



# BELLWETHER PARTNERS LIMITED Australian Share Fund

April 2007

## UNIT PRICE as at 30 April 2007

<b>NAV Price</b>	\$1.5109
<b>Buy Price</b>	\$1.5162
<b>Sell Price</b>	\$1.5056

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<b>Fund Inception</b>	11 August 2004
<b>Benchmark</b>	S&P/ASX 300 Accumulation Index
<b>No. Stocks Held</b>	27

## PERFORMANCE STATISTICS

Periods ending 30 April 2007	1 month	3 months	1 year	2 Years	Since Inception (p.a)
<b>Fund Return (Gross)</b>	2.79%	8.63%	21.25%	35.47%	33.77%
<b>Benchmark*</b>	3.00%	8.12%	22.50%	30.00%	28.84%
<b>Out/Under Performance</b>	<b>-0.20%#</b>	<b>0.51%</b>	<b>-1.25%</b>	<b>5.48%</b>	<b>4.93%</b>

\* S&P/ASX 300 Accumulation Index

# Rounded to 2 decimal places

## OVERVIEW

The Australian Share market closed higher in April with the S&P/ASX 300 Accumulation index up 3.00%, buoyed by a stronger than expected US reporting season and the Reserve Bank's decision not to raise domestic interest rates early in the month. A degree of uncertainty was evident throughout the month with investors cautious ahead of the March quarter CPI announcement. Once the CPI result was delivered, benign inflation data generated a spike in markets before profit-takers moved in, stripping value from Banks and the Materials sector.

Market focus moved away from interest rate concerns in April as inflationary pressures subsided, focussing instead on the continued appreciation of the \$A. The local currency pushed above the 83 cent level during the month, setting a 17 year high. Investors are becoming increasingly concerned that the currency is impacting on equity returns, particularly for those companies with offshore earnings exposure.

The M&A theme of recent months continued into April with takeover targets ORI and MPR generating runs within the materials and property trusts sectors respectively. Consumer Discretionary (+0.73%), Financials (+0.65%) and Property Trusts (+0.61%) outperformed as interest rate fears eased, while Information Technology (-2.75%), Telecommunications (-2.53%) and Healthcare (-2.43%) lagged.

**The Bellwether Partners Australian Share Fund** returned 2.79% (gross) in April, marginally under performing (-0.20%) the benchmark S&P/ASX 300 Accumulation Index. Gains generated by takeover targets Orica and Coles that boosted key indices were sacrificed by the Fund as neither stock is currently favoured by our process. The fund was able to lock in gains through an overweight exposure to the financials sector; a defensive position taken in response to inflationary themes that arose in March. As in previous months, the Fund's performance suffered (albeit mildly) for its policy of not investing in 'flavour of the month' takeover targets whose valuations and balance sheets are not fundamentally sound. We continue to make disciplined investment decisions on the basis of our investment processes; while this may be to our detriment in the shorter term, we believe that out performance in the longer term will eventuate through sound and responsible investment management.

## OUTLOOK

Domestic currency concerns are likely to play an increasingly visible role in market direction as we enter company guidance season; one major stock (ALL) having already downgraded guidance due to currency issues. Importers can be expected to benefit from a rising \$A, while companies with offshore earnings exposure will be hurt. While these issues are already priced into the market to some extent, adverse effects may yet emerge.

Offshore events remain, as ever, significant to the direction of the Australian market. Fortunately, the Sub-Prime situation in the US did not escalate in April, leaving a global commodity price meltdown less likely than appeared last month. In the absence of poor offshore leads, large cap Materials, Banks and high growth Industrials appear attractive, with Property Trusts (viewed as expensive versus bond yields) and other Industrials (historically high valuations) less so.

The delivery of the Federal budget early in May is likely to have market moving implications and the team will be monitoring it closely. Likewise, the Reserve Bank's statement on monetary policy in the first days of May has nullified the likelihood of an interest rate rise in 2007; the market deeming a rise after Q2 CPI data in August as too politically inflammatory in an election year.

Domestic superannuation changes are likely to boost the market in May, offsetting what is historically a sluggish period for equities. Until June 30, the Australian government has created a window of opportunity for individuals to contribute up to A\$1m in undeducted (after-tax) contributions to super and we expect to see significant inflows into Australian shares up to this deadline.

## POSITIVE CONTRIBUTORS

### National Australia Bank Limited (NAB)

<b>Portfolio Contribution</b>	+0.47%
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NAB was a leading market contributor in April, gaining 7.4% by month end. The bank was buoyed by investors adopting a defensive strategy ahead of the March quarter's CPI announcement and on expectations of static interest rates through the balance of 2007. The Fund retains an overweight position in NAB into the bank earnings reporting season.

### ASX Limited (ASX)

<b>Portfolio Contribution</b>	+0.24%
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ASX Limited gained 9.1% in April as a strong market and buoyant trading conditions pushed the share price higher. Super inflows connected to the one-off tax concession for fund contributions are likely to provide further momentum up to the offer's expiry on 30 June. ASX ranks highly within our Quant model and the fund continues to hold an overweight position.

### CSL Limited (CSL)

<b>Portfolio Contribution</b>	+0.22%
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CSL Limited reached record highs in April, gaining 6.0% as the Australian government commenced its HPV (Human Papilloma Virus) inoculation plan which uses CSL's vaccine Gardasil to protect women against cervical cancer. The drug, manufactured by US Pharma giant Merck, will return royalty revenues of 7% of sales, up 50-80% on expectations of \$US40-50m in FY07. CSL has also applied to test the drug for non-HPV related cancers.

## NEGATIVE CONTRIBUTORS

### BHP Billiton Limited (BHP)

<b>Portfolio Contribution</b>	-0.12%
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BHP Billiton lost 1.3% over the month. The mining giant's March quarter production report came in under market expectations due to poor weather in WA that curtailed ore shipments and infrastructure limitations on the East Coast. BHP continues to rank well in Bellwether's Quant model.

### QBE Insurance Group Limited (QBE)

<b>Portfolio Contribution</b>	-0.11%
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QBE lost ground in April, dipping 2.2% as the strengthening Australian dollar exerted downward pressure on the insurer. QBE's offshore earnings exposure has depleted their income as the \$A increases in value against the US currency.

### Computershare Limited (CPU)

<b>Portfolio Contribution</b>	-0.10%
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Computershare dipped 3.7% over month, another Australian based company with depleted revenue as a consequence of the appreciating \$A. Given that offshore expansion is a key driver of their business strategy, nearly three quarters of CPU's assets are invested in foreign markets.

## TOP TEN HOLDINGS

Stock	B/Mark	Fund
<b>National Australia Bank Limited (NAB)</b>	5.61%	10.10%
<b>BHP Billiton Limited (BHP)</b>	8.26%	9.85%
<b>Australia &amp; New Zealand Banking Group (ANZ)</b>	4.52%	7.46%
<b>Westpac Banking Corporation (WBC)</b>	4.01%	7.08%
<b>St George Bank Limited (SGB)</b>	1.53%	5.65%
<b>QBE Insurance Group Limited (QBE)</b>	2.06%	4.91%
<b>Woolworths Limited (WOW)</b>	2.72%	4.88%
<b>CSL Limited (CSL)</b>	1.27%	3.97%
<b>AMP Limited (AMP)</b>	1.62%	3.45%
<b>Rio Tinto Limited</b>	1.88%	3.25%
<b>Top Ten</b>		60.60%
<b>Other Stocks</b>		38.71%
<b>Cash</b>		0.69%
<b>Total</b>		100.0%

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