

**Key Details**

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<b>Fund Inception</b>	11 August 2004
<b>Benchmark</b>	S&P/ASX 300 Accumulation Index
<b>Number of Stocks Held</b>	24

## BELLWETHER PARTNERS LIMITED

### Australian Share Fund

#### August 2009

**Unit Price: 31 August 2009**

<b>NAV Price</b>	1.1503
<b>Buy Price</b>	1.1543
<b>Sell Price</b>	1.1463

**Bellwether Partners Australian Share Fund Performance**

To 31 August 2009	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	5 Years (pa)	Inception (pa)
<b>Fund Return (Gross)</b>	6.40%	19.92%	-1.06%	-4.55%	5.46%	15.57%	16.08%
<b>S&amp;P/ASX300 Accumulation Index</b>	6.64%	19.00%	-8.04%	-11.33%	0.04%	9.40%	9.69%
<b>Out/Underperformance</b>	-0.23%	0.92%	6.98%	6.78%	5.43%	6.17%	6.39%

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

**OVERVIEW**

The Australian equity market's rise since March reached 46% by the end of August, after it gained 6.6% for the month. However, the market is still 28% below the pre GFC high it set in November 2007. Many commentators have been expecting a pull back in share prices, but it has not materialised as most of the macroeconomic news has continued to surprise on the upside. Australia performed best of the major global markets in August.

The June 2009 half year reporting season was the dominant driver of market returns over the month with aggregate earnings approximately 5-10% above consensus expectations. The market reacted well to the lack of disappointing results and positive outlook projections by most companies.

On the Australian economic front, housing prices and employment data were stronger than expected, while consumer confidence increased to its highest level since October 2007. The Reserve Bank kept rates on hold at 3.0% while the bond market is pricing in a 50 basis point rise to 3.5% before year end. The Australian dollar consolidated recent gains to finish at 84.5c.

Performance across the various sectors of the market showed a wider range of results than we have seen for a few months with the best performers being Financials, Property Trusts and Industrials, which all recorded rises of over 9%. The laggards were Materials, Telecoms and Utilities, which each showed negative returns.

The Bellwether Partners Australian Share Fund (ASF) met the challenges of a diverse market well, although it

underperformed marginally this month, the Fund still recorded a very healthy return of 6.4%. **The Fund celebrated its 5 year anniversary this month, providing a gross return of 15.57% p.a. (106.18% cumulative return), outperforming its benchmark by 6.17% p.a. (49.45% cumulative outperformance). The Fund has also performed strongly relative to peers, as shown below:**

**Bellwether Partners Australian Share Fund Ranking Against Peers Morningstar Survey - Australian Large Growth Wholesale Category^**

To 31 August 2009	3 Years	5 Years
<b>Bellwether Partners ASF Rank</b>	4	3
<b>Total Funds in the Category</b>	31	25

^ Source: Morningstar.

**OUTLOOK**

There is no question that the strong rise since March is justified by a fundamental improvement in the global and Australian economic outlook. We have weathered a severe storm in relatively robust condition, even though some sectors are still well down on 2 years ago and with unemployment having risen slightly over that time. Lower interest rates and the stimulatory packages implemented by the government have worked well and has resulted in strong positive confidence returning. But if history is any guide, there "should" have been a pause or pull-back in the equity market by now as it is unusual to record a 46% rise virtually without any interruption. A small correction may still occur but in our view, even if it did, it would not lead to a major downturn, due to the improved economic outlook and because many major investment groups, particularly the large superannuation funds, are still holding a higher than normal percentage of assets in cash.



**POSITIVE CONTRIBUTORS**

**Leighton Holdings Limited (LEI)**

**Portfolio Contribution** +0.43%

Leighton rose 22.4% in August following on from their 28.4% rise last month. The rise was supported by their advice that they have \$37bn "work in hand" and a profit for the year to 2009 which was broadly in line with expectations. The company also indicated that revenue and profit in the year to 6/2010 is likely to be "flat".

**Westpac Banking Corporation (WBC)**

**Portfolio Contribution** +0.41%

Westpac participated in a strong month for Banks (+12.3%) by rising 12.4% in August. The company announced cash earnings for the June quarter of \$1.1bn. Their commentary included "watchlist loans" which slowed in July and that customer margins are holding despite increased funding costs. Their capital position is solid and synergistic benefits are on track at about \$120m from the St George takeover.

**Toll Holdings Limited (TOL)**

**Portfolio Contribution** +0.37%

Transport stocks all rallied in August on the back of improving sentiment on the outlook for global growth. Toll rose 17.4% after its profit for the year was in line with previous guidance. The company declared a fully franked dividend of 13.5c (up 2c) while indicating that costs are being well controlled and the trading environment is showing some improvement across Australia and Asia.

**NEGATIVE CONTRIBUTORS**

**Commonwealth Bank of Australia Limited (CBA)\***

**Portfolio Contribution** -0.68%

While "Banks" rose 12.3%, Commonwealth rose 10.2%. An impressive rise certainly but the Fund does not hold CBA currently as the other 3 majors are preferred. CBA announced a strong profit of \$4.4bn for the year which was slightly above consensus due to lower provisioning and strong margins. The company announced a \$900m Tier 1 hybrid raising to further strengthen their balance sheet.

**Brambles Limited (BXB)\***

**Portfolio Contribution** -0.21%

A big winner in August rising 24.0%. Expectations were exceeded despite the company declaring underlying earnings being about 24% lower than the previous corresponding period due to lower volumes across most business units. The company also noted the recent early signs of improving macro stability in a number of markets.

**Rio Tinto Limited (RIO)**

**Portfolio Contribution** -0.16%

Rio had a disappointing month falling 7.1%. Although commodity prices have been firm, investors have been prepared to increase their risk profile by investing in more leveraged "pure plays" rather than the more stable and conservative option of investing in the major diversified companies (Rio and BHP). Rio's profit was a little below expectations with a lower price for iron ore than expected being a substantial contributing factor. Both Rio and BHP commented favourably on the outlook going forward.

**Top Five Holdings: 31 August 2009**

Stock	Fund (%)	B/Mark (%)
BHP Billiton Limited (BHP)	13.72%	11.93%
Westpac Banking Corporation (WBC)	10.72%	6.92%
National Australia Bank Limited (NAB)	7.34%	5.41%
ANZ Banking Group Limited (ANZ)	6.25%	4.84%
Woolworths Limited (WOW)	4.29%	3.33%
<b>Top Five</b>	<b>42.32%</b>	-
<b>Other Stocks</b>	<b>53.32%</b>	-
<b>Cash</b>	<b>4.36%</b>	-
<b>Total</b>	<b>100.00%</b>	-

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

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