BELLWETHER

-n. one that takes the lead or initiative

BELLWETHER PARTNERS LIMITED
Australian Share Fund
December 2009

Key Details	
Investment Manager	Bellwether Partners Limited AFSL: 238460 Level 9, 63 Exhibition Street Melbourne Victoria 3000
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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
Number of Stocks Held	29

Unit Price: 31 December 2009	
NAV Price	1.2575
Buy Price	1.2619
Sell Price	1.2531

Bellwether Partners Australian Share Fund Performance

To 31 December 2009	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	5 Years (pa)	Inception (pa)
Fund Return (Gross)	3.51%	3.40%	42.81%	-3.42%	5.05%	15.06%	17.04%
S&P/ASX 300 Accumulation Index	3.69%	3.37%	37.59%	-8.32%	-0.78%	8.29%	10.98%
Out/Underperformance	-0.18%	0.03%	5.21%	4.91%	5.83%	6.77%	6.06%

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

OVERVIEW

December saw the continuation of a resurgent sharemarket with the ASX/S&P 300 rising by 3.7%. The World (ex Aust) index also rose 3.7%. Over 2009 we saw one of the most volatile performances in history. The market rout which began in November 2007, bottomed in March 2009 (falling 51%), at that point the market had fallen 14% in 2009. Following this, the market then rose by a staggering 60% over the rest of the year. The 2009 calendar year return ended up 37.6%, while the Bellwether Australian Share Fund returned 42.8%, outperforming by 5.2%. Considering the optimistic and negative influences running through the market over the year, the outperformance was a notable achievement.

The relative performance of the Australian market versus offshore markets in 2009 is quite interesting. In local currency, global markets (ex Aust) rose by 25.4% but in Australian dollar terms (unhedged) then the return for the year would have been minus 0.3%. Clearly the strong relative performance of the Australian economy through the GFC translated into strong relative return by our sharemarket.

December saw similar returns across the various sectors. The best return came from Industrials which rose by 7.4% and the worst return came from Telecoms which only rose by 1.0%. The other sectors were bunched around the market return of 3.7%. M&A activity continued with NAB announcing a surprise bid for AXA (overbidding AMP). Whether AMP will return to the bidding war is not yet clear.

Economic data in December remained positive. The RBA lifted rates by another 0.25% to 3.75% on the basis of an improving economy. Unemployment data remained solid. Housing starts and finance data continued to indicate that the recovery in this sector is still intact. The Australian dollar fluctuated quite a bit; it rose to 93.2c early in the month, retreated to 87.4c before recovering to finish at 89.8c. During December the US dollar went through a period of strength, compared with its weak performance over the remainder of 2009, allowing the AUD to appreciate against the Euro, Pound and Yen.

Commodity prices were firm again with Nickel up 15%, Aluminium up 10% and Copper up 7%. Oil was up 3%, but Gold lost some of its gains by falling 7% to US$1,096 p/oz.

The Bellwether Australian Share Fund returned 3.5% in December which was marginally below the index.

OUTLOOK

After the rise in the market over the past few months, most observers are now indicating that the market is around fair value. In 2009 getting the macro view into perspective was crucial but in 2010 the focus will return to more stock/industry related themes. M&A activity will likely continue as it remains cheaper to buy than build growth. We see Asia giving a solid basis for growth in Australia, as it has recovered more than other major economies. Good monetary and fiscal policy management will be vital in 2010 (more so than usual) as the debate over when to tighten policy through higher interest rates has some way to go. Some argue that unless rates are raised "soon" then rising inflation will become a serious concern. The counter argument is that if government stimulus is withdrawn too early then economies will slide back into recession.

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POSITIVE CONTRIBUTORS

Incitec Pivot Limited (IPL)

Portfolio Contribution	+0.33%

Incitec Pivot rose 24.6% in December. The company is a leading global chemicals company. IPL shares fell dramatically out of favour over the past year and a half, falling from $9 to below $2. The collapse in DAP prices, a badly timed US explosives acquisition, drought and lack of farm spending were key issues. As a large and successful company which is still valued at over $6 billion, it became outstanding value and with global phosphate fertiliser prices improving and some rain across Australia, investors (including Bellwether) took a more positive view of the company's prospects.

QBE Insurance Group Limited (QBE)

Portfolio Contribution	+0.17%

QBE rose 15.1% during December. The insurance industry as a whole has been one of the top performers over the past several months and below average claim experience has left QBE and others with a strong balance sheet. Revenues are however based in offshore currencies to some extent making the company's fortunes and share price sensitive to currency movements. In December the shares reacted positively to the AUD depreciation against the USD.

Asciano Group (AIO)

Portfolio Contribution	+0.17%

Asciano appreciated 10.0% in a busy month of news flow. The company announced several new coal haulage contracts including two long term contracts in NSW with Idemitsu and Whitehaven, which are expected to generate $500m and $600m respectively over their terms. Also, AIO signed a coal haulage contract in Queensland with Aquilla and Vale. AIO's coal haulage capacity of 30mtpa is now fully contracted. Qld Government proposed asset sales are also of interest to AIO - particularly Queensland Rail, the Port of Brisbane and the Abbot Point Coal Terminal.

NEGATIVE CONTRIBUTORS

Origin Energy Limited (ORG)*

Portfolio Contribution	-0.10%

Origin rose 7.8% in December. It is not held in the ASF portfolio. The company had a busy month of news with the key items being the NSW and Qld regulators recognising the rising cost environment and recommending electricity charges to be increased in the order of 10% for 2010. Origin also had a busy month with its producer and explorer of gas business. They acquired five exploration blocks in Thailand, Laos and Vietnam; they have commenced commissioning of Kupe Gas in New Zealand and have reduced their exposure to the Otway Gas Project from 82% to 67% after their project partner exercised pre-emptive rights to buy the increased proportion.

News Corporation (NWS)*

Portfolio Contribution	-0.08%

News Corp had a strong month rising 18.5%. In the US, investor confidence improved and the stock re-rated relative to its peers. Exceptionally high early takings for the film "Avatar", a strong market for the price of uncommitted TV advertising and the slightly lower AUD against the USD all helped in the company's share price improvement.

David Jones Limited (DJS)

Portfolio Contribution	-0.08%

DJ's fell 6.3% in December due to concern about Christmas trading in the wake of three recent interest rate rises with no Government Christmas handout this year. The level of discounting by the retailers in the market also had a negative impact on investor sentiment as did the weak float by competitor Myer Holdings.

Top Five Holdings: 31 December 2009

Stock	Fund (%)	B/Mark (%)
BHP Billiton Limited (BHP)	14.09%	12.53%
Westpac Banking Corporation (WBC)	8.46%	6.50%
Commonwealth Bank Of Australia (CBA)	6.41%	7.29%
National Australia Bank Limited (NAB)	6.09%	4.97%
Wesfarmers Limited(WES)	5.31%	3.14%
Top Five	40.36%	-
Other Stocks	57.79%	-
Cash	1.85%	-
Total	100.00%	-

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