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

# BELLWETHER PARTNERS LIMITED Australian Share Fund

November 2006

## UNIT PRICE as at 30 November 2006

<b>NAV Price</b>	\$1.4131
<b>Buy Price</b>	\$1.4181
<b>Sell Price</b>	\$1.4082

## PERFORMANCE STATISTICS

Periods ending 30 November 2006	1 month	3 months	1 year	Since Inception (p.a)
<b>Fund Return (Gross)</b>	2.15%	6.23%	27.43%	32.90%
<b>Benchmark*</b>	2.37%	8.60%	23.83%	27.28%
<b>Out/Under Performance</b>	-0.22%	-2.37%	3.60%	5.62%

\* S&P/ASX 300 Accumulation Index

## OVERVIEW

The Australian Equities market consolidated its strong October gains with another solid month, the S&P/ASX 300 rising 2.37%. Market activity took a different direction in November with the recently outperforming Resources (-0.1%) and Energy (+1.3%) sectors being fairly flat. The large diversified resource houses underperformed due to weaker copper and aluminium prices while Industrials (+4.8%) recorded some strong rises. The Information Technology (+11.3%), LPTs (+5.4%) and Consumer Discretionary (4.8%) sectors also outperformed in November, while Telecoms (-3.3%) lagged.

Private Equity firms continued to have a strong influence on the market through the M&A activity they generated. Notable amongst these were Seven (SEV) and Qantas (QAN) with ongoing speculation in respect of Coles (CML) and most of the Media sector. A significant November event was T3, the final public share offer for Telstra shares. The successful listing means that 82.3% of Telstra is now privatised with the remaining 17.7% of the company held by the Government's Future Fund.

On the economic front, the Reserve Bank raised interest rates by another 0.25% to 6.25% early in November. Although the RBA remains concerned about inflation, most commentators expect interest rates to remain on hold for at least the next few months as economic momentum slows both domestically and abroad. In the local market we saw weakening business investment with capital investment slumping 6.0% in Q3, much weaker than the flat outcome expected. Consumer confidence was also down, reflecting the further interest rate hike. In the US, economic activity data was generally weak led by housing stats plunging 15% m/m to an annual rate of 1.4m compared to consensus at 1.7m. At the same time the pressure came off US inflation and, in turn, off interest rates. The US dollar weakened as a result.

The Bellwether Partners Australian Share Fund achieved a positive return of 2.15% Gross for November, marginally below the benchmark return of 2.37%. With the market focus on Industrials in November the Fund benefited from holdings in AIX, DOW and TOL which contributed to the positive return. Although Paladin (PDN) provided the Fund's best return over the month, resources generally detracted from the result.

Changes made to the portfolio included building up Consumer Discretionary (adding PBL) and Industrials exposure (adding BIL) and reducing the Fund's weighting to Resource houses BHP and RIO. Energy company representation is now maintained through energy sector services company Worley Parsons (WOR) and uranium producer Paladin (PDN) rather than "majors" Woodside and Santos. In the banking sector the Fund's weighting in NAB was increased at the expense of Westpac (WBC).

## OUTLOOK

The Australian equities market has performed strongly this year, particularly over the last 2 months. A degree of caution is now appropriate as uncertainties remain about the extent and duration of the US economic slowdown and whether the prevailing firm fiscal conditions in Japan and Europe, combined with ongoing strong growth from China and India will be sufficient to offset the US slowdown. Global growth expectations remain high and will need to be translated into actual experience to allow equity markets to continue to appreciate.

It is encouraging to note that share valuations are generally considered to be around fair value with the rise in market prices being justified by strong corporate profit growth. Interest rates are almost certainly at a peak in the US and the Fed is expected to reduce rates in 2007 to avoid an economic hard landing. Similarly, domestic interest rates may well be at their peak for this cycle although any reduction in coming months is unlikely.

We anticipate that M&A activity will continue because there is a substantial build up of liquidity in Private Equity firms, Hedge Funds and also from the ongoing Superannuation contributions in Australia, of which about 35% to 40% is destined for the Australian equity market over time.

We continue to like the strategic outlook for the resources sector and while commodity prices have consolidated and in some cases fallen, the long term growth of developing countries such as China will support metal prices. In the short term, we are slightly underweight resources but will reinstate an overweight position when our extensive quantitative and qualitative research indicates the timing is appropriate.

