

Key Details

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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
Number of Stocks Held	26

BELLWETHER PARTNERS LIMITED

Australian Share Fund

June 2008

Unit Price: 30 June 2008

NAV Price	1.1986
Buy Price	1.2028
Sell Price	1.1944

Australian Share Fund Performance

To 30 June 2008	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	Inception (pa)
Fund Return (Gross)	-6.60%	0.41%	-8.15%	6.41%	16.14%	21.03%
S&P/ASX300 Accumulation Index	-7.57%	-1.74%	-13.67%	5.62%	11.42%	15.68%
Out/Underperformance	0.97%	2.16%	5.52%	0.80%	4.72%	5.34%

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

OVERVIEW

June brought a gloomy end to the 2007/08 financial year for the Australian stock market. Not only was the key benchmark, the S&P/ASX300 Accumulation Index, down a depressing 7.57% for the month, but worse, it was down 13.67% for the full financial year. This poor return ended a remarkable period of financial year performance for the Australian market with the S&P/ASX300 returning more than 20% for each of the four consecutive financial years to 2006/07. The last negative return for a year before this was 2002/03, although this was a fall of only 1.61%, which would now be viewed as quite modest. More recently, the S&P/ASX300 Accumulation Index has now fallen 21.54% from its peak attained on 1 November 2007, "officially" moving the Australian market into bear market territory.

On the domestic economic front, retail sales, building approvals and credit growth data were released during the month, with all of these suggesting the Australian economy is indeed slowing under the weight of the recent RBA interest rate increases. Despite this, the RBA is still concerned about inflation and wants to see demand slow further. The RBA board decided to keep interest rates on hold at their meeting early in the month. Employment fell for the first time in 19 months, although the unemployment rate remained at 4.3%. A surprisingly good GDP number for 1Q08 was the only positive release with 3.6% year on year growth. The Australian dollar finished the month at 95.86 US cents, which is slightly higher than where it started.

On the international front, the US financial services sector continued its dramatic readjustment to the current poor credit market conditions with broker and rating agency downgrades of US banks and monoline bond insurers forming part of the June financial landscape. Reporting

season in the US saw many of the large investment banks reporting large write downs and looking for alternative sources of equity to improve their balance sheets. While many commentators are now backing away from their earlier predictions of a US recession, the unemployment rate in the US unexpectedly jumped from 5.0% to 5.5%. High oil prices continue to remain a concern, again increasing to record levels and closing the month at US\$139.96 a barrel. The resulting high petrol prices are having their effect on consumers, with a well followed index of consumer sentiment hitting its lowest level since 1992.

The Bellwether Australian Share Fund (ASF), while falling 6.60% for the month, outperformed the market with a very strong excess return of 0.97%. This is a continuation of the outstanding performance of the ASF with a one year excess return of 5.52% and an annualised excess return of 4.72% above the S&P/ASX300 index over the past three years.

OUTLOOK

After two consecutive months of positive returns, the Australian stock market fell again in June completely wiping out the good results of those two previous months. Despite earlier positive comments on the outlook of the Australian market, it has continued its period of weakness and has now moved, and solidly remained in, bear market territory. With the market now at near three year lows, equity valuations are becoming ever increasingly attractive. While the market has certainly taken a fall, it is hard to see how domestic conditions in Australia are grave enough to justify such a correction, especially given the relatively good standing of the Australian economy and that multi-decade low unemployment rate.

POSITIVE CONTRIBUTORS
Commonwealth Bank of Australia (CBA)*
Portfolio Contribution +0.25%

While the Commonwealth Bank share price fell 5.08% in June, this was actually a relatively good performance compared to the losses the other banks experienced during the month. Because we do not hold the bank, the ASF benefited from this fall in a relative sense to the market. Apart from the CFO making a presentation to a major broker conference, there was very little news flow for Commonwealth during the month.

Australia and New Zealand Banking Group Limited (ANZ)
Portfolio Contribution +0.20%

The ANZ share price fell by -13.65% in June. Although we like the business and remain long term holders, we have taken the strategic decision to go underweight in the short term and this has paid off well giving the portfolio a 0.20% outperformance relative to the market. On the news front, ANZ took some analysts on a tour of some of its Asian operations. The ANZ expansion strategy into Asia seems to be on track under the direction of the new CEO, Michael Smith, who has a strong background in Asia himself.

Boart Longyear Limited (BLY)
Portfolio Contribution +0.15%

The Boart Longyear share price rose by 7.73% in June. Boart released a positive trading update on the last day of May, upgrading their expected revenue growth for the current financial year.

Top Ten Holdings: 30 June 2008

Stock	Fund (%)	B/Mark (%)
BHP Billiton (BHP)	15.50%	13.36%
Rio Tinto Limited (RIO)	6.57%	3.47%
Telstra Corporation Limited (TLS)	6.44%	4.19%
Westpac Banking Corporation (WBC)	6.35%	3.60%
CSL Limited (CSL)	4.97%	1.81%
National Australia Bank (NAB)	4.95%	4.06%
Wesfarmers (WES)	4.52%	2.79%
Woolworths Limited (WOW)	4.43%	2.82%
St George Bank (SGB)	4.16%	1.48%
Leighton Holdings Limited (LEI)	4.12%	0.66%
Top Ten	62.02%	-
Other Stocks	30.47%	-
Cash	7.52%	-
Total	100.00	-

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

NEGATIVE CONTRIBUTORS
St George Bank Limited (SGB)
Portfolio Contribution -0.55%

Some of the gloss of the proposed Westpac takeover of St George came off in June with the St George share price falling 20.78%. As would be expected, there was a reasonable amount of news flow for St George during the month concerning the takeover. Like many of the banks, St George went ex-dividend early in June, explaining part of the share price fall, with the dividend to be paid in early July. The St George CEO made a presentation at the same financial services conference that Commonwealth presented at.

Westpac Banking Corporation (WBC)
Portfolio Contribution -0.38%

The Westpac share price fell 13.98% in July. This was a milder fall than that of its proposed takeover target, but unlike St George, there was no dividend payment here to soften the blow. As for St George, there was a significant amount of news flow on the proposed takeover during the month with more details coming out and more commentary on it in the market. The Westpac CEO, Gail Kelly, was also in the line up of major CEOs presenting at the financial services conference.

CSL Limited (CSL)
Portfolio Contribution -0.36%

The CSL share price fell by 10.30% in June. Early in the month, the UK government selected a rival's product for a major vaccination program in the UK and more disappointing news followed later in the US with expectations that there would be a delay in the FDA approval process for their Gardasil product for the 27-45 year old female cohort. There was some good news for CSL however, as it received approval to register its avian flu vaccine for use in Australia in the case of a flu pandemic hitting this country.