

Key Details

Investment Manager	Bellwether Partners Limited AFSL: 238460 Level 9, 63 Exhibition Street Melbourne Victoria 3000
Contact	Ph: 61 (0)3 96610888 Email: mail@bellwether.com.au Web: www.bellwether.com.au
Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
Number of Stocks Held	27

BELLWETHER PARTNERS LIMITED

Australian Share Fund

January 2010

Unit Price: 31 January 2010

NAV Price	1.1594
Buy Price	1.1635
Sell Price	1.1553

Bellwether Partners Australian Share Fund Performance

To 31 January 2010	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	5 Years (pa)	Inception (pa)
Fund Return (Gross)	-6.65%	-0.92%	40.00%	-1.50%	2.43%	12.85%	15.30%
S&P/ASX 300 Accumulation Index	-6.17%	-0.95%	35.67%	-5.87%	-3.47%	6.62%	9.52%
Out/Underperformance	-0.48%	0.03%	4.33%	4.37%	5.90%	6.23%	5.78%

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

OVERVIEW

After the strong recovery rally over the past 9 months the market succumbed to profit taking in January with the ASX 300 falling 6.2%. The 4 main catalysts behind this were:

- China put some moderate brakes on the high level of their economic growth by increasing the level of liquidity banks are required to hold, which in affect reduced the capacity of banks to lend and to help curb increasing inflation.
- Some members of the European community reached a fragile status in their debt and deficit funding levels; Greece was most notable in this respect but Portugal, Spain and Italy are also heavily in debt.
- Uncertainty about the "Henry Review" in Australia, where some commentators believe a 40% "Resources Rent Tax" may be proposed for the Australian mining industry.
- Economic statistics from the United States were not as positive as hoped, in particular the unemployment rate remaining "sticky" at around 10%, which is a concern to the growth and government revenue outlook.

The other major markets also suffered the correction falling in between 3.3% (Japan) and 8.8% (China). The market sector which performed best was IT, down 1.1%, while the worst sectors were Energy, Materials, and Staples down 9.8%, 9.0%, and 8.3% respectively. Other sectors all fell around 3.0% to 5.5%.

Australian investors are also focusing on the February reporting season after several companies announced results guidance, with upgrades outnumbering downgrades. Economic data released during January remained firm with building approvals up, retail sales reasonable given the government stimulus package was not available and unemployment levels indicating they have

peaked. Inflation was a little higher than projected, increasing pressure to reign in government spending and for the Reserve bank to raise interest rates further during the year. The Australian dollar reached a high of 93.3c against the US dollar before finishing the month at 88.4c. The A\$ was firm against the Pound and Euro however.

Commodity prices were generally weak with copper down 6.7%, aluminium down 6.6%, oil was down 8.0% and gold was down 1.5%.

The Bellwether Australian Share Fund declined by 6.6%, which was a little more than the index decline of 6.2%.

OUTLOOK

While Australia remains on track domestically for a steady economic recovery we are still subject to offshore influences and investor sentiment, some of which were mentioned earlier and discussed further below:

- China's growth is likely to be in the order of 10.0% despite some moderate measures being taken to slow it.
- It appears likely that the EU and/or the IMF will provide support to EU members currently struggling with their finances after the GFC.
- As mentioned above, a possible outcome from the "Henry Tax Review" is the introduction of a "Resources Rent Tax". This might not be an easy task, as the Commonwealth would need to persuade the states to forgo direct revenue they already receive for a share of an alternative.
- The US recovery is proving to be slow and certainly still painful, nevertheless recovery from such a deep crisis was always going to take time.

Each of these issues needs to be closely watched, but we do not expect them to derail the global recovery.

POSITIVE CONTRIBUTORS
Woolworths Limited (WOW)*
Portfolio Contribution +0.22%

Woolworths declined by 7.6% in January, slightly less than the Consumer Staples sector which fell by 8.3%, dragged down by Wesfarmers which fell by 12.0%. The Woolworths share price fall was due to disappointing sales and profit results for the December quarter released late in January. The ASF sold off its position in early January, near the top of the market for the month, this was an excellent result for the fund.

ANZ Banking Group Limited (ANZ)*
Portfolio Contribution +0.21%

ANZ fell by 5.0% in January, underperforming the financials sector, which fell by 4.3%. The ASF sold in early January, avoiding most of the fall. The banking sector generally declined after President Obama proposed new rules to limit proprietary trading by banks. While not considered necessary in Australia, it still instilled some negative impact on Australian banks.

Lihir Gold Limited (LGL)*
Portfolio Contribution +0.10%

Although the gold price fell only 1.5%, the change in direction from its previous strength caused investors to liquidate gold holdings quite extensively. Lihir fell 15.5% in January. The sudden departure of the company CEO was also a factor. Lihir is not held in the portfolio; hence its large fall had a positive impact on the ASF performance.

NEGATIVE CONTRIBUTORS
Macarthur Coal Limited (MCC)
Portfolio Contribution -0.40%

Macarthur fell by 16.0% in January, as coal operators were hurt by the negative sentiment towards China as their government set measures to slow their overheating economy, also the strong US dollar hurt commodities. The ASF took a position in Macarthur during the month, as we consider them to be a quality coal producer with prospects to raise production and profit margins. Despite the 'noise' of this early volatility, we maintain strong conviction in Macarthur over both the medium and the long term.

Wesfarmers Limited (WES)
Portfolio Contribution -0.30%

Wesfarmers declined by 12.0% in January. Despite there being little company news for the month, Woolworths poor sales results are likely to have been somewhat responsible, as skittish investors continued their eternal chase for 'efficiency'. As discussed above, the Chinese government attempting to slow their economy and the strong US dollar may have also negatively impacted sentiment regarding Wesfarmers' coal operations. Their result which is to be announced in February will provide some insight into how successful the Wesfarmers takeover of Coles is being integrated.

Rio Tinto Limited (RIO)
Portfolio Contribution -0.21%

Rio fell 9.2% in January. Its diversification across many businesses cushioned it (and BHP) from the larger falls companies with only one mine or one commodity suffered. The "China affect" flowing from China's tightening of monetary policy caused the whole resources sector to decline. Rio's quarterly production report was solid as anticipated.

Top Five Holdings: 31 January 2010

Stock	Fund (%)	B/Mark (%)
BHP Billiton Limited (BHP)	12.76%	12.20%
Commonwealth Bank Of Australia (CBA)	9.59%	7.53%
Westpac Banking Corporation (WBC)	8.56%	6.53%
National Australia Bank Limited (NAB)	6.71%	5.14%
Wesfarmers Limited (WES)	5.31%	2.94%
Top Five	42.93%	-
Other Stocks	52.34%	-
Cash	4.73%	-
Total	100.00%	-

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