



BELLWETHER PARTNERS LIMITED Australian Share Fund

June 2007

UNIT PRICE as at 30 June 2007

NAV Price	\$1.5637
Buy Price	\$1.5692
Sell Price	\$1.5582

Investment Manager	Bellwether Partners Limited ASFL: 238460
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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
No. Stocks Held	29

PERFORMANCE STATISTICS

Periods ending 30 June 2007	1 month	3 months	1 year	2 Years	Since Inception (p.a)
Fund Return (Gross)	1.45%	6.61%	23.29%	30.60%	33.21%
Benchmark*	-0.11%	5.60%	29.21%	26.59%	28.07%
Out/Under Performance	1.56%	1.01%	-5.92%	4.01%	5.14%

* S&P/ASX 300 Accumulation Index

OVERVIEW

The close of FY06 marked the fourth consecutive financial year of strong equity returns with total growth of around 140% during that time. The S&P/ASX 300 Accumulation Index had declined marginally by month end (down 0.11%) but recorded a 29.21% gain to 30 June.

Although quiet in terms of index movement, the month of June was a very active month with A\$156 billion of stock turnover. Highlights for the month included:

- No interest rate rise by the RBA;
- A March quarter GDP growth rate of 1.6% making the yoy growth rate 3.8%; and;
- Employment rate increase of 39,000 making the unemployment rate of 4.2% the lowest in 32 years.

M&A activities included an offer by Westfarmers to purchase the entire Coles Group after potential private equity participants withdrew and a bid for Multiplex by a Canadian Company (Brookfield Asset Management). The Cemex bid for Rinker is now almost complete.

The decoupling of global economies continued in June, reflecting increasing confidence in China's ability to move independently of the slowing US economy and, together with an improving European performance, drive global growth. This was in turn reflected in the Australian share market with Energy, Materials and Industrial sectors outperforming while more defensive sectors such as Telecoms, Property Trusts as well as Consumer Discretionary and Staples lagged.

The Bellwether Partners Australian Share Fund had an excellent month in June, returning a positive 1.45% compared with a marginal negative result from the index; outperformance of 1.56%. Resource holdings and avoidance of poor performers (which is creditable in a flat market where there are many losers) were the main contributors to performance. In addition, a dampening of M&A activity in the market over the month enabled our stock selection process to demonstrate its value.

OUTLOOK

Liquidity remains a central theme in the market with takeovers, share buybacks, the Government's Future Fund commencing investment and the extremely high level of Superannuation contributions all impacting on market activity and providing a favourable environment for ongoing price appreciation. A\$114 billion was contributed to Superannuation in FY06; up 42% on the previous financial year.

High cash levels and inflows alone are not enough to generate future price appreciation in the market. Supportive fundamentals such as a firm domestic and global economy, stable interest rates, positive employment data and strong corporate profits are also required. At Bellwether we believe that these fundamentals are indeed in place and we are confident that on a medium term view further share price growth will occur – despite what is now one of the longest bull runs ever.

We continue to rationally observe issues and indicators such as:

- Credit market worries in the US particularly in sub-prime assets;
- The role of private equity in driving market liquidity;
- The ability of other economies to continue to defy a slowdown in the US; and;
- Extreme volatility in the Shanghai market from time to time.

On balance, we believe valuations are fair in the context of the economic and profit outlook, the interest rate environment and the ongoing support from liquidity. We note though that while equity growth will continue, it may not do so at the rate we have enjoyed over the past four years.

POSITIVE CONTRIBUTORS

BHP Billiton Limited (BHP)

Portfolio Contribution	+1.10%
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BHP Billiton gained 11.1% during June. Industrial action in South America helped the copper price (+2.8%), while oil was particularly strong (+10%). The “stronger for longer” metal price and earnings outlook is providing positive support for BHP.

Worley Parsons Limited (WOR)

Portfolio Contribution	+0.39%
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Worley Parsons gained 14% for the month, in line with the strong oil price (+10%). The company, which provides infrastructure and professional services to the oil industry, has a strong pipeline of new work.

JB Hi Fi Limited (JBH)

Portfolio Contribution	+0.38%
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JB Hi Fi (+19%) upgraded its 2006-07 profit guidance on 7 June to 10% above the previous figure. Computers and video games sales were particularly strong, while cheaper imports as a result of a high Australian dollar were also a positive. JBH's business strategy of high turnover and competitive pricing of consumer goods is proving very effective in the current buoyant economic conditions.

NEGATIVE CONTRIBUTORS

Westfield Group (WDC)

Portfolio Contribution	-0.33%
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Westfield fell 6.6% in June following a \$3 billion capital raising at a discount to the market price. The funds are to be used towards financing a massive expansion program in Australia, New Zealand, the US and Britain in the next 3 years. Expenditure in the new projects is expected to be in the order of A\$10 billion.

GPT Group (GPT)

Portfolio Contribution	-0.22%
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GPT followed the S&P/ASX 200 REIT index (-6.3%) down, falling 9.3% on sector related selling. The company made its second acquisition in the US seniors housing market during the month, believing that demographic trends support assisted living in the US.

Leighton Limited (LEI)

Portfolio Contribution	-0.20%
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Leighton fell 7% as investor took profits following an exceptional May, where it gained a massive 28%. A strong pipeline of infrastructure and mining projects in Australia as well as offshore opportunities in Asia are expected to see Leighton maintain a strong level of “work in hand” and also a strong profit position.

TOP TEN HOLDINGS

Stock	Fund	B/Mark
BHP Billiton Limited (BHP)	11.21%	9.69%
National Australia Bank Limited (NAB)	7.19%	5.24%
Australia & New Zealand Banking Group (ANZ)	6.08%	4.23%
Westpac Banking Corporation (WBC)	5.64%	3.81%
Rio Tinto Limited (RIO)	4.67%	2.26%
Woolworths Limited (WOW)	4.57%	2.58%
AMP Limited (AMP)	3.90%	1.52%
QBE Insurance Group Limited (QBE)	3.89%	2.08%
St George Bank Limited (SGB)	3.35%	1.49%
Westfield Group (WDC)	3.30%	2.72%
Top Ten	53.80%	
Other Stocks	45.92%	
Cash	0.38%	
Total	100.0%	

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