



BELLWETHER PARTNERS LIMITED Australian Share Fund

August 2007

UNIT PRICE as at 31 August 2007

NAV Price	\$1.4343
Buy Price	\$1.4393
Sell Price	\$1.4293

Investment Manager	Bellwether Partners Limited ASFL: 238460
Contact	Emily Barnes Ph. (03) 9661 0880 Level 9, 63 Exhibition Street Melbourne Victoria 3000 Phone: (03) 9661 0888 Email: mail@bellwether.com.au Web: www.bellwether.com.au
Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
No. Stocks Held	28

PERFORMANCE STATISTICS

Periods ending 31 August 2007	1 month	3 months	1 year	2 Years#	3 Years#	Since Inception (p.a)
Fund Return (Gross)	2.75%	3.56%	28.76%	28.09%	31.29%	31.99%
Benchmark*	2.22%	0.02%	27.34%	23.79%	25.86%	26.37%
Out/Under Performance	0.53%	3.54%	1.43%	4.30%	5.43%	5.61%

* S&P/ASX 300 Accumulation Index
Annualised

OVERVIEW

The Australian equity market finished August 2.22% higher, with company reporting season driving the bourse back into positive territory from an extremely poor start to the month. The US sub-prime mortgage crisis was a dominant driver early in August as the deterioration of the US housing market triggered concerns over the health of the US economy, which in turn devalued the Dow Jones and filtered through to the Australian market. Beyond the first week the market turmoil settled, in part due to massive liquidity injections by global central banks. The rapid and sharp recovery of early losses made August one of the most volatile months the ASX has seen.

News flow related to company reporting season also contributed to market recovery with several solid results at company level, though on balance the season failed to meet expectations. Earnings forecasts for 2008 were reduced across most sectors, down 1% from those previously anticipated by the investment community. Key themes included solid domestic demand, a continuing strong outlook for commodities and a mixed currency impact.

Economic data was a talking point early in the month as the RBA lifted the cash rate by 0.25%, a move that was seen as increasingly inevitable in the face of robust economic health. The Australian dollar suffered through market volatility in August, dropping to US77.6 cents before bouncing back to US82.4 cents at month end.

The Bellwether Partners Australian Share Fund returned 2.75% gross, outperforming the benchmark S&P/ASX 300 by 0.53%. Despite the market suffering from highly irrational behaviour in early August, the investment team maintained its conviction in our high quality portfolio, making very few changes for the month. The absence of M&A activity in the market saw Bellwether's investment process rewarded as sentiment shifted back to fundamental valuations, particularly those companies that provided upside surprise during reporting season. The 3 month return of the ASF was particularly strong in a quarter that provided negative returns in two of the three months and gained only 0.02%. The Fund outperformed by 3.54%.

August 2007 also marks the Three Year anniversary of the Australian Share Fund. Since inception the fund has returned an outstanding 126.32% total return, or an annualised return of 31.29% p.a; outperforming the S&P/ASX 300 Accumulation by 5.43% a year.

OUTLOOK

Early September trading saw global equity markets settling somewhat following the volatility of August, particularly given comments by the Chief of the US Federal Reserve, Ben Bernanke, that efforts will be made to stabilise the US economy by providing support to lenders.

The mindset of investors solidified following Company Reporting season as companies punished by the sub-prime crisis bounced back swiftly following solid earnings results and forecasts. Particularly in the materials sector, the strength of Chinese demand reinforced a tilt toward the global economy in Australian equity markets rather than absolute reliance on the health of the US economy.

Due to the volatile nature of current markets, the ASF is not over-exposed in any single specific area. The fund is relatively neutral from a sectoral perspective, but aims to hold only the best stocks from each sector. This strategic positioning allows us to focus more on holding stocks which will outperform their peers and less on the overall direction of the market.

This strategy has been highly successful in helping the ASF significantly outperform the market during the incredibly volatile conditions of the last three months.

