

Key Details

Investment Manager	Bellwether Partners Limited AFSL: 238460 Level 9, 63 Exhibition Street Melbourne Victoria 3000
Contact	Ph: 61 (0)3 96610888 Email: mail@bellwether.com.au Web: www.bellwether.com.au
Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
Number of Stocks Held	27

BELLWETHER PARTNERS LIMITED

Australian Share Fund

August 2008

Unit Price: 31 August 2008

NAV Price	1.2237
Buy Price	1.2279
Sell Price	1.2194

Australian Share Fund Performance

To 31 August 2008	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	4 Years (pa)	Inception (pa)
Fund Return (Gross)	5.74%	-4.41%	-7.92%	8.89%	14.74%	20.15%	20.75%
S&P/ASX300 Accumulation Index	4.04%	-8.35%	-14.51%	4.33%	9.42%	14.26%	14.74%
Out/Underperformance	1.70%	3.93%	6.59%	4.55%	5.33%	5.90%	6.01%

Performance numbers for periods of greater than one year have been annualized. Fund inception: 11 August 2004.

OVERVIEW

The S&P/ASX300 Accumulation Index generated a return of 4.04% for August 2008. This is the third positive month for the index out of the 10 months since November 2007. The good August performance coincided with reporting season, suggesting there were no systematic negative surprises. The Index has now fallen a substantial 16.81% for the calendar year to the end of August and an even more substantial 22.21% from its peak attained on 1 November 2007. The volume of shares traded on the Australian Stock Exchange over the month was unusually low, although the volume was not as light as it has been on the New York Stock Exchange, which had five consecutive trading sessions that saw new record low daily trading volumes for the year. Shell shock from those year to date performance numbers and investors hanging back to see if the August uptick is the start of better things to come are key reasons behind these low activity levels. In addition, China closing down some of its considerable production capacity because of the Olympic Games had a dampening effect not just on commodities but also on global stock markets.

The most important theme on the domestic front during the month was reporting season, which was reasonably strong and surprisingly resilient given the weakening domestic and international economic environment. On average, Net Profit after Tax (NPAT) was up 16% for the large cap industrial stocks and up 8% for the banks, but down 5% for the small cap industrials. Resource stocks had a good reporting season with their NPAT increasing by 41%.

Another positive factor for the market during August was the increasingly strong expectation that the Reserve Bank

of Australia (RBA) would cut interest rates by 0.25% at their next board meeting in the first week of September. Some commentators were even suggesting a 0.50% cut, although these calls cooled in the later stages of the month. Talks of interest rate cuts, a slowing domestic economy and a strengthening US dollar wreaked severe carnage on the Australian dollar, which started the month at 94.22 US cents and finished at 85.79 US cents; a fall of 8.95%.

The Bellwether Australian Share Fund (ASF) had yet another outstanding month. The ASF returned 5.74% for August, while its benchmark, the S&P/ASX300 Accumulation Index, returned only 4.04%, giving the ASF an outperformance of 1.70%. This is the best relative performance for the ASF since May 2006 and comes immediately after the ASF outperformed the benchmark by 1.47% in July. The excellent track record of the ASF (now in its fifth year) in good times and bad continues, further validating the successful Bellwether investment process.

OUTLOOK

The Australian stock market remains in attractive valuation territory and the present time represents an excellent buying opportunity, especially for optimists with long term horizons. However, the pessimists with short term horizons would argue these valuations rely on future earnings and there is some risk of earnings downgrades because of a weakening domestic and international economy. At Bellwether, we sit firmly in the long term optimist camp and believe the current circumstances present a rare opportunity to establish and consolidate positions in quality companies at bargain basement prices.

POSITIVE CONTRIBUTORS
CSL Limited (CSL)
Portfolio Contribution +0.53%

The CSL share price rose 18.64% in August. CSL released their full year result for 2008, which was broadly in line with market expectations. Other news flow for CSL was positive, with the announcement that the acquisition of another plasma manufacturer, Talecris, had been finalized for a cash consideration of US\$3.1 billion. The deal will have quite an effect on the global plasma market with the number of providers now being reduced to just four.

Cochlear Limited (COH)
Portfolio Contribution +0.34%

The Cochlear share price increased by a substantial 24.55% in August. Like CSL, the ASF has a substantial overweight position in the stock and therefore really benefited from the strong share price performance. Cochlear released its full year results during the month but despite the strong share price performance, the results were actually in line with expectations and were even helped by a lower than expected tax rate.

Leighton Holdings Limited (LEI)
Portfolio Contribution +0.33%

The Leighton share price increased by 10.53% in August. The full year results for Leighton were well received by the market, with NPAT showing solid growth on the previous year due to the abundance of contracts being awarded to the company over the period. In addition, management also gave solid guidance for FY09 indicating the good times will continue for the stock.

NEGATIVE CONTRIBUTORS
Commonwealth Bank of Australia (CBA)*
Portfolio Contribution -0.55%

The Commonwealth Bank share price rose by 6.67% in August. The ASF does not hold the bank and so this positive performance was a negative for the ASF. Commonwealth reported its full year result for 2008 during the month, which was largely in line with consensus expectations. The result reinforced the view that underlying banking conditions remain strong, despite rising provision levels. Commonwealth declined to give guidance for FY09, but did give some outlook comments, which were cautious in nature.

Macquarie Group Limited (MQG)
Portfolio Contribution -0.24%

Macquarie had an ordinary August with a share price fall of 14.37%. While there was a substantial amount of news flow for the stock during the month, there was nothing material enough to really justify the price fall.

Newcrest Mining Limited (NCM)
Portfolio Contribution -0.14%

The share price for Newcrest Mining fell 7.06% in August. This was despite the company announcing a good profit result for financial year 2008. Their five year production forecast disappointed some in the market however, and it was this disappointment that was reflected in the share price.

Top Ten Holdings: 31 August 2008

Stock	Fund (%)	B/Mark (%)
BHP Billiton (BHP)	14.42%	13.38%
Westpac Banking Corporation (WBC)	7.35%	4.18%
Telstra Corporation Limited (TLS)	6.86%	4.19%
Rio Tinto Limited (RIO)	5.65%	3.42%
Woolworths Limited (WOW)	5.38%	3.27%
CSL Limited (CSL)	5.31%	2.24%
St George Bank (SGB)	4.59%	1.59%
National Australia Bank (NAB)	4.50%	3.88%
Woodside Petroleum Limited (WPL)	4.14%	2.65%
Wesfarmers (WES)	4.13%	2.42%
Top Ten	62.34%	-
Other Stocks	34.44%	-
Cash	3.22%	-
Total	100.00%	-

* Stocks with an asterisk are not held in the Australian Share Fund.

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