BELLWETHER

-n. one that takes the lead or initiative

Key Details	
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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
Number of Stocks Held	30

BELLWETHER PARTNERS LIMITED
Australian Share Fund
December 2007

Unit Price: 31 December 2007	
NAV Price	$1.5331
Buy Price	$1.5385
Sell Price	$1.5277

Australian Share Fund Performance

To December 2007	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	Inception (pa)
Fund Return (Gross)	-2.27%	0.24%	24.29%	26.54%	29.31%	31.12%
S&P/ASX300 Accumulation Index	-2.64%	-2.67%	16.22%	20.30%	21.01%	24.48%
Out/Underperformance	0.37%	2.91%	8.06%	6.25%	8.30%	6.64%

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

OVERVIEW

The Australian equity market finished the year with a disappointing performance in December. The market fell 2.6% during the month, reducing the overall return for calendar 2007 to 16.2%, which still represents a fairly healthy year's return. Investors took a more cautious approach in December due to the uncertainty surrounding the contagion effects of the US credit market liquidity issue and whether or not this might lead into a 2008 recession. US and European banks recorded significant losses resulting from their exposure to the sub-prime debt market although the Australian "Big Four" banks have remained largely immune. Some of our smaller banks and non-bank lenders (eg RAMS) have had difficulty in rolling over their wholesale borrowings which are used to finance their domestic lending (primarily housing) businesses. Outside the banking sector, companies with highly leveraged balance sheets have also had difficulty in securing debt; Centro Property Group being the prime example. REIT's and infrastructure companies, which often also have highly leveraged balance sheets, suffered from investor discontent and share price falls.

Market behaviour in 2007 was quite different to previous years in that the appreciation was attributable to only a small number of stocks. The top 10 actually accounted for the entire rise in the index and, far more astonishingly, BHP and RIO alone accounted for just over half of this. The impact on fund performance was of course profound with only those funds having at least a market weight in BHP and RIO being in a position to perform well. The Bellwether Australian Share Fund was one of these.

Although currency was quite steady in December, the year saw some significant moves with the Aussie appreciating 10.9% against the US dollar. Moves against the Euro, Pound and Yen were less significant. Interest rates also rose with the Australian 10 year bond rising to 6.33% from 5.87%.

The Bellwether Australian Share Fund outperformed the market yet again in December, although by a smaller margin than in recent months. Conditions were testing with only Healthcare (up 2.3%) and Energy (up 1.6%) showing any worthwhile appreciation. Reflecting current market concerns, the Fund is currently structured in a relatively risk averse way with no large exposures away from the market and an emphasis on companies with strong balance sheets and a solid growth outlook coming mainly from domestic businesses.

OUTLOOK

Global markets, including Australia, are currently going through a tough patch with November and December yielding negative returns. The first few days of January has continued this recent weakness. Investor concerns remain the risk to corporate earnings which might flow from a slowing US economy, a strong Australian dollar, increasing cost pressures and the availability and rising cost of liquidity. Countering those issues are the extent to which growing economies, such as those found in Asia, are able to offset any US weakness. We believe the China growth story will continue through to the long term but probably not without occasional setbacks and this is, of course, largely factored into market prices. Valuations, as measured by historical standards, are not stretched with Price Earnings ratios (PEs) running at the long term average. It is the "E" in this ratio that we will be watching in the New Year.

POSITIVE CONTRIBUTORS

Centro Properties Group (CNP)*

Portfolio Contribution	+0.29%

Centro lost a massive 81% of its value in December having started the month at a share price of $5.49 and ending it at just $1.01. This is one of the bigger falls for an Australian listed stock in recent times, and is even greater than the falls Rams Home Loans suffered in October and August of 2007. The US sub-prime crises and resulting credit crunch were the drivers for both falls. The Australian Share Fund benefited from the Centro fall however, because the stock was not held in the Fund.

David Jones Limited (DJS)

Portfolio Contribution	+0.25%

The David Jones share price gained 10% in December. News flow for DJS was fairly light for the month, however, and except for some speculation on the positive impact the Christmas trading period may have on sales, there was no major announcement made. In a month when the overall market fell by approximately 2.6%, it is a good sign that one of our high conviction retail stocks performed so strongly.

Goodman Group (GMG)*

Portfolio Contribution	+0.14%

Goodman received some collateral damage from the fire aimed at Centro during December with the share price falling by over 20%. This all happened despite Goodman not being in the troubles facing Centro. Like Centro, the Fund does not hold Goodman, and so we gained relative performance from this fall.

Top Ten Holdings

Stock	Fund (%)	B/Mark (%)
BHP Billiton (BHP)	12.25	10.62
Westpac Banking Corporation (WBC)	6.47	4.06
National Australia Bank (NAB)	6.24	4.80
Woolworths Limited (WOW)	5.90	3.20
Rio Tinto Limited (RIO)	5.02	2.96
QBE Insurance Group (QBE)	4.42	2.28
Australia and NZ Bank Limited (ANZ)	4.18	4.01
Telstra Corporation Limited (TLSCA)	4.06	1.02
Westfield Group (WDC)	4.01	2.85
CSL Limited (CSL)	3.61	1.56
Top Ten	56.15	-
Other Stocks	39.37	-
Cash	4.48	-
Total	100.00	-

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

NEGATIVE CONTRIBUTORS

Toll Holdings Limited (TOL)

Portfolio Contribution	-0.39%

Toll lost just over 16% in December. Towards the end of the month, Toll announced the launching of a takeover bid for Hong Kong Stock Exchange listed BALtrans Holdings Limited for $365m. The acquisition was announced towards the end of the month and was well received by analysts, but it was not enough to stop the slide the share price had suffered since the beginning of the month. We believe the acquisition is a good one as it will allow Toll further access into China and into the US and Europe.

St George Bank Limited (SGB)

Portfolio Contribution	-0.30%

The St George Bank share price fell by nearly 13% in December. The bank held its annual general meeting halfway through the month and announced that its Chairman will step down during 2008. Apart from this, there was little news flow for the company during December. Despite the share price fall, we remain comfortable with the fundamentals of the St George business and our current overweight position in the stock.

RIO Tinto Limited (RIO)

Portfolio Contribution	-0.17%

RIO fell nearly 8% in December, but this was after a 32% rise in November due to the interest shown by BHP Billiton in possibly making a takeover bid for the company. RIO had a very solid 2007, and along with BHP, we remain strong believers in the long term strength these companies have because of their exposure to the development of the Chinese economy and the other BRIC countries.