

Key Details

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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
Number of Stocks Held	29

BELLWETHER PARTNERS LIMITED

Australian Share Fund

February 2008

Unit Price: 29 February 2008

NAV Price	\$1.2468
Buy Price	\$1.2512
Sell Price	\$1.2425

Australian Share Fund Performance

To 29 February 2008	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	Inception (pa)
Fund Return (Gross)	-3.07%	-14.97%	4.13%	14.93%	20.59%	24.51%
S&P/ASX300 Accumulation Index	-0.67%	-13.92%	-0.76%	10.83%	14.77%	19.03%
Out/Underperformance	-2.40%	-1.05%	4.89%	4.10%	5.82%	5.48%

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

OVERVIEW

February was dominated by two themes; company reporting season and continued market volatility. The S&P/ASX300 Accumulation Index finished the month only slightly lower (falling by 0.7%) but this hid an unusual amount of market volatility. For example, there were five days in February 2008 (out of 21 trading days) where the absolute change in the S&P/ASX300 index was greater than 2%. Historically, this is a high number. In 2007 there was only one day in February when the absolute change in this index was greater than 2%, and in February 2006 there were none. It is a reflection of the volatility being experienced in the markets at the moment that a daily movement of 1% is considered run of the mill. The Financials Sector is bearing the impact of this volatility more than the other sectors; the financials component of the S&P/ASX300 was down 11.8% for the month, and there were eleven days in the month where the absolute change in the financials index was greater than 2%.

Reporting season was generally strong for the industrial stocks with Net Profit After Tax (NPAT) increasing by over 10% on average; however, the season was weaker for the resource stocks with NPAT falling by around 3% on average. The results generated were stronger than expected despite the currently downcast market sentiment.

On the economic front, the Reserve Bank of Australia (RBA) increased official interest rates by another 0.25% to bring the cash rate up to 7.00%. This was the third increase in rates since August 2007. The RBA was rather hawkish in its statement suggesting additional rate rises may be necessary to bring inflation back to within its 2% to 3% target band. The unemployment rate in February fell to a

33 year low of just 4.1%, while wages growth came in at 4.2%, which is a pretty good outcome considering the sustained period of very high employment. The Australian dollar finished the month at a high of 93.06 US cents, well above its January closing value of 89.58 US cents; although this strong rise is more about the US dollar falling than the Australian dollar rising.

The Bellwether Australian Share Fund lost 3.07% in February, underperforming its benchmark by 2.40%. While this performance is disappointing, the long term (and more important) performance of the Fund is still exceptional with an annualised outperformance of 5.82% above the benchmark over the past three years.

OUTLOOK

Our outlook for the market remains similar to the one we had in January, with the volatility in global markets remaining a key theme for coming months. Negative factors for the market are the slowing US economy, a strong Australian dollar, decreased access to credit and the continued fallout from the subprime debacle that still dominates news flow out of the US. On the positive side, the pullback in the market has now moved many stocks into very good value territory indeed, and we anticipate taking advantage of this as sentiment improves by increasing our holding in selected stocks and sectors. Caution, of course, is warranted at all times and the continued uncertainty and volatility suggests a defensive stance is appropriate until we judge conditions have sufficiently improved.

POSITIVE CONTRIBUTORS
Commonwealth Bank of Australia (CBA)*
Portfolio Contribution +0.72%

Commonwealth Bank had a fairly ordinary February, recording a share price fall of 14.72%. This mainly reflected a 1H08 result that disappointed the market due to an increase in the bank's provisioning charge. The stock went ex dividend during the month with a \$1.13 dividend to be paid on 2 April. Because the Australian Share Fund did not hold the bank over this period, the Fund actually benefited from the share price fall in a relative sense to the market.

Oxiana Limited (OXR)
Portfolio Contribution +0.48%

Oxiana had a stellar month in February with its share price rising by a very healthy 32.33%. Oxiana reported its Full Year results during the month and these were well received. Oxiana also benefited from rising copper and gold prices. The Fund's overweight position in the stock certainly paid off during the month.

Telstra Corporation Limited Instalment Receipts (TLSCA)
Portfolio Contribution +0.44%

Telstra had a positive February, with the share price of the instalment receipts increasing by 17.56%. Telstra made an announcement early in the month concerning increased access to high speed broadband by residential and small business customers, but this was small news compared to the release of the company's half year results in the second half of the month. The results were generally well received, as was the increased guidance for the coming financial year.

NEGATIVE CONTRIBUTORS
JB Hi-Fi Limited (JBH)
Portfolio Contribution -0.58%

JB Hi-Fi had a disappointing February with its share price falling 20.43%. This fall was despite the company announcing outstanding half year results; highlights of which were sales increasing by 50%, NPAT increasing by 60% and the dividend increasing by 100%. The profit for the half was actually higher than the profit for the previous full year, such is the impressive growth of this stock. Despite a weak February for the company, we remain firm believers in the JB Hi-Fi growth story.

Woodside Petroleum Limited (WPL)*
Portfolio Contribution -0.44%

The Woodside Petroleum share price rose by 22.98% in February. Woodside reported their full year results for FY07, and while strong, fell slightly below market expectations. Woodside are benefiting from the strong oil price, which finished February at \$101.78, up 11% for the month and up nearly 65% in the last 12 months. Because the Australian Share Fund does not hold Woodside, we lost out on this potential performance.

Telstra Corporation Limited (TLS)*
Portfolio Contribution -0.35%

The share price for the Telstra head stock rose 12.21% in February on the back of a good profit result. It is worth noting that the gain the Fund made by holding the Telstra instalment receipts (TLSCA) outweighed the loss made by not holding the head stock (TLS).

Top Ten Holdings: 29 February 2008

Stock	Fund (%)	B/Mark (%)
BHP Billiton (BHP)	13.10	11.70
Westpac Banking Corporation (WBC)	6.41	3.93
Woolworths Limited (WOW)	6.10	3.19
Rio Tinto Limited (RIO)	6.08	3.37
National Australia Bank (NAB)	5.17	4.30
CSL Limited (CSL)	4.66	1.80
Telstra Corporation Limited (TLSCA)	4.56	1.21
Australia and NZ Bank Limited (ANZ)	4.39	3.83
Newcrest Mining (NCM)	4.12	1.46
Leighton Holdings (LEI)	3.41	0.58
Top Ten	58.00	-
Other Stocks	36.14	-
Cash	5.86	-
Total	100.00	-

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

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