

Key Details

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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
Number of Stocks Held	24

BELLWETHER PARTNERS LIMITED

Australian Share Fund

November 2008

Unit Price: 30 November 2008

NAV Price	0.9208
Buy Price	0.9241
Sell Price	0.9176

Australian Share Fund Performance

To 30 November 2008	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	4 Years (pa)	Inception (pa)
Fund Return (Gross)	-5.64%	-24.48%	-36.67%	-8.19%	2.41%	9.04%	11.88%
S&P/ASX300 Accumulation Index	-6.30%	-26.48%	-40.45%	-14.16%	-3.01%	2.82%	5.81%
Out/Underperformance	0.65%	2.00%	3.78%	5.96%	5.41%	6.21%	6.07%

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

OVERVIEW

November proved to be yet another difficult month for Equity Market investors. A brief but welcome respite did occur in the last week of November though when we saw a record one week increase in share prices. The rally wasn't enough to lift the market into positive territory however, with the Australian Equity Market (S&P/ASX 300) falling another 6.3%. The Australian Market was not alone with the World (ex Aust) falling 6.4%

Many economies are likely to record formal recessions over the next couple of quarters with the credit crisis having spread its effect across the world economies. As mentioned last month major Government spending has been brought forward and very heavy interest rate reductions have been made. In the short term these fiscal and monetary measures are likely to only cushion the rate of the slow down.

Australia is no exception with the economic outlook here being more or less flat. Australia's slowdown is lagging other major economies given the earlier support from the commodities boom. Again the Australian Government has been very aggressive in reducing the cash rate which saw another 0.75% cut in early November and combined with the \$AUD decline down to the low/mid 60's range against the US dollar will certainly soften the rate of slow down here.

One of the key events occurred at the very end of the month when BHP announced that it no longer believes the completion of the offer for Rio Tinto would be in the best interest of BHP shareholders. The subsequent rapid fall in the share price of Rio Tinto demonstrates the importance of having debt levels under control in the current climate.

Retail spending has been soft and that is reflected in the consumer discretionary sector falling another 14.3% in November. Information Technology was the worst performer falling 18%. Of the major sectors Banks fell 12.7% (worse than the market) and Materials and Energy fell by 3.1% and 4.3% respectively (a little better than the market).

The Bellwether Australian Share Fund (ASF) again performed creditably in these crisis conditions with the Fund beating the index by 0.65% (-5.65% against -6.30%). The ASF has now outperformed the benchmark in 14 of the past 18 months. The ASF's performance over the past twelve months has been 3.78% better than the index.

OUTLOOK

We can expect very difficult economic conditions to prevail through much of 2009. Nevertheless the equity market has a long history of anticipating changed economic circumstances. For example the peak in the equity market was twelve months ago while economies are only now falling into physical recession. We expect that the Market will also anticipate in advance an eventual improvement in economic conditions. There are several grounds on which this might be based:

- the massive injection of fiscal spending and corporate support being provided by global governments including Australia e.g. the car industry.
- the rapid and massive decline in interest rates globally
- on virtually any fundamental criteria equity valuations are cheap

The Market has fallen by as much or more as earlier crises. As mentioned earlier the market is rarely

operating on fundamentals at the moment - survival, balance sheet strength, emotion and confidence are driving this market. However we expect investors to refocus on fundamentals as forced sellers such as hedge funds get closer to completing the unwinding of their books in order to meet heavy redemption obligations.

We believe the current market represents an outstanding opportunity for those investors willing and able to take a long term view.

POSITIVE CONTRIBUTORS

Commonwealth Bank of Australia Limited (CBA)*

Portfolio Contribution +0.97%

Banks generally had a poor month in November with the sector falling by 12.7%. Commonwealth Bank was the most hard hit being down 15.4% after providing a 1st Quarter trading update which noted an increase in bad debts and that 40% of its term funding was complete. While about in line with expectations the market nevertheless treated the report cautiously. As CBA is not held in the portfolio, we benefited from this large fall.

Newcrest Mining Limited (NCM)

Portfolio Contribution +0.33%

The gold price increased by 12% to US \$818 (+15% in AUD terms) in November with Newcrest being Australia's premier gold miner increasing by 18%. The company has quality resources and the share price is likely to continue to follow the gold price. In turn the gold price will depend on investors perception of gold as a safe haven, jewelry demand from countries such as India, as a hedge against inflation and as a hedge against a falling US \$.

Incitec Pivot (IPL)*

Portfolio Contribution +0.18%

Incitec Pivot fell heavily in November by 26.6%. As Incitec is not held in the portfolio, we benefited from this large fall. The company has a stretched balance sheet and announced a 5 for 13 new issue at a heavily discounted price of \$2.50. The funds are to be used to refinance debt following the Dyno acquisition. The company's business in the rural area is nevertheless operating efficiently.

NEGATIVE CONTRIBUTORS

Rio Tinto Limited (RIO)

Portfolio Contribution -0.78%

RIO is a classic debt lesson. BHP made an offer of 3.4 BHP shares for every RIO share but RIO determined that was inadequate on the basis of their quality long term assets. However Rio's purchase of Alcan introduced very heavy debt to their balance sheet. Though not an insurmountable issue it will require deferment of capital expenditure and a reduction in operating costs. Despite RIO's short term issues they remain a quality company with quality assets.

OZ Minerals Limited (OZL)

Portfolio Contribution -0.43%

OZ Minerals - the newly merged company combining Oxiana and Zinifex. The massive fall in commodity prices and Zinc in particular, combined with the perception of excessive debt from the merger has resulted in OZ Minerals suffering a 41.8% fall in the month of November. The company has entered a trading halt while they endeavour to resolve debt refinancing issues.

Westpac Banking Corporation (WES)

Portfolio Contribution -0.30%

While the Banking sector overall had a poor month Westpac was the best performer of the 4 majors. The market is clearly seeing the merger with St George Bank as a positive move towards improving the competitive position of Westpac.

Top Five Holdings: 30 November 2008

Stock	Fund (%)	B/Mark (%)
BHP Billiton Limited (BHP)	14.62%	13.29%
Telstra Corporation Limited (TLS)	8.50%	5.38%
Woolworths Limited (WOW)	6.75%	4.16%
National Australia Bank Limited (NAB)	6.44%	4.71%
Westpac Banking Corporation (WBC)	9.67%	6.02%
Top Five	45.98%	-
Other Stocks	50.96%	-
Cash	3.06%	-
Total	100.00%	-

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

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