

Key Details

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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
Number of Stocks Held	28

BELLWETHER PARTNERS LIMITED

Australian Share Fund

February 2010

Unit Price: 28 February 2010

NAV Price	1.1858
Buy Price	1.1900
Sell Price	1.1816

Bellwether Partners Australian Share Fund Performance

To 28 February 2010	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	5 Years (pa)	Inception (pa)
Fund Return (Gross)	2.38%	-1.07%	45.24%	1.23%	2.19%	12.44%	15.56%
S&P/ASX 300 Accumulation Index	2.05%	-0.72%	45.06%	-4.60%	-3.33%	6.59%	9.78%
Out/Underperformance	0.33%	-0.35%	0.18%	5.83%	5.52%	5.85%	5.78%

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

OVERVIEW

February was a mixed month for the Australian equity market as it commenced in the same weak vein as January but then turned around as the reporting season progressed and finished the month with the S&P/ASX 300 rising by 2.1%. That was marginally better than global markets which rose 1.9%. Half yearly results were released for most companies in February with key trends being slower than expected sales growth offset by lower operating and interest costs. Results were mixed across the spectrum of companies reporting, reflecting the variability of demand while overall earnings were slightly ahead of consensus forecasts. Outlook comments remained fairly subdued but companies did increase dividends which became possible through the stronger balance sheet profiles developed over the past year.

The various market sectors provided quite different performances this month with Consumer Staples increasing by 7.2% while Telecoms declined by 6.3%. Other sectors were in a band of even to plus about 2.5%, although Healthcare was quite firm rising 3.9%.

Commodity prices actually rose in February after several months of sluggish performance (which reduced half yearly profit outcomes). Nickel rose by 14.4%, copper by 7.1% and "all metals" by 5.2%. Gold was firm rising by 3.4% to over US\$1,100 again and Oil was particularly strong rising 8.6%.

Key economic indicators remained positive in February while the Reserve Bank's decision to allow interest rates to remain on hold at 3.75% was somewhat unexpected. Building approvals are now 58% higher than their trough level, consumer confidence remains high and employment

growth is higher than forecast with unemployment falling to 5.3% (since revised to 5.2%). The Australian dollar was slightly higher at 89.5c against the US\$ and 65.7c against the Euro.

The Bellwether Australian Share Fund rose by 2.4% which was slightly higher than the 2.1% positive market return.

OUTLOOK

Markets seem relatively stable after the good returns in 2009, a dip in January then a consolidating February. Many observers believe the market is now at about "fair value" however there is an underlying difference of view looking forward. There is no doubt that most major economies have stopped declining and many are improving, albeit slowly. Corporate earnings are generally better than expected across the US, Europe and Australia. The key concerns though are the level of sovereign default risk and the rate of growth in China. We have seen European countries such as Greece (but also Spain, Portugal and Italy) develop debt at a level where strong disciplinary action needs to be taken in the form of expenditure cuts. At Bellwether we believe this issue will dissipate over time but will continue to cause concern over the coming year. China is growing strongly and the authorities are taking steps to slow growth to a more moderate level. The concern about China is that the economy might slow too much with a negative impact on commodity prices. Again we believe this is unlikely to occur as the country is still lacking in infrastructure and services.

POSITIVE CONTRIBUTORS
Wesfarmers Limited (WES)
Portfolio Contribution +0.33%

Wesfarmers increased by 15.2% in February. Wesfarmers 1H result was above consensus and the stock was up 3.2% on the day of the result. The standout performers in the company were Kmart and Target as well as a solid result from the Resources segment.

Westpac Banking Corporation (WBC)
Portfolio Contribution +0.22%

Westpac increased by 9.5% in February, outperforming the financials sector, which rose by 2.2%. Westpac provided a trading update for Q1 2010 during the month and stated that cash earnings were up 33% on the previous corresponding period to \$1.6bn.

Seek Limited (SEK)
Portfolio Contribution +0.18%

Seek increased by 9.6% in February, after reporting a very strong 1H result that exceeded consensus expectations. Seek report NPAT increased 12.6% over the half to \$36.6m.

NEGATIVE CONTRIBUTORS
ANZ Banking Group Limited (ANZ)*
Portfolio Contribution -0.33%

ANZ was up 6.5% in February, outperforming the financials sector which rose 2.2%. ANZ shares performed well all month and the company reported a relatively strong Q1 trading update at month end. As ANZ is no longer held in the portfolio it detracted from performance.

Toll Holdings Limited (TOL)
Portfolio Contribution -0.31%

Toll declined by 20.9% in February, with most of the fall occurring straight after reporting a disappointing 1H result. Toll's 1H result was below consensus expectations after reporting challenging conditions in Asia and their global forwarding business. Toll's expectations for 2H are for similar numbers to the 1H.

Macquarie Group Limited (MQG)
Portfolio Contribution -0.13%

Macquarie fell 9.8% in February. Macquarie provided an operational update and guidance for the 2H of 2010. The company's guidance was for 2H to be inline with 1H or possibly 10% higher. In other news from Macquarie, they announced a restructuring of their real estate funds, including the sale of management rights.

Top Five Holdings: 28 February 2010

Stock	Fund (%)	B/Mark (%)
BHP Billiton Limited (BHP)	13.19%	12.55%
Westpac Banking Corporation (WBC)	10.01%	7.06%
Commonwealth Bank Of Australia (CBA)	9.68%	7.53%
National Australia Bank Limited (NAB)	5.95%	4.90%
Wesfarmers Limited (WES)	5.61%	3.28%
Top Five	44.43%	-
Other Stocks	50.71%	-
Cash	4.85%	-
Total	100.00%	-

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