



BELLWETHER PARTNERS LIMITED Australian Share Fund

January 2007

UNIT PRICE as at 31 January 2007

NAV Price	\$1.3951
Buy Price	\$1.4000
Sell Price	\$1.3902

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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
No. Stocks Held	29

PERFORMANCE STATISTICS

Periods ending 31 January 2007	1 month	3 months	1 year	Since Inception (p.a)
Fund Return (Gross)	0.71%	7.66%	21.26%	33.13%
Benchmark*	1.89%	8.13%	22.50%	27.99%
Out/Under Performance	-1.18%	-0.47%	-1.24%	5.14%

* S&P/ASX 300 Accumulation Index

OVERVIEW

The Australian equity market again achieved record highs in January, the S&P/ASX 300 Accumulation index closing 1.89% higher at month end. Traditionally a seasonally strong period for the sharemarket, January was dominated by volatility in base metals prices which continued to trend downward, negatively impacted by the reweighting of the Dow Jones AIG commodity index and the Goldman Sachs commodity index relative to the spot market. Nickel and zinc were hardest hit, experiencing significant price weakness as the market was surprised by the de-weightings of what had been among the strongest performing commodities over 2006.

Metals volatility drew investor focus in the early part of the month as institutional investors shorted commodities, leading to price falls across the Materials sector. Sentiment turned bullish mid-month generating a recovery in most resource stocks and wider gains that pushed the market to close with a solid result. Utilities (+6.3%), Information Technology (+3.2%) and Industrials (+2.5%) outperformed while Energy (-3.0%), Materials (-1.7%) and Consumer Staples (-1.7%) lagged.

M&A newsflow continues to underpin the market with notable activity being the rumoured takeover of CSR by a private fund, a third party approach to Multiplex and a planned merger of Symbion (SYB) and Primary Health Care (PRY), initiated as a defensive move by PRY.

Inflationary pressures eased in January while employment growth remained strong. The release of December quarter CPI figures during the month reinforced a growing belief in the market that the RBA would hold domestic interest rates steady for an extended period following last year's series of rate hikes. Oil prices declined in the first half of the month, only to recover in the latter half to end down approximately US\$2.00/bbl for the month. Gold prices remained firm, buoyed by growing Asian demand and diversification of Central Bank reserves. The AUD fell from recent highs, ending the month at 77.3 cents.

The Bellwether Partners Australian Share Fund returned 0.71%, underperforming the market by 1.18%. Key positions in the materials sector suffered from commodity price swings early in the month, while stock specific factors and profit taking from previously strong performing stocks such as PBL, PDN and DOW reduced mid month gains. A detractor

at month end was the Fund's holding in Newcrest Mining, which disappointed the market with its production results. Our highest ranking gold stock, the position stripped 41bps from performance at a time when gold was rallying, making the losses a double blow and closing the month on a poor note. January's performance is a natural corollary of a concentrated portfolio approach; with a restricted number of positions higher deviation from market returns is to be expected in the short term. Over a longer term we are confident that the Fund will continue to deliver Alpha.

OUTLOOK

Into February we see the equity market getting further stimulus from the upcoming reporting season. Given the record highs set in January and valuations that are starting to look stretched, the reporting season may fail to produce expected earnings upgrades; stocks which fall into this category may be punished by the market.

The RBA held rates steady at its early February meeting as inflationary pressures continue to ease. We expect interest rate sensitive stocks to benefit as investors move out of defensive sectors back into Consumer Discretionary and Staples.

Early in the month the US based metals trading hedge fund Red Kite reported a 30% loss arising from the commodities index re-weightings which further unsettled metals prices. We expect this instability to dampen commodities prices in the very short term, particularly zinc and copper. Given the non-fundamental trigger for the price slump we anticipate a recovery during the course of the month as the market resettles. Economic conditions in China remain supportive of solid global economic growth in 2007 and therefore positive in the longer term for commodities trade with Australian based resource companies.

