



BELLWETHER PARTNERS LIMITED Australian Share Fund

May 2007

UNIT PRICE as at 31 May 2007

NAV Price	\$1.5431
Buy Price	\$1.5485
Sell Price	\$1.5377

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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
No. Stocks Held	28

PERFORMANCE STATISTICS

Periods ending 31 May 2007	1 month	3 months	1 year	2 Years	Since Inception (p.a)
Fund Return (Gross)	2.23%	7.70%	25.85%	33.93%	33.64%
Benchmark*	2.64%	9.21%	31.99%	29.64%	29.05%
Out/Under Performance	-0.41%	-1.51%	-6.14%	+4.29%	+4.59%

* S&P/ASX 300 Accumulation Index

OVERVIEW

The Australian Equity market continued its upward trend in May, the S&P/ASX 300 Accumulation index closing 2.64% higher at month end. Typically a slow month for equity markets, May was spurred on by persisting M&A activity and a strengthening global growth outlook.

A favourable Federal budget handed down during the month dominated domestic economic data and delivered the Income Tax cuts expected in an election year. In the same vein, the Reserve Bank of Australia did not raise domestic interest rates when it met early in the month. The Australian currency continued to exhibit strength, while inflation remained benign despite strong employment data and climbing consumer confidence.

Despite hiccups in the Shanghai indices, the Chinese demand story generated out performance in the Materials sector (+6.7%) despite some distortion of commodity prices. The Energy (+6.6%) and Information Technology (5.1%) sectors also outperformed, while Consumer Staples (-0.18%), Consumer Discretionary (-0.3%) and Financials (0.6%) lagged.

The Bellwether Partners Australian Share Fund returned 2.23% (gross) in May, marginally under performing the benchmark. An overweight to large resource houses (BHP, RIO) and copper (OXR) delivered value, while a strategic decision to limit exposure to nickel and zinc detracted from performance.

There was a late surge in Property Trusts due to M&A pressure. The Fund was unable to fully benefit from this, given that widespread sector representation is not possible due to Bellwether's constrained portfolio approach. While Bellwether's Investment Process is disadvantaged in the current takeover climate, the team are pleased with the Fund's return in a month that exhibited unusual characteristics and delivered unexpected sectoral performances.

OUTLOOK

We anticipate a strong end to the Financial year on June 30, as changes to Superannuation laws generate domestic market activity and the global outlook remains positive.

Commodities prices are becoming difficult to gauge given the volume of speculative funds flooding the market. Nevertheless, underlying demand from China will remain a key driver over the long term. It is our opinion that jitters in the Shanghai A index are attributable to the dynamic nature of the growing market rather than being an indicator of poor economic health. This view was reinforced late in May with the World Bank raising China's economic growth forecast for 2007 from 9.6 per cent to 10.4 per cent.

Some commentators are beginning to suggest that the market is fully valued at this time. Market timing can be difficult to predict; given this, the Fund is currently holding stocks whose earnings justify their price along with large cap Resources (Materials) and selected high conviction stocks.

POSITIVE CONTRIBUTORS

BHP Billiton Limited (BHP)

Portfolio Contribution	+0.69%
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BHP Billiton performed strongly in May, gaining 6.9% by month end as the market digested news that Group President of Non-Ferrous Metals, Marius Kloppers, will be appointed as CEO Chip Goodyear's successor in October. The announcement saw analysts reiterate buy ratings for BHP, with Kloppers seen as a dynamic leader who is expected to drive significant corporate change.

Rio Tinto Limited (RIO)

Portfolio Contribution	+0.55%
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Rio Tinto gained 15.2% in May, largely on the back of takeover speculation that suggested BHP Billiton was angling for control of the mining house, and RIO was itself preparing a bid for Aluminium producer Alcan. Rio has denied knowledge of corporate activity on either side, but that didn't stop investors flooding into the stock and pushing it toward a \$100 share price. Rio also benefited from bullish sentiment as bulk commodity markets remained tight.

Leighton Holdings Limited (LEI)

Portfolio Contribution	+0.49%
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Leighton Holdings surged 27.8% in May after confirming they made an indicative offer for underground mining specialist Barmingo. Analysts reacted positively to the news, seeing the acquisition of Barmingo as a logical extension of LEI's mining capabilities. LEI also announced mid-month a JV with Dubai based property developer Emaar to undertake residential and retail projects in the Indian market, a deal worth more than \$1.5 billion to Leighton over the next five years.

TOP TEN HOLDINGS

Stock	B/Mark	Fund
BHP Billiton Limited (BHP)	8.62%	10.07%
National Australia Bank Limited (NAB)	5.42%	9.32%
Australia & New Zealand Banking Group (ANZ)	4.16%	6.70%
Westpac Banking Corporation (WBC)	3.77%	6.52%
St George Bank Limited (SGB)	1.55%	5.46%
Woolworths Limited (WOW)	2.59%	5.10%
Rio Tinto Limited (RIO)	2.11%	4.53%
QBE Insurance Group Limited (QBE)	2.04%	4.02%
AMP Limited (AMP)	1.48%	3.96%
Toll Holdings Limited (TOL)	1.08%	3.62%
Top Ten		59.30%
Other Stocks		40.23%
Cash		0.47%
Total		100.0%

NEGATIVE CONTRIBUTORS

West Australian Newspapers (WAN)

Portfolio Contribution	-0.26%
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West Australian Newspapers lost 13.7% over month despite a strong Q307 result which included positive outlook comments that exceeded consensus estimates. WAN's slide is partly attributable to the lagging Consumer Discretionary sector, as well as an escalating conflict between WAN's flagship title and the West Australian Government being played out in the media. During the month, the WA Government repeated calls for the resignation of The West Australian's editor Paul Armstrong, citing editorial and journalistic bias.

Australia & New Zealand Banking Group (ANZ)

Portfolio Contribution	-0.25%
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ANZ ended the month down 5.7%, weakened by the poorly performing Financials sector. Falls in the Shanghai Indices spooked investors at the end of the month, seeing the losses as a potential negative indicator for the health of the Chinese economic growth. This proved to be a very short term response as several indicators reinforced the real strength of the Chinese economy. ANZ also finalised its purchase of a 19.1% interest in Malaysian Bank AMMB Holdings in May, a significant strategic milestone for ANZ's regional partnership portfolio.

Paladin Resources Limited (PDN)

Portfolio Contribution	-0.17%
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Paladin Resources trended lower in May, down 8.9% after delivering a quarterly production report which revealed that PDN's recently commissioned Langer Heinrich operation was yet to contribute to the uranium miner's balance sheet. Legal action in also impacted on Paladin's share price, with a lawsuit launched in Malawi over the granting of an environmental impact assessment. PDN's attempted takeover of Uranium explorer Summit Resources was thwarted mid month as French Nuclear power Areva acquired a 10.46% stake, effectively blocking any compulsory acquisition by Paladin.