POSITIVE CONTRIBUTORS

QBE Insurance Group Limited (QBE)

Portfolio Contribution	+0.66%
-------------------------------	--------

QBE's share price rose 16.3% in August after delivering an impressive 1H07 result that came in well above analyst expectations. The insurance group delivered a \$921 million interim net profit, more than 10 per cent above estimates. The solid profit was helped by a profit contribution from its two US acquisitions and lower severity and frequency of claims. Intense competition and lower insurance margins inflicted less damage on QBE than rivals IAG who were punished in August for delivering a result that disappointed the market.

BHP Billiton Limited (BHP)

Portfolio Contribution	+0.51%
-------------------------------	--------

BHP ended the month in positive territory, gaining 3.8% despite the sub-prime mortgage crisis creating volatility and detracting value from the mining giant early in August. BHP's \$16.7 billion profit result reinforced the group's view that robust demand in China and India more than offsets US economic weakness, with CEO Chip Goodyear stating that the company would still do well even if there was a slowdown in the US.

Woolworths Limited (WOW)

Portfolio Contribution	+0.48%
-------------------------------	--------

Woolworths was rewarded in August by a solid 1H07 result, its share price reaching record highs intra month and up 11.1% by month end. CEO Michael Luscombe tipped further acquisitions by the retailer in 2008, as well as \$1.3 billion of capital expenditure including \$459 million of refurbishments. WOW also signalled an expansion into retail financial services with the 08 launch of a Woolworths branded credit card.

TOP TEN HOLDINGS

Stock	Fund	B/Mark
BHP Billiton Limited (BHP)	12.35%	10.28%
National Australia Bank Limited (NAB)	6.76%	5.25%
Westpac Banking Corporation (WBC)	6.46%	4.04%
QBE Insurance Group Limited (QBE)	4.99%	2.40%
Woolworths Limited (WOW)	4.92%	2.86%
Australia & New Zealand Banking Group (ANZ)	4.53%	4.30%
Rio Tinto Limited (RIO)	4.16%	2.11%
CSL Limited (CSL)	3.94%	1.43%
St George Bank Limited (SGB)	3.83%	1.45%
Westfield Group (WDC)	3.73%	2.90%
Top Ten	55.67%	
Other Stocks	40.29%	
Cash	4.04%	
Total	100.0%	

NEGATIVE CONTRIBUTORS

Cabcharge Australia Limited (CAB)

Portfolio Contribution	-0.59%
-------------------------------	--------

Cabcharge's share price fell 19.8% by month end, punished by the market after their 1H07 profit growth came in below consensus expectations. CAB's wireless Eftpos terminals and a growing taxi fleet bolstered net profits, up 36% in 2006-2007 to \$51.8 million. Cabcharge provided no specific earnings outlook for fiscal 2008, except to say it was well placed to improve its profits. Though we believe the market reaction to the result was overdone, currency and debt issues could further dampen CAB's outlook. Consequently the Fund exited its position at month end.

Macquarie Bank Limited (MBL)

Portfolio Contribution	-0.39%
-------------------------------	--------

The US sub-prime mortgage crisis and agitated investors put a dampener on Macquarie early in August which the bank failed to shake by month end, its share price dropping 11.2%. MBL did recover during the month as company reporting season and fundamental valuations gained investor attention and bargain hunters returned to take advantage of low entry prices. The Fund's MBL holding was reduced during the month for risk management purposes. We will increase the position again when we believe that contagion issues have settled.

David Jones Limited (DJS)

Portfolio Contribution	-0.34%
-------------------------------	--------

David Jones dropped 10.1% in August in reaction to the early month interest rate rise and general volatility within the Consumer Discretionary sector. The retailer did however affirm bullish earnings forecasts during the month, reporting sales revenue of \$509.4 million for the three months ending July 28, up 12.1% from 2006. DJS sales momentum remains strong, particularly given competitor Myer's decision to pursue a mid-market position after privatisation last year.