

**Key Details**

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<b>Fund Inception</b>	11 August 2004
<b>Benchmark</b>	S&P/ASX 300 Accumulation Index
<b>No. Stocks Held</b>	30

## BELLWETHER PARTNERS LIMITED

### Australian Share Fund

### November 2007

**Unit Price: 30 November 2007**

<b>NAV Price</b>	\$1.5705
<b>Buy Price</b>	\$1.5760
<b>Sell Price</b>	\$1.5650

**Australian Share Fund Performance**

To November 2007	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	Inception (pa)
<b>Fund Return (Gross)</b>	-1.55%	9.80%	33.09%	30.23%	30.69%	32.96%
<b>S&amp;P/ASX300 Accumulation Index</b>	-2.89%	5.54%	23.75%	23.79%	23.36%	26.20%
<b>Out/Underperformance</b>	1.34%	4.26%	9.34%	6.44%	7.33%	6.76%

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

**OVERVIEW**

The Australian equity market suffered a moderate setback in November falling by 2.9% in only the second monthly fall in over a year. Year to date, however, the market is still up a strong 23.8%. The most significant event in November was the change of Government, and the market took this in its stride because the Rudd win was widely anticipated.

During November, the market faced the headwinds of ongoing concerns about the US economy and the realization that the US housing market and sub-prime debt issues will take some more time yet to work their way through the system. Surplus housing stock, for example, presently equates to eleven months supply of new housing requirements. Providing protection and offsetting the US woes are Asia and in particular China, where in contrast to the US, authorities are actually trying to slow growth because of concerns about inflationary pressures building.

On the domestic front in Australia, 90 day bill rates rose to 7.25% in November compared with 6.00% for 10 year bonds. This suggests the market expects further interest rate rises in the short term. The exchange rate also fell during November, declining by 5.3% to 88.41 US cents and by 4.7% to 68.90 against the trade weighted index. At least the lower Australian dollar supports exporters although commodity exporters suffered lower metals prices with nickel falling 14.5% and copper falling 10.4%. Gold opened and closed the month at US\$795 after reaching US\$837 mid month.

Amongst all this was BHP's takeover plans for RIO. It is generally acknowledged that extensive synergistic benefits would accrue from combining the companies but RIO are resisting to date. Despite all the BHP/RIO excitement, the

Materials sector was fairly flat over the month. Only Information Technology provided a strong positive return (8.0%) and this was driven by a 15.5% rise in Computershare. Financials, Property Trusts and Industrials were all down around 5% to 6%.

The Bellwether Australian Share Fund yet again outperformed the market; this month by 1.34%. This is now the sixth month in a row where the Fund has beaten the benchmark. The average monthly outperformance over this period is an amazing 1.26%. The insight of the Bellwether research and investment process is clearly illustrated by these results.

**OUTLOOK**

December is traditionally a strong month so it will be interesting to see whether the trend will continue in the face of the currently softer conditions. High cash flows are generally credited as the reason for a strong December and we expect liquidity (globally) to be high again this year. Traditional measures of value such as Price Earnings ratios (PEs) are showing the market as fairly to fully valued but with ongoing productivity improvements we see profitability remaining solid. PEs could expand a couple of points to provide encouragement that the market will provide a reasonable return again next year, but perhaps lower than the 20% to 30% gains we have experienced in recent years. Our view is based on US growth slowing substantially but avoiding a recession. Despite the US not being the all important driver of global economic activity it once was, if a hard landing does eventuate in the world's largest economy, it will still reverberate to all other markets.

**POSITIVE CONTRIBUTORS**
**RIO Tinto Limited (RIO)**
**Portfolio Contribution** +1.39%

RIO had a very strong November. After taking a while to break through the \$100 share price barrier, RIO jumped 32% to end the month at \$145.19 on the BHP Billiton takeover news. The reaction to the takeover talk was mixed with many talking about the substantial synergies that could be achieved. Earlier in the month, RIO successfully acquired over 90% of the shares in its own takeover target Alcan, and moved onto compulsory acquisition of the remaining shares.

**Newcrest Mining Limited (NCM)**
**Portfolio Contribution** +0.13%

Newcrest put on a solid 4.2% during November. While the results of the AGM were released on the first day of the month, news flow for the company was fairly light and the share price drifted up despite the general levels of negative sentiment in the market.

**WorleyParsons Limited (WOR)**
**Portfolio Contribution** +0.12%

The WorleyParsons share price appreciated by 4.3% during November, although much of this happened in the last few days of the month when WOR announced they had been awarded a \$US80m contract in Saudi Arabia. Before this announcement, the WOR share price had actually fallen 6.40%, meaning the share price jumped by 11.4% on the last two days of the month.

**NEGATIVE CONTRIBUTORS**
**BHP Billiton Limited (BHP)**
**Portfolio Contribution** -0.85%

While its takeover candidate, RIO Tinto, had a strong month, the same cannot be said for the possible acquirer with BHP shares falling 6.8% over the month. This share price movement suggests the market does not take the same optimistic view of the takeover as the BHP board and senior management do.

**National Australia Bank Limited (NAB)**
**Portfolio Contribution** -0.65%

The NAB share price dropped 11.1% during November, with the full year results released on 9 November. The bank's shares also went ex-dividend during the month, explaining part of this fall, with the 95c dividend to be paid on 18 December. During the month, NAB also announced the purchase of Great Western Bank, a regional US bank in South Dakota, for \$US798m. All up, it was a busy month for NAB.

**Westpac Banking Corporation (WBC)**
**Portfolio Contribution** -0.35%

Westpac shares fell 7.2% for the month. Like NAB, WBC also released its annual report early in November. Later in the month, RAMS shareholders approved the WBC purchase of the RAMS franchise distribution business. The shares went ex-dividend early in the month and the final dividend was paid later in November.

**Top Ten Holdings**

Stock	Fund (%)	B/Mark (%)
BHP Billiton (BHP)	12.84	10.93
Westpac Banking (WBC)	6.43	4.00
National Australia Bank (NAB)	6.20	4.72
Woolworths Limited (WOW)	5.75	3.10
Rio Tinto Limited (RIO)	5.33	3.11
QBE Insurance Group (QBE)	4.20	2.12
Australia and NZ Bank Limited (ANZ)	4.20	3.97
Telstra Corporation Limited (TLSCA)	3.95	1.01
St George Bank Limited (SGB)	3.86	1.51
Westfield Group (WDC)	3.82	2.71
Top Ten	56.57	-
Other Stocks	39.40	-
Cash	4.03	-
Total	100.00	-

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