



BELLWETHER PARTNERS LIMITED Australian Share Fund

June 2006

UNIT PRICE as at 30 June 2006

NAV Price	\$1.4779
Buy Price	\$1.4831
Sell Price	\$1.4728

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	26

PERFORMANCE STATISTICS

Periods ending 30 June 2006	1 month	3 months	1 year	Since Inception (p.a)
Fund Return (Gross)	3.55%	3.78%	38.34%	38.79%
Benchmark*	2.04%	-0.26%	24.02%	27.47%
Out/Under Performance	1.51%	4.05%	14.32%	11.33%

* S&P/ASX 300 Accumulation Index

OVERVIEW

Following volatile conditions in May, the Australian Equity market stabilised somewhat in June with the S&P/ASX 300 accumulation index recovering 2.04% after declining 4.74% in May. For the financial year to 30 June 2006, the index rose 24.02%, enjoying mostly buoyant market conditions throughout the year.

Caution dominated market sentiment in June as investors continued to focus on global inflationary pressures and the ensuing impact on rising interest rates and oil prices. The US Federal Reserve Board increased cash rates by 0.25% in late June, the 17th consecutive 0.25% rise, to 5.25% with the market expecting a further 0.25% rate rise to follow at the next "Fed" meeting in August. The announcement of Ben Bernanke as Fed Chairman, Alan Greenspan's successor, generated some initial uncertainty in June however investors have come to some understanding of his view and its impact on monetary policy.

Paradoxically, economic data from the US continues to suggest consumer spending behaviour is waning, with high oil prices restricting discretionary spending and the housing market softening as mortgage rates rise. Domestically, the RBA, after raising interest rates by 0.25% in early May to offset inflationary pressures, held rates steady at its subsequent meetings in early June and July. Retail sales eased 0.3% in May (seasonally adjusted), the first month on month decline recorded in 2006, possibly the effect of sustained high petrol prices impacting upon consumer spending patterns coinciding with the anticipated RBA rate rise of early May. The Skilled Vacancies index continues to indicate solid job growth, which when combined with personal tax cuts from 1st July 2006, provides an interesting forum for future domestic consumer spending behaviour.

The Bellwether Australian Share Fund ended the month up 3.55% (gross), significantly outperforming the benchmark (+2.04%). Key long term holdings such as Babcock and Brown, Seek, Cochlear, Oxiana, ASX and BHP Billiton shored up the portfolio, with detractors minimised both by number of stocks and magnitude of decline. Once again the investment team engaged in minimal trading over the month and held 26 stocks at month end.

OUTLOOK

As discussed last month, current market focus is upon which inflationary impacts may be emerging globally and the resultant impact on interest rates, contrasted against the current strong economic growth picture of Asia and, to date, the strong performance of the US economy. Chinese, Japanese and Indian economies continue to grow strongly, requiring increased levels of raw materials and energy to fuel this growth. Deferred responses from the supply side of these requirements indicates commodity prices, on fundamentals, are expected to remain at healthy levels for a prolonged period.

Despite the turmoils of May, the Australian equity market remains home to a number of world class (large scale, low cost & well managed) resource houses which can partially differentiate domestic equity market performance from overseas bourses which tend to be more heavily skewed with industrial and technology companies. The primary engines of growth in demand for resource companies output, being the Chinese, Indian and Japanese economies, continue to demonstrate strong or growing levels of economic activity.

While directly and indirectly being affected by US economic activity, some degree of insulation is afforded to Australian trading partners by the geographically and logistically close Asian monoliths. The recent annual 19% price rise for iron ore is largely attributable to strong demand from China, despite that country's protestations over the price rise. Although base metal prices have retraced somewhat from heady levels reached in early May, fundamental outlooks remain solid, particularly for copper, nickel and zinc. Robust demand for oil, combined with the commencement of the US hurricane season, augers well for oil and natural gas producers also. Additionally the Indian wedding season, combined with US economic uncertainty and the recent price pull back provides an attractive base for the gold price and hence gold producers.

Coming months are likely to present the investment community with heightened challenges. A combination of strong macro-economic analysis and selective stock picking based on fundamental disciplined analysis, overlaid with behavioural finance interplays can create rewarding opportunities under current volatile market conditions.

POSITIVE CONTRIBUTORS

Babcock & Brown Limited (BNB)

Portfolio Contribution	+0.73%
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Babcock and Brown continued its strong share price run in June, gaining 8.34% over the course of the month. The high-growth stock continues to gain favour in the market, with the announcement during the company's AGM that EPS growth expectations have been upgraded to at least 35% for the full year, an improvement on the previously announced 20%. Management comments suggest that BNB is likely to create up to five new investment funds before the end of the year. There appears to be some switching by investors out of Macquarie Bank into Babcock & Brown of late.

Seek Limited (SEK)

Portfolio Contribution	+0.49%
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Seek's share price rose 16.30% over the month, following positive earnings guidance revealed in the group's FY06 outlook briefing released in early May. Comments by CEO Paul Bassat at the briefing supported Bellwether's view that SEK's strong market share and increasing profit margin make the stock undervalued at current levels, given the continuing strength in the online employment market and generally strong vacancy rates. SEK is anticipating an EBITDA of \$46-47 million in FY06, ahead of previous guidance at around the \$43 million level.

Cochlear Limited (COH)

Portfolio Contribution	+0.29%
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COH gained 11.04% in June, having early in the month won a gold award for one of its products at the Medical Design Excellence Awards held in New York, a globally recognised medical equipment accolade. The previously announced \$270m order for Nucleus cochlear implants to China continues to attract investor attention to the stock.

SIGNIFICANT PURCHASES AND SALES

Purchases	Sales
BNB	-
UGL	-
-	-
-	-
-	-

NEGATIVE CONTRIBUTORS

Downer EDI Limited (DOW)

Portfolio Contribution	-0.25%
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Downer EDI underwent a degree of medium term 'price gain consolidation' in June, losing 12.16% over the month. As a strongly performing stock in recent years, short periods of share price retracement are not uncommon following strong gains. The outlook for the Construction and Engineering sector continues to be very positive.

Macarthur Coal Limited (MCC)

Portfolio Contribution	-0.08%
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Macarthur Coal lost 3.66% over the month as the coal sector responded to the possibility of weaker steaming coal and PCI prices in protracted annual negotiations with customers. While PCI coal prices have softened from the large rises seen in 2005, some clarity of price outcomes late in the month has seen the stock's share price recover in early July.

Skilled Group Limited (SKE)

Portfolio Contribution	-0.04%
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Skilled's share price declined 2.29% in June. The outlook for labour hire services remains strong as evidenced by vacancy rates and employment growth. The company confirmed earnings guidance in late June for the FY06 year with strong results expected from infrastructure and mining services.

TOP TEN HOLDINGS

Stock	B/Mark	Fund
Babcock and Brown Limited (BNB)	0.28%	9.41%
BHP Billiton Limited (BHP)	10.35%	8.92%
Rio Tinto Limited (RIO)	2.25%	6.16%
Oxiana Limited (OXR)	0.44%	5.16%
Australia & New Zealand Banking Group (ANZ)	4.96%	4.41%
Westpac Banking Corporation (WBC)	4.36%	3.97%
Australian Stock Exchange Limited (ASX)	0.34%	3.81%
SFE Limited (SFE)	0.22%	3.54%
Seek Limited (SEK)	0.10%	3.43%
Woodside Petroleum Limited (WPL)	1.98%	3.43%
Top Ten		52.24%
Other Stocks		34.88%
Cash		12.88%
Total		100.0%

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