

**Key Details**

<b>Investment Manager</b>	Bellwether Partners Limited AFSL: 238460 Level 9, 63 Exhibition Street Melbourne Victoria 3000
<b>Contact</b>	Ph: 61 (0)3 96610888 Email: mail@bellwether.com.au Web: www.bellwether.com.au
<b>Fund Inception</b>	11 August 2004
<b>Benchmark</b>	S&P/ASX 300 Accumulation Index
<b>Number of Stocks Held</b>	28

## BELLWETHER PARTNERS LIMITED

### Australian Share Fund

### March 2008

**Unit Price: 31 March 2008**

<b>NAV Price</b>	\$1.1952
<b>Buy Price</b>	\$1.1994
<b>Sell Price</b>	\$1.1910

**Australian Share Fund Performance**

To 31 March 2008	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	Inception (pa)
<b>Fund Return (Gross)</b>	-4.02%	-16.50%	-2.49%	8.19%	18.89%	22.48%
<b>S&amp;P/ASX300 Accumulation Index</b>	-3.42%	-14.61%	-7.21%	6.41%	13.82%	17.41%
<b>Out/Underperformance</b>	-0.60%	-1.88%	4.73%	1.78%	5.07%	5.07%

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

**OVERVIEW**

March continued the bleak trend of the past few months with the Australian market falling yet again. The S&P/ASX300 Accumulation Index fell 3.42% in March. This is now the fifth month in a row where the market has had a negative return. The four previous falls were -2.89% in November, -2.64% in December, -11.00% in January and -0.67% in February. The cumulative fall in the index since its month end October 2007 closing value is now -19.27%. Recent market sentiment of risk aversion was again the dominant theme for the month, with the market relentlessly moving into better value territory by the day and the market price earnings ratio getting ever closer to single figures. The use of leverage in equities investment was also under the spotlight as part of this mood of risk awareness and risk minimisation.

On the economic front, the RBA increased interest rates by another 0.25% bringing the overnight cash rate to 7.25%. This is now the fourth rate increase since August 2007 and the twelfth in the current tightening cycle. It is a reflection of the current tightness of the credit markets that all four of the major banks increased their standard variable mortgage rates by more than the 0.25% rise. Other economic news included a well known index of consumer confidence falling 9.1% to 88.6 index points, bringing it to a near five year low. The unemployment rate fell to a new 33 year low of just 4.0%. The Australian dollar finished the month at 91.6 US cents, down 1.4 US cents over the month.

In regards to specific sectors, the banking sector initially took a dive in the first part of the month, but later recovered after the announcement of the JP Morgan acquisition of Wall Street bank Bear Stearns and initiatives

by the US Federal Reserve to improve liquidity in credit markets. The Resources sector moved lower despite high commodity prices. Oil and gold actually hit record highs during the month of \$US110.21 a barrel and \$US1004.30 an ounce, respectively.

The Bellwether Australian Share Fund (ASF) fell by 4.02% in March, underperforming its benchmark, the S&P/ASX300 Accumulation Index, by 0.60%. Month by month volatility is unavoidable, especially in the current market. The longer term performance of the ASF remains outstanding over a three year period with an annualized outperformance of 5.07% above the benchmark. The true skill of an investment manager only reveals itself in the longer term when short term volatility and noise is removed from performance.

**OUTLOOK**

The conundrum facing investors is the increasingly attractive valuations for equities versus the possibility of more price falls. Clouds forming over the outlook for the US economy are also casting a shadow over Australian equity returns for the first half of the year. The economic data that was released for the US during March mostly came in weaker than expected, adding to the argument that the US is heading for a recession. The Australian dollar increasing in value, limited access to credit and more skeletons being brought out of the subprime closet are negative factors that should not be forgotten. At Bellwether, however, we are optimistic about the Australian market and we are confident that the stocks in our portfolio will weather the global financial storm.

**POSITIVE CONTRIBUTORS**
**Telstra Corporation Limited (TLS)\***
**Portfolio Contribution** +0.20%

The share price for the Telstra head stock fell 6.7% in March. As the ASF does not hold TLS shares (although the ASF does hold the TLSCA installment receipts), the performance of the fund benefited from this fall. As would be expected for a company of its importance, there was a substantial amount of news flow for Telstra during the month including the Telstra CEO presenting at some international investment conferences. The stock also went ex dividend during the month.

**St George Bank Limited (SGB)**
**Portfolio Contribution** +0.18%

Despite the negative sentiment surrounding the financial stocks at the moment, the St George share price gained 8.0% in March. On the news front, St George announced that the bank would gain a \$75m pre tax windfall from the Visa IPO in the US. St George also increased their standard variable home loan rate not once during the month, but twice. Early in March there was an increase of 0.35%, followed by another 0.10% on the last day of the month.

**Fortescue Metals Group Limited (FMG)\***
**Portfolio Contribution** +0.18%

The Fortescue share price fell 17.1% in March. While this was obviously not a very good month, this kind of volatility is not unusual for this stock. Like Telstra above, because the ASF did not hold any Fortescue shares, it was not exposed to this loss and therefore gained relative performance to the market.

**NEGATIVE CONTRIBUTORS**
**Oxiana Limited (OXR)**
**Portfolio Contribution** -0.41%

The big news for Oxiana in March was the announcement of the "merger of equals" with Zinifex. If the merger is successful, then the combined entity will have a market capitalization of \$12billion, making it the third largest diversified mining company listed on the ASX. The market did not greet the news with much enthusiasm however, as OXR was down 19.9% during March (Zinifex did marginally better with a 10.3% fall).

**JB Hi-Fi Limited (JBH)**
**Portfolio Contribution** -0.38%

The JB Hi-Fi share price fell 15.3% in March. This was despite some good news coming out on its store rollout program. The previous JB Hi-Fi management guidance was for an expected number of 120 JB Hi-Fi stores across Australia and New Zealand. This has now been increased to 150, with a timeframe of four to five years. This is quite an increase from their current number of 85 and shows the strength of the JB business model.

**Newcrest Mining Limited (NCM)**
**Portfolio Contribution** -0.36%

While the gold price hit record highs in March, up above the \$US1000 an ounce mark, it did fall later in the month and this was reflected in the Newcrest share price suffering a 12.3% fall by the end of the month.

**Top Ten Holdings: 31 March 2008**

Stock	Fund (%)	B/Mark (%)
BHP Billiton (BHP)	11.72	11.14
Westpac Banking Corporation (WBC)	7.15	4.13
Woolworths Limited (WOW)	6.35	3.28
National Australia Bank (NAB)	6.12	4.51
Rio Tinto Limited (RIO)	5.66	3.20
CSL Limited (CSL)	4.90	1.80
Australia and NZ Bank Limited (ANZ)	4.68	4.09
Telstra Corporation Limited (TLSCA)	4.06	1.06
Newcrest Mining (NCM)	3.76	1.42
WorleyParsons Limited (WOR)	3.60	0.52
<b>Top Ten</b>	<b>58.02</b>	-
<b>Other Stocks</b>	<b>37.20</b>	-
<b>Cash</b>	<b>4.79</b>	-
<b>Total</b>	<b>100.00</b>	-

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

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