



BELLWETHER PARTNERS LIMITED Australian Share Fund

March 2007

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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
No. Stocks Held	30

UNIT PRICE as at 31 March 2007

NAV Price	\$1.4712
Buy Price	\$1.4763
Sell Price	\$1.4660

PERFORMANCE STATISTICS

Periods ending 31 March 2007	1 month	3 months	1 year	Since Inception (p.a)
Fund Return (Gross)	2.49%	6.43%	20.03%	33.59%
Benchmark*	3.30%	6.96%	22.03%	28.42%
Out/Under Performance	-0.81%	-0.53%	-2.01%	5.17%

* S&P/ASX 300 Accumulation Index

OVERVIEW

The Australian Share Fund opened erratically in March with the continuation of the sell off experienced at the end of February. The S&P/ASX 300 Accumulation index reversed strongly mid month to gain 3.30% by month end. Good performers from February's reporting season suffered through profit taking early in the month; while gold failed to play its usual role as a market haven as large funds liquidated their positions. Uncertainty around the health of the US economy and volatility in global markets were the drivers of the correction, amplified by the market's shift in focus away from reporting season results.

Traditional high risk sectors (Information Technology +11.3% and Materials +6.3%) performed strongly in March. Increasing speculation of a domestic interest rate rise flooded the market, placing downward pressure on traditionally defensive sectors (Property Trusts -4.0%, Financials +0.7% and Utilities +1.8%). A revision to media ownership laws late in the month saw extensive gains (Consumer Discretionary +4.4%) throughout the media sub sector on the last trading day of the month.

The Bellwether Partners Australian Share Fund returned 2.49% Gross in March, underperforming the benchmark S&P/ASX 300 Accumulation index by 0.81%. In response to early month volatility, the team adopted a defensive but fully invested position, as despite our positive view on the market its extreme volatility demanded defensive positioning, especially given the constrained nature of our portfolio. Internal historical analysis confirmed that high risk sectors (ie Materials) trend toward underperformance in negative months; it was therefore deemed imprudent to increase the Fund's exposure to these stocks. Conversely, our analysis revealed that Financials outperform in negative markets and for that reason the team increased the Fund's tilt toward financials.

Over the balance of the month the market bounced, with gains primarily driven by traditional 'high-risk' sectors. While the Fund sacrificed performance in March through its defensive position, it posted a solid absolute return. The team are confident that the portfolio was managed responsibly and in accordance with Bellwether's disciplined process through this period of market uncertainty with a view to limiting risk exposure and preserving capital.

OUTLOOK

Market expectations of a domestic interest rate rise were elevated heading into the Reserve Bank's April meeting, despite the central bank's historical reluctance to move rates during an election year. The RBA surprised the market by leaving rates untouched, but increasing inflationary signals indicate that a rate rise is possible in 2007.

The economic outlook is clouded by conflicting signals; the A\$ is hitting decade highs which is likely to reduce inflationary pressures through increased import activity. On the other hand, rising petrol prices are likely to mitigate any benefits. An interest rate rise is likely to have a net negative effect on the economy and financial markets.

Inflationary fears can have the effect of dampening the performance of defensive, yield based stocks, while often being a positive driver for commodity based stocks; we remain however aware that any escalation of the Sub-Prime mortgage problems in the US could lead to widespread selling in commodities and commodity related stocks.

We see no immediate signs of this type of downturn with the Materials sector performing strongly in March. The China/India demand story has been strong enough for the market to ignore issues arising from the US to date, assisted by the positive influence of European economic strength.

Fund strategy has been somewhat neutralised in the face of market volatility; we continue to focus on stock specific factors, beginning with those companies which rank well within the Q1 universe and demonstrate strong fundamental valuations. We have increased the number of holdings in the fund to the permitted maximum of 30 stocks to provide increased diversification and risk minimisation in a continually volatile market.

POSITIVE CONTRIBUTORS

BHP Billiton Limited (BHP)

Portfolio Contribution	+0.85%
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BHP Billiton rose 10.2% over March on the back of increasing confidence in the outlook for iron ore and the announcement of approved expansion in the Pilbara. The mining giant also completed its A\$43.5m off-market buyback during the month; due to strong demand a scale back of tenders was required. The fund increased its exposure to BHP intra month after a deweighting in late February triggered by volatile trading conditions.

West Australian Newspapers Limited (WAN)

Portfolio Contribution	+0.27%
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West Australian Newspapers gained 7.79% during the month on the back of a surge in the media sector on the final trading day and its emergence as a likely target of predators within the sector. New media laws (announced on March 29) will come into effect on April 4, permitting greater consolidation within the industry through the removal of cross-media ownership restrictions. The Fund purchased WAN during reporting season on continuously strong signals from our Quant model.

Westpac Banking Corporation (WBC)

Portfolio Contribution	+0.26%
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Westpac gained 3.49% by month end despite downward pressures in the defensive sectors of the market. A long term holding for the fund, Westpac is ranked within the top quartile of our Quant model and is exhibiting a strong turnaround score. WBC registered a rise in customer satisfaction over the three months to February, up 1.8% to 69.8% while market leader ANZ's consumer satisfaction levels remained flat.

TOP TEN HOLDINGS

Stock	B/Mark	Fund
BHP Billiton Limited (BHP)	8.64%	9.59%
Commonwealth Bank of Australia (CBA)	5.36%	7.46%
Australia & New Zealand Banking Group (ANZ)	4.53%	6.26%
Westpac Banking Corporation (WBC)	4.03%	5.93%
National Australia Bank Limited (NAB)	5.44%	5.90%
QBE Insurance Group Limited (QBE)	2.17%	4.90%
Woolworths Limited (WOW)	2.69%	4.57%
CSL Limited (CSL)	1.24%	3.62%
Westfield Group (WDC)	2.72%	3.61%
Worley Parsons Limited (WOR)	0.36%	3.44%
Top Ten		55.28%
Other Stocks		41.00%
Cash		3.72%
Total		100.0%

NEGATIVE CONTRIBUTORS

Westfield Group (WDC)

Portfolio Contribution	-0.20%
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Westfield Group lost 5.4% in March, pulled back by weakness across the property sector in the last half of the month. Investor sentiment turned against the sector due to interest rate sensitivities and the belief that many property stocks were fully valued. Despite the downturn, the Fund retains an overweight holding in WDC on the back of strong fundamentals. We have a significantly underweight exposure to the property sector as a whole.

Stockland Group (SGP)

Portfolio Contribution	-0.18%
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Stockland Group also fell in March, dragged down 5.56% by sectoral under performance despite positive newsflow late in the month. Stockland's takeover offer received overwhelming approval of UK based Halladale Group's shareholders during March, the first acquisition of SGP's offshore expansion strategy. The Fund deweighted its position early in the month on market expectation of an interest rate rise in either April or May, making dividend yields of the housing developer less attractive.

Babcock & Brown Infrastructure Group (BBI)

Portfolio Contribution	-0.15%
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Babcock and Brown Infrastructure declined 4.9%, closing lower after the completion of a placement to institutional investors at a discounted price. Proceeds of the issue will be used partly for a US\$2.2 billion acquisition of NorthWestern energy in the US. BBI is a Qualitative addition to the Fund's portfolio and our preferred exposure to the utilities sector.