

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

May 2008

Unit Price: 31 May 2008

NAV Price	\$1.2824
Buy Price	\$1.2869
Sell Price	\$1.2779

Australian Share Fund Performance

To 31 May 2008	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	Inception (pa)
Fund Return (Gross)	1.44%	3.18%	-0.24%	12.04%	21.40%	23.73%
S&P/ASX300 Accumulation Index	1.71%	2.66%	-6.71%	10.97%	16.18%	18.48%
Out/Underperformance	-0.27%	0.51%	6.46%	1.08%	5.23%	5.25%

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

OVERVIEW

The Australian sharemarket finished in the black at the end of May, but was significantly off its mid month highs. The S&P/ASX300 Accumulation Index finished May with a gain of 1.71%, which was something of a disappointment as the cumulative return as at 19 May was a very strong 6.65%. In the US, the S&P 500 Index has now fallen 4.6% year to date. While this is certainly not great performance, the S&P/ASX300 has fallen 10.8% over the same period. The original cause of this poor performance (the subprime issue) was in the US and it is therefore ironic that this performance differential has emerged. This has caused some confusion amongst analysts and market commentators.

Economic data releases in Australia during May suggested the pace of domestic economic growth is slowing with retail sales, building approvals and credit growth all declining. The upside to this is that the RBA kept official interest rates on hold, and may continue to do so in the near term, assuming the mediocre data releases continue. Things are not all positive on the rate front however, as a major Australian bank recently announced that they expect another two official interest rate increases this year. The Australian dollar had a good month, ending May at 95.60 US cents, providing hope for those who believe there will be parity between the two currencies at some point in the near future.

The oil price continued its upward trend by putting on 12% and hitting a high of \$US133 a barrel. The Energy Sector was a strong performer in May because of this, and outperformed the market by a massive 18%. Other positive performers were the Information Technology, Materials and Telecommunications Sectors. At the other end of the

performance spectrum, the REITs were hit hard (again) and underperformed the market by approximately 10%.

In terms of major stock specific news, Gail Kelly, CEO of Westpac, announced a proposed takeover of her former employer St George, and Santos announced the part sale of its LNG project to Petronas. The latter had flow through affects on the Energy Sector, particularly on the attempted BG acquisition of Origin, whereby Origin decided to reject the BG offer because of perceived improved valuations in the sector.

The Bellwether Australian Share Fund (ASF) recorded a solid performance in May with a return of 1.44%. The long term returns of the ASF continue to remain outstanding with a one year outperformance of 6.46% and an annualised excess return of 5.23% above the S&P/ASX300 index over the past three years.

OUTLOOK

May provided some relief from the bearish market conditions experienced in the recent past, but while May finished on a positive note, strong gains in the first half of the month could not be sustained as the bears came out fighting in the second half. The question most fund managers are asking is whether the current up trend in the market is a "bear market rally" or a genuine return to the bull market conditions experienced up to October 2007. Given the healthy nature of the domestic economy, and the relative underperformance of the domestic share market with respect to the US market, the bears may yet have to watch out for this years running of the bulls.

POSITIVE CONTRIBUTORS
St George Bank Limited (SGB)
Portfolio Contribution +0.73%

The St George Bank share price rose 28.69% in May. The big news in the Finance Sector for the month (and the market as a whole) was the announcement of the Westpac takeover of St George. The market took the news well with most analysts and commentators expressing positive sentiment on the proposed deal. The irony of the deal is current Westpac CEO, Gail Kelly, being the previous CEO of St George. The fund benefited from its overweight exposure to St George.

Leighton Holdings Limited (LEI)
Portfolio Contribution +0.38%

The Leighton share price rose by 13.19% during May. Leighton reported its third quarter results for 2008 with NPAT increasing an impressive 49.5% on the previous corresponding period. It was also business as usual for Leighton with the announcement of a number of contract wins, the biggest of which was a \$1.55 billion contract for a mixed-use development project in Dubai. Two Leighton subsidiaries, as part of the BrisConnections Consortium, were also announced as preferred tenderers for the \$4 billion Airport Link Project in Brisbane.

Commonwealth Bank of Australia (CBA)*
Portfolio Contribution +0.28%

Commonwealth Bank had a fairly ordinary month with its share price falling 5.64%. Because the Fund does not hold Commonwealth, we actually gain performance relative to the market when its share price drops. In comparison to the big news for St George and Westpac, Commonwealth had a fairly quiet month with just a trading update being released to the market.

NEGATIVE CONTRIBUTORS
Woodside Petroleum Limited (WPL)
Portfolio Contribution -0.49%

The Woodside share price increased 16.28% during May, even though there was an increase in the tax payable to the Federal Government by the company on condensate production from the North West Shelf and onshore Australia. The fund took a strategic stake in Woodside towards the end of the month due to its solid fundamentals as a quality energy stock.

Fortescue Metals Group Limited (FMG)*
Portfolio Contribution -0.36%

The Fortescue share price rose 43.72% in May. This was due to Fortescue announcing its first shipment of iron ore during the month. Because Fortescue is not held in the portfolio, the fund lost performance relative to the benchmark.

Santos Limited (STO)*
Portfolio Contribution -0.26%

Santos had a strong month, with its share price rising 32.66%. The main driver for the good performance was the sale of 40% of its interest in Gladstone LNG to Petronas for an initial consideration of \$US2 billion cash plus an additional \$US500 million contingency payment. Because Santos is not held in the portfolio, the fund lost performance relative to the benchmark.

Top Ten Holdings: 31 May 2008

Stock	Fund (%)	B/Mark (%)
BHP Billiton (BHP)	13.99	13.20
Westpac Banking Corporation (WBC)	7.45	3.66
Telstra Corporation Limited (TLS)	6.75	4.18
Rio Tinto Limited (RIO)	6.27	3.49
National Australia Bank (NAB)	6.25	4.53
Woolworths Limited (WOW)	5.97	2.91
CSL Limited (CSL)	5.19	1.83
St George Bank (SGB)	5.15	1.56
Leighton Holdings Limited (LEI)	4.04	0.63
QBE Insurance Group (QBE)	3.59	1.81
Top Ten	64.65	-
Other Stocks	34.17	-
Cash	1.18	-
Total	100.00	-

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

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