

Key Details

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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
Number of Stocks Held	23

BELLWETHER PARTNERS LIMITED

Australian Share Fund

February 2009

Unit Price: 28 February 2009

NAV Price	0.8440
Buy Price	0.8470
Sell Price	0.8410

Australian Share Fund Performance

To 28 February 2009	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	4 Years (pa)	Inception (pa)
Fund Return (Gross)	-1.32%	-5.28%	-29.45%	-14.29%	-2.32%	5.47%	9.89%
S&P/ASX300 Accumulation Index	-4.56%	-9.30%	-37.26%	-21.09%	-8.32%	-1.31%	3.25%
Out/Underperformance	3.24%	4.03%	7.81%	6.80%	5.99%	6.78%	6.63%

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

OVERVIEW

February proved to be another disappointing month for the market. Midway through the month the S&P/ASX 300 was up nearly 0.7% but it succumbed to accelerating earnings downgrades from Australian companies during the reporting season. Globally equity markets were focused on further concern over financial companies as the governments of the US and UK debated nationalizing key financial institutions. Fiscal stimulus packages also dominated with the US announcing a US\$787bn economic recovery package and a US\$275bn homeowner affordability and stability plan. A negative reaction was seen in global equity markets as limited specifics of the packages were detailed. The S&P/ASX 300 finished the month down 4.56%.

The December half year reporting season was the focus of Australian investors during February. The outlook for earnings was of primary concern and we saw downgrades in all the major sectors. Preserving and rebuilding capital was a recurring theme for company management and there were several capital raisings during the month and dividends were cut significantly.

The RBA cut the target cash rate by 1% at its meeting in February and signaled a slowing of its cutting over this rate cycle. The RBA has slashed 4% from the cash rate over the last 5 months to leave it currently at 3.25%. The RBA has reduced its forecasts for GDP and inflation but has not resigned itself to forecasting a recession in Australia. Housing finance showed a strong rebound of 6.4% as first home buyers were stimulated back into the market through a combination of grants and lower financing costs, making housing more affordable. Unemployment numbers have remained quite robust in Australia but across most

industries a large number of lay-offs have been announced recently and these are likely to flow through to the official figures.

There were big moves in some sectors of the Aussie market. Dragging the market lower were Industrials (-20.6%) and A-REITs (-16.4%). Better performers for the month were Energy (+2.8%), Consumer Staples (-0.1%) and Materials (-1.8%).

The Bellwether Partners Australian Share Fund (ASF) performed admirably over the month, outperforming its benchmark by 3.24%. Outperformance over the past year now stands at 7.81%.

OUTLOOK

With 91% of the companies in the S&P/ASX 200 reporting their half year results by the end of February a key positive that has emerged from this reporting season is the Australian banking sector's core earnings strength. Balance sheet and refinancing concerns still overhang some sectors of the market and some companies may continue to struggle with asset sales and rollover of debt. Companies exposed to overseas countries reinforced the weakness in the global economy. The weakened A\$ did its part to cushion the impact of weak operating conditions in the US, Europe and Asia. We expect that the Australian market could see further limited earnings downgrades from companies before a convincing end to this bear market but there are plenty of reasons to be positive about equity markets and Australia in particular. Equity valuations are by many metrics approaching outstandingly cheap levels.

POSITIVE CONTRIBUTORS
Wesfarmers Limited (WES)
Portfolio Contribution **+0.56%**

Wesfarmers shares rose 16.4% during the month after reporting first half net profit of \$879m, a 46% increase on pcp. Comparable 2Q09 sales growth was 3.8%. The resources division reported a strong increase in EBIT on the back of a high coal price but this growth is likely to fall in 2009 due to a weakening outlook for coal.

Brambles Limited (BxB)*
Portfolio Contribution **+0.40%**

Brambles declined 32.1% over the month and was one of the worst performers in the industrials sector. Brambles reported its 1H09 results during the month. Investors' concern with the results centred around one-off restructuring charges and the decision to write off 8% of the total pallet pool in the US. As Brambles is not held in the portfolio, we benefited from this large fall.

RIO Tinto Limited (RIO)
Portfolio Contribution **+0.30%**

RIO Tinto gained 14.5% during the month. Rio Tinto's board announced unanimous support for a strategic partnership with Chinalco. Rio Tinto plans to sell stakes in key assets to Chinalco in order to strengthen its balance sheet. The proposed scheme, which requires shareholder and FIRB approval, could increase Chinese ownership of RIO Tinto PLC to 19% and Rio Tinto Ltd to 14.9%. This news was taken positively by the market as RIO strongly outperformed over the month.

NEGATIVE CONTRIBUTORS
Commonwealth Bank of Australia Limited (CBA)*
Portfolio Contribution **-0.74%**

CBA shares rose 15.0% during the month after delivering a strong 1H09 result. Banks ability to maintain dividends is in question at this time. The focus on dividends was given even greater weight when CBA failed to confirm it would maintain dividends at the current level in the future.

QBE Insurance Group (QBE)
Portfolio Contribution **-0.37%**

QBE fell 20.6% over the month. QBE reported strong NPAT but increased reserves by \$200m for reported and potential claims on financial and credit related insurance policies. All insurance divisions achieved underwriting profits for the year.

Macquarie Group Limited (MQG)
Portfolio Contribution **-0.23%**

Macquarie fell 34.7% over the month after it lowered its FY09 guidance at its operational briefing held at the start of the month. Macquarie currently anticipates FY09 profit of \$900m after allowing for \$900m in writedowns and impairment charges in the second half (\$1.1b in the first half).

Top Five Holdings: 28 February 2009

Stock	Fund (%)	B/Mark (%)
BHP Billiton Limited (BHP)	15.01%	13.31%
Westpac Banking Corporation (WBC)	10.05%	6.68%
Telstra Corporation Limited (TLS)	7.47%	5.11%
Woolworths Limited (WOW)	7.03%	4.41%
National Australia Bank Limited (NAB)	6.62%	4.67%
Top Five	46.18%	-
Other Stocks	48.04%	-
Cash	5.78%	-
Total	100.00%	-

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

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