sold (short) decreased by 5.1% underperforming the All Ordinaries Index, and contributing to performance.

At the end of December ALF has 60% of net Shareholders Funds invested in equities with the balance retained in cash.

On balance, Shareholders Funds increased by 1.1% on a gross basis in December outperforming the market by 2.7 %.

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 %
Ainsworth Game Technology Ltd.	12.0	0.5
Hastings Diversified Utilities Fund	20.7	0.3
Cochlear Ltd.	6.1	0.3

The following 3 portfolio positions detracting from overall performance

Stock	Total monthly return %	Attribution Effect %
JB Hi-Fi Ltd.	-34.8	-0.4
Myer Holdings Ltd.	-19.0	-0.4
Mayne Pharma Group Ltd.	-15.1	-0.3

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 %
Greenland Minerals & Energy Ltd.	-22.2	0.5
Kathmandu Holdings Ltd.	-29.5	0.4
Nexus Energy Ltd.	-34.9	0.4

The following 3 portfolio positions detracting from overall performance

Stock	Total monthly return %	Attribution Effect %
Transpacific Industries Group Ltd.	11.1	-0.3
Aurora Oil & Gas Ltd.	-0.9	-0.2
Envestra Ltd.	6.7	-0.1

Gross Portfolio Structure

Investment Type	As at 30th November 2011		As at 31st December 2011	
	\$m	%	\$m	%
Listed Securities - Long	94	125%	105	138%
Listed Securities - Short	-68	-90%	-59	-78%
NET EXPOSURE	26	35%	46	60%
Fixed Interest in Cash	50	65%	30	40%
Gross Assets	76	100%	76	100%

The listed securities portfolio is detailed on the following page

TOP 20 LONG PORTFOLIO HOLDINGS

1 Wesfarmers Ltd.	6,084,670.00	5.78%	11 Lend Lease Group	2,514,334.24	2.39%
2 BHP Billiton Ltd.	5,298,545.96	5.04%	12 Toll Holdings Ltd.	2,424,689.62	2.31%
3 Westpac Banking Corp.	3,979,760.00	3.78%	13 Leighton Holdings Ltd.	2,298,565.92	2.19%
4 Rio Tinto Ltd.	3,919,500.00	3.73%	14 Woodside Petroleum Ltd.	2,296,500.00	2.18%
5 Commonwealth Bank of Australia	3,390,322.82	3.22%	15 Insurance Australia Group Ltd.	2,249,900.00	2.14%
6 Telstra Corp. Ltd.	3,347,815.50	3.18%	16 Australia & New Zealand Banking Groi	2,131,794.14	2.03%
7 Telecom Corp. of New Zealand Ltd.	3,051,750.00	2.90%	17 Woolworths Ltd. Frn 24-nov-2036	2,024,945.60	1.93%
8 Ainsworth Game Technology Ltd.	3,019,935.17	2.87%	18 AMP Ltd.	1,937,263.02	1.84%
9 Metcash Ltd.	2,701,992.40	2.57%	19 Chorus Ltd.	1,785,000.00	1.70%
10 Newcrest Mining Ltd.	2,536,720.00	2.41%	20 CSL Ltd.	1,760,000.00	1.67%

As at 31st December 2011 the equity portfolio gave exposure to:

Consumer Discretionary			Industrials		
Ainsworth Game Technology Ltd.	3,019,936	2.9%	Boart Longyear Ltd.	1,070,300	1.0%
Billabong International Ltd.	1,593	0.0%	Leighton Holdings Ltd.	2,298,566	2.2%
Consolidated Media Holdings Ltd.	1,206,228	1.1%	Qantas Airways Ltd.	1,041,511	1.0%
Crown Ltd.	970,800	0.9%	QR National Ltd.	718,200	0.7%
Harvey Norman Holdings Ltd.	1,101,130	1.0%	RCR Tomlinson Ltd.	1,053,779	1.0%
JB Hi-Fi Ltd.	581,435	0.6%	Sedgman Ltd.	701,902	0.7%
Myer Holdings Ltd.	1,090,496	1.0%	Service Stream Ltd.	1,239,719	1.2%
Super Retail Group Ltd.	793,500	0.8%	Toll Holdings Ltd.	2,424,689	2.3%
Tatts Group Ltd.	1,659,200	1.6%		10,548,666	10.0%
Trade Me Group Ltd.	1,695,000	1.6%	Materials		
	12,119,318	11.5%	Alacer Gold Corp.	1,651,580	1.6%
Consumer Staples			Alumina Ltd.	808,377	0.8%
Metcash Ltd.	2,701,992	2.6%	Aston Resources Ltd.	1,001,000	1.0%
Wesfarmers Ltd.	6,084,670	5.8%	Base Resources Ltd.	986,021	0.9%
	8,786,662	8.4%	BHP Billiton Ltd.	5,298,546	5.0%
Energy			Boral Ltd.	803,052	0.8%
Cockatoo Coal Ltd.	408,943	0.4%	Fortescue Metals Group Ltd.	1,067,500	1.0%
Gloucester Coal Ltd.	1,376,000	1.3%	Lynas Corp. Ltd.	574,750	0.5%
Oil Search Ltd.	1,265,838	1.2%	Newcrest Mining Ltd.	2,536,720	2.4%
Origin Energy Ltd.	1,600,799	1.5%	Orica Ltd.	1,748,019	1.7%
Santos Ltd.	828,783	0.8%	PanAust Ltd	1,120,000	1.1%
Whitehaven Coal Ltd.	650,670	0.6%	PAPERLINX SPS TRUST	1,165,569	1.1%
Woodside Petroleum Ltd.	2,296,500	2.2%	Rio Tinto Ltd.	3,919,500	3.7%
	8,427,533	8.0%	Sandfire Resources N.L.	1,447,600	1.4%
Financials			Teranga Gold Corp Cdi	1,019,409	1.0%
AMP Ltd.	1,937,263	1.8%		25,147,643	23.9%
ASX Ltd.	611,600	0.6%	Telecommunication Services		
Australia & New Zealand Banking Group Ltd.	2,131,794	2.0%	Chorus Ltd.	1,785,000	1.7%
Commonwealth Bank of Australia	3,390,323	3.2%	Telecom Corp. of New Zealand Ltd.	3,051,750	2.9%
Insurance Australia Group Ltd.	2,249,900	2.1%	Telstra Corp. Ltd.	3,347,816	3.2%
Lend Lease Group	2,514,334	2.4%		8,184,566	7.8%
National Australia Bank Ltd.	1,168,000	1.1%	Utilities		
Stockland Australia	1,595,000	1.5%	Hastings Diversified Utilities Fund	1,127,500	1.1%
Westfield Group Australia	732,063	0.7%		1,127,500	1.1%
Westpac Banking Corp.	3,979,760	3.8%	Corporate Bonds		
	20,310,037	19.3%	Woolworths Ltd. Frn 24-nov-2036	2,024,946	1.9%
Health Care				2,024,946	1.9%
AcruX Ltd.	1,130,720	1.1%	TOTAL LONG PORTFOLIO		
Atcor Medical Holdings Ltd.	978,826	0.9%		105,183,585	100.00%
Cochlear Ltd.	899,000	0.9%	TOTAL SHORT PORTFOLIO		
CSL Ltd.	1,760,001	1.7%		(59,422,931)	
Mayne Pharma Group Ltd.	1,666,410	1.6%			
Primary Health Care Ltd.	1,330,535	1.3%			
ResMed Inc. (CDI-10CDI/1SHS)	741,222	0.7%			
	8,506,714	8.1%			

For personal use only