

Key Details

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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
Number of Stocks Held	23

BELLWETHER PARTNERS LIMITED

Australian Share Fund

May 2009

Unit Price: 31 May 2009

NAV Price	0.9710
Buy Price	0.9744
Sell Price	0.9676

Australian Share Fund Performance

To 31 May 2009	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	4 Years (pa)	Inception (pa)
Fund Return (Gross)	1.59%	15.34%	-21.14%	-11.30%	-0.33%	8.99%	12.64%
S&P/ASX300 Accumulation Index	1.46%	15.90%	-29.17%	-18.71%	-4.46%	2.66%	6.29%
Out/Underperformance	0.14%	-0.56%	8.03%	7.41%	4.12%	6.33%	6.35%

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

OVERVIEW

The Australian equity market consolidated gains made over the previous weeks with a modest improvement of 1.5% in May. The market has risen 22.5% since the early March low, although it continues to trail the global equity market (MSCI World ex Aust Index) which has risen 34.9% over the same period. It should be noted that the Australian dollar has strengthened over this time, especially when compared with the US dollar.

Several significant events took place in May:

- Initial focus was on bank results which were largely in line with expectations despite increasing provisions for bad debts.
- Capital raisings increased with issues by several major companies (including the banks) at deeply discounted prices.
- The Australian Securities and Investments Commission (ASIC) lifted the ban on short selling of financial stocks from 25th May.
- The Federal government unveiled its FY10 budget, forecasting a deficit of \$57.6bn (4.9% of GDP), well above the \$35.5bn projected only a few months ago. It also exceeds the peak deficit of 4.1% of GDP in the early 1990's.

Among the industry sectors the best performers were materials and energy up about 6.6% and 6.4% respectively, REIT's improved by 4.2%, while "defensive" stocks underperformed, with healthcare down 7.0%, telco's down 6.2% and consumer staples down 5.0%.

The Australian dollar had another strong month rising to US\$0.80 and also rallied against most major currencies.

The strength was helped by higher commodity prices and US dollar weakness.

Commodity prices were strong during May as confidence in the global economic outlook improved. Oil stood out with a 31.7% rise to US\$66.31/bbl, gold was up 10.2%, nickel increased by 19.7% and copper up 5.8%. Aluminum struggled being down by 3.3%.

The Bellwether Partners Australian Share Fund (ASF) performed well during the month, marginally outperforming the market.

OUTLOOK

The key issue remains the sustainability of the current rally. Most see March as the low but the strength of the rally is causing many investors to expect some retracement in the near term. Overall, investors are more encouraged by the macroeconomic news in recent times and despite the recent rises we believe current prices represent good value on a 12 month view. As economic conditions start to improve so will corporate profits and dividend yields are also supportive.

While this financial crisis has had a contagion affect emanating in the US and becoming global, we expect the recovery to be less coordinated. Australia is fortunate, being located in the region likely to recover first - i.e. Asia. China, Japan, India and most other nations in our region are expected to record solid growth over the next couple of years and this will be of benefit to Australia.

POSITIVE CONTRIBUTORS
Toll Holdings Limited (TOL)
Portfolio Contribution +0.40%

Toll Holdings rose a healthy 19.3% in May after announcing two acquisitions. The first was a 40% stake in BIC Logistics which is provider of road, rail and air transport in India. The second was the remaining 49% stake in ST-Anda Logistics which is a logistics network operator in mainland China - this acquisition is subject to Chinese regulatory approvals. During the month Toll also announced the appointment of Brian Kruger as CEO effective from 6th July. The more positive view of forward economic activity levels also contributed to the good performance.

WorleyParsons Limited (WOR)
Portfolio Contribution +0.39%

Worley Parsons surged 23.2% in May. The resources sector generally improved and as a services provider to the sector (primarily energy) Worley benefited from the stronger market environment. Oil rose by 31.7% in the month and that in turn flowed through to stocks like Woodside and Santos but also to the usually less volatile service industry behind the producers.

David Jones Limited (DJS)
Portfolio Contribution +0.26%

David Jones achieved a major improvement in their sales against projected sales figures. Although their March quarter sales were 10.8% below the previous corresponding period in 2008, that was better than the investment industry expected and better than the negative 12% - 13% decline guidance provided by David Jones management. That better or "less worse" result combined with a firmer market allowed DJ's to bounce back nicely. It is interesting to note that the other big department store retailer, Myer, also announced that sales levels are encouraging.

NEGATIVE CONTRIBUTORS
CSL Limited (CSL)
Portfolio Contribution -0.35%

CSL declined by 15.2% after the FTC (US anti-competition regulator) instigated legal action to block the acquisition by CSL of Talecris on the basis that the transaction would substantially reduce competition in the US for 4 products. While CSL initially indicated they would oppose the FTC decision, they have subsequently decided not to proceed with the proposed takeover. Late in the month CSL signed a contract with the US government to produce vaccines for swine flu.

QBE Insurance Group Limited (QBE)
Portfolio Contribution -0.18%

QBE fell 11.2% in May. The insurance sector overall fell by 5.4% after a very strong month in April when QBE rose 13.0%. After the April rise and the ASIC decision to allow short selling in financials it appears that some moderate short positions were taken in QBE. The underlying business is sound however with the high Australian dollar being the principal issue of concern.

JB Hi-Fi Limited (JBH)
Portfolio Contribution -0.16%

JB fell 8.4% in May, retracing some of their 18.4% April rise. The business is sound and well positioned to withstand the economic slowdown. Along with staples such as food it seems the public is still prepared to spend on home entertainment. JB is a strong business with a solid profit outlook going forward. We see May as an aberration correcting some of the exuberance shown in April.

Top Five Holdings: 31 May 2009

Stock	Fund (%)	B/Mark (%)
BHP Billiton Limited (BHP)	15.25%	13.57%
Westpac Banking Corporation (WBC)	9.48%	6.40%
National Australia Bank Limited (NAB)	7.18%	4.92%
Telstra Corporation Limited (TLS)	5.84%	3.79%
ANZ Banking Group Limited (ANZ)	5.45%	4.00%
Top Five	43.21%	-
Other Stocks	52.64%	-
Cash	4.15%	-
Total	100.00%	-