**Bellwether Partners would like to express our appreciation for your support in 2006 and wish you and your families a Happy and Healthy festive season and a prosperous 2007.**

## POSITIVE CONTRIBUTORS

### Paladin Resources (PDN)

<b>Portfolio Contribution</b>	+0.52%
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Paladin's share price rose 22% in November on news that the world's largest Uranium producer Cameco was likely to face supply issues following the flooding of their flagship Uranium project in Canada. Spiking uranium prices and the expected commissioning of PDN's Namibian Langer Heinrich mine in late December also contributed to gains.

### Woolworths Limited (WOW)

<b>Portfolio Contribution</b>	+0.29%
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Woolworths rose 6.3% during the month, emerging as market favourite within the Consumer Staples sector against competitor Coles (CGJ). WOW's \$1 billion restructure and supply chain investment over the past seven years is expected to lead to further reductions in costs while boosting margins. Top-line sales from the food and liquor division rose 9% to \$7.0.5 billion for the October quarter, against CGJ's 6.3% to \$5.1 billion.

### Australian Infrastructure Fund (AIX)

<b>Portfolio Contribution</b>	+0.28%
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Airport traffic results above market expectation boosted the Australian Infrastructure Fund by 14.6% in November. Airport earnings performance is forecast to remain solid in the domestic market while recently flagging traffic at AIX's international airports shows signs of improvement. The dividend yield of 5.45% also provides support. Bellwether's quantitative process revealed AIX as a turnaround candidate in October, identifying early signals of an improving profit outlook and share price gains in November.

## TOP TEN HOLDINGS

Stock	B/Mark	Fund
<b>BHP Billiton Limited (BHP)</b>	8.51%	7.10%
<b>National Australia Bank Limited (NAB)</b>	5.86%	6.90%
<b>Australia &amp; New Zealand Banking Group (ANZ)</b>	4.84%	6.65%
<b>Commonwealth Bank of Australia (CBA)</b>	5.68%	5.76%
<b>Woolworths Limited (WOW)</b>	2.45%	4.91%
<b>QBE Insurance Group Limited (QBE)</b>	1.92%	4.80%
<b>Publishing &amp; Broadcasting Limited (PBL)</b>	0.81%	4.46%
<b>St George Bank Limited (SGB)</b>	1.60%	4.35%
<b>Toll Holdings Limited (TOL)</b>	0.87%	3.80%
<b>GPT Group (GPT)</b>	0.98%	3.64%
<b>Top Ten</b>		52.37%
<b>Other Stocks</b>		46.11%
<b>Cash</b>		1.52%
<b>Total</b>		100.0%

## NEGATIVE CONTRIBUTORS

### BHP Billiton Limited (BHP)

<b>Portfolio Contribution</b>	-0.43%
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After featuring as a top contributor throughout the year BHP had a weak month, falling 3.9%. Commodity price weakness in November rather than company issues triggered the decline, although BHP's connection with the AWB scandal through former executive Norman Kelly and the BHP/AWB Tigris JV may have negatively impacted sentiment. Commodity prices drifted due to concern about the US economy (particularly housing), and some substitution and destocking in China. Nevertheless we maintain our favourable view of commodities in the longer term and continue to hold BHP in the portfolio.

### Rio Tinto Limited (RIO)

<b>Portfolio Contribution</b>	-0.11%
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RIO's share price fell by 3.4% during November also on commodity price weakness, though showed signs of recovery late in the month. There were few substantive company issues causing concern, though rising costs and the availability of labour remain important issues for the major miners. During the month RIO delivered an optimistic assessment of the longevity of the commodity cycle, suggesting that the same cost pressures and supply constraints will keep prices high into 2007.

### United Group Limited (UGL)

<b>Portfolio Contribution</b>	-0.08%
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United Group fell 4.4% in November after the \$8 billion NSW Railcorp PPP project to design, construct and maintain Sydney's passenger rail carriages for the next 30 years was awarded to rival Downer EDI. Despite this, UGL remains one of the more attractive non-residential constructions companies in the market and ranks well in the Fund's quantitative model. Prior to the announcement, the Fund took a position in rival Downer EDI, significantly reducing the risk surrounding the Railcorp contract and more than offsetting the UGL loss (DOW contributed +0.18% for the month).