Speculative price gains are likely to continue to fuel growth in the coming month; we will continue to discriminate against non-fundamentally driven price gains that lie outside our process.

POSITIVE CONTRIBUTORS

Toll Holding Limited (TOL)

Portfolio Contribution	+0.56%
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Toll Holdings hovered at record price levels in January, gaining 14.7% by month end as investors reacted favourably to a planned group demerger. Final approval by the ACCC will see the company split into separate infrastructure and services groups. TOL's ranking in our Quantitative model climbed in January, reinforcing what has been a long term and rewarding position for the Fund.

QBE Insurance Group Limited (QBE)

Portfolio Contribution	+0.34%
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QBE announced its acquisition of US Winterthur for US\$1.7bn during the month, only weeks after securing US based financial group Praetorian. Investors reacted positively to the insurer's growth strategy, pushing the share price to a 6.8% gain at month end. Analyst forecasts for QBE are positive given buoyant conditions in the insurance sector and increasing earnings outlooks for FY 07 and FY08. The insurance group's ranking climbed dramatically in our Quant model over January, reinforcing the Fund's position taken in 2H06.

Australia & New Zealand Banking Group (ANZ)

Portfolio Contribution	+0.20%
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ANZ enjoyed a moderate gain of 3.2% in January, with news flow relating to economic outlook statements released by the bank during the month. ANZ has forecast that a rise in output and slowing domestic demand will reduce the RBA's tightening bias in 2007, suggesting that the next official interest rate movement will be downward. The bank is expecting to see trickledown signs of increasingly restricted consumer spending over the next few months.

TOP TEN HOLDINGS

Stock	B/Mark	Fund
BHP Billiton Limited (BHP)	7.92%	7.16%
Australia & New Zealand Banking Group (ANZ)	4.70%	6.55%
National Australia Bank Limited (NAB)	5.77%	6.31%
Westpac Banking Corporation (WBC)	4.06%	5.89%
Commonwealth Bank of Australia (CBA)	5.65%	5.86%
QBE Insurance Group Limited (QBE)	2.17%	5.03%
Toll Holdings Limited (TOL)	1.03%	4.41%
AMP Limited (AMP)	1.72%	3.45%
Westfield Group (WDC)	3.10%	3.12%
David Jones Limited (DJS)	0.17%	3.11%
Top Ten		50.89%
Other Stocks		45.54%
Cash		3.57%
Total		100.0%

NEGATIVE CONTRIBUTORS

Newcrest Mining Limited (NCM)

Portfolio Contribution	-0.41%
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Newcrest Mining's share price was slashed 20.7% by month end after the miner announced further production and reserve downgrades at its troubled Telfer gold mine. Analysts were stunned by the magnitude of the production guidance downgrade, from a target of 780,000 ounces of gold to 675,000-700,000 ounces for FY07. Newcrest chief executive Ian Smith also warned investors that a review of the Telfer reserve model could see the estimate of gold contained in the mine cut by between 1.6 million and 3.6 million ounces. The Fund reduced its holding in NCM to 0.6% of the portfolio, buying Lihir Gold (LHG) as the preferred exposure to gold.

Publishing & Broadcasting Limited (PBL)

Portfolio Contribution	-0.34%
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Publishing and Broadcasting Limited lost 8.1% in January on the back of tough local trading conditions, with the television advertising market down 1% and falling revenue share of the Nine Network in the six months to December 2006. PBL's gaming arm generated speculation late in the month, the media giant emerging as a possible contender for the takeover of Tabcorp. Despite a poor January, PBL has been a good performer for the Fund to date.

Zinifex Limited (ZFX)

Portfolio Contribution	-0.17%
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Zinifex closed 12.7% lower at month end as the re-weighting of metal assets by the Dow Jones/AIG commodity index triggered a fall in zinc prices. ZFX announced late in the month that quarter-on-quarter production was not as strong as desired due to operational issues restricting output at several sites. The Fund exited Zinifex late in the month.