

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

October 2009

Unit Price: 31 October 2009

NAV Price	1.1873
Buy Price	1.1915
Sell Price	1.1831

Bellwether Partners Australian Share Fund Performance

To 30 September 2009	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	5 Years (pa)	Inception (pa)
Fund Return (Gross)	-2.57%	10.04%	27.98%	-8.04%	5.30%	14.77%	16.30%
S&P/ASX 300 Accumulation Index	-2.07%	10.97%	21.98%	-13.23%	-0.60%	8.76%	10.20%
Out/Underperformance	-0.50%	-0.93%	6.00%	5.19%	5.91%	6.01%	6.10%

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

OVERVIEW

October started with a continuation of the strong trend evident over the previous 7 months, reaching 12 month highs early in the month. But after a more volatile month than we have seen for a while, October saw the "S&P/ASX 300" finish down 2.1%. Global markets "MSCI World (ex Aust.)" were down 2.3%. Over the past 6 months, Australia has done well by outperforming global markets quite significantly, with our market up 26.1% against a 17.0% rise in the World (ex Aust) index. The fact that we survived the Global Financial Crisis (GFC) so well is the key factor. It is worth noting that although the Australian market is up 51.1% from the March low, it still remains 34.3% below its November 2007 high.

Within the Australian market there were only moderate differences in sector performance. Property Trusts were the standout with a fall of 9.0%, but they are still up by 30.2% over the past 6 months. Financials, Energy, Healthcare and Information Technology fell a little while Consumer Staples rose 1.4%. The important Materials sector was steady with a 0.3% rise in October.

On the Commodities front, Gold rose by 3.7% to US\$1,045oz and Oil had a very strong 12.1% rise. Other industrial metals were also strong improving by about 6.0%.

Interest rates rose with the official RBA cash rate rising to 3.25%, there were also warnings of further rises (confirmed by another 0.25% rise to 3.5% in November). These rate rises and our relatively robust economy are supporting the Australian Dollar, which is now trading at just under 90.0c to the US\$ and just over 61.0c against the Euro.

The Bellwether Australian Share Fund slightly underperformed the index for October, but matching volatile markets when they change direction is always challenging.

OUTLOOK

The key question is why the market stopped rising in October. Was it because it had risen too quickly driven by traders and getting ahead of fundamentals or was it because concern began to emerge about just how robust the economic improvement (Australia and globally) really is and whether or not it is sustainable. Certainly in the US the recovery is fairly anaemic as consumer sentiment and unemployment continue to cause concern. On the other hand Australia and Asia continue to enjoy relatively buoyant trading conditions.

The market will always revert to fundamentals and so corporate earnings are really the key. While FY 2010 is not expected to break any records most analysts are now focusing on FY 2011 to provide the improved profit performance required to justify the market moving forward from here. Dividends are also important and the Dividend Yield on Australian equities remains high at about 4.5% pa (still better than Bank deposit rates) and for most investors that rate is further increased through dividend imputation.

We consider the current consolidation phase to be healthy for markets by creating a fairer trading environment for genuine medium/long term investors and removing the bias aggressive traders enjoy when the market is continually rising as it has for the past 7 months.



POSITIVE CONTRIBUTORS

Rio Tinto Limited (RIO)

Portfolio Contribution +0.14%

Rio had a strong October rising 7.7% against a backdrop of the Materials sector overall rising 0.3%. Base Metals were firm over the month with Copper up 7.2% and Nickel up 6.5%. Rio is seen to be more stable now after their large capital raising and the synergistic benefits expected from the Iron Ore alliance in the Pilbara with BHP - while yet a fait accompli it is apparently progressing satisfactorily.

OZ Minerals Limited (OZL)

Portfolio Contribution +0.13%

OZ Minerals enjoyed a solid October with a rise of 5.3%. Key influences were improved copper and gold production at Prominent Hill with costs being contained to guidance levels. In addition both Copper and Gold prices rose strongly. Exploration is also proceeding satisfactorily at Prominent Hill and in Cambodia.

Brambles Limited (BXX)

Portfolio Contribution +0.12%

Brambles is not held in the portfolio and avoiding the stock contributed positively to the performance of the Fund as Brambles declined by 11.9%. The company announced a new service/quality offer for CHEP USA pallets which will involve an ongoing cost of US\$50m p.a. in order to maintain the 2 new levels of pallet quality. Further additional operating costs of US\$110m are also expected over the next 3 years. Also announced during October, was the CEO role change, effective 1st November, so with the additional cost issue and a significant management change investors preferred to take a step back.

NEGATIVE CONTRIBUTORS

Macquarie Group Limited (MQG)

Portfolio Contribution -0.30%

Macquarie fell by 15.0% in October although their 1H10 results revealed a better than expected \$79m NPAT and a higher dividend of 86c. Guidance for the second half is expected to be similar to this first half result. With markets showing signs of caution in the latter part of the month and with Macquarie being seen as higher risk than the "Main Street" banks, their performance was below the banking sector return of -1.4%.

WorleyParsons Limited (WOR)

Portfolio Contribution -0.20%

The diversified engineers came under pressure late in October as cautious AGM commentary disappointed the market. Worley finished the month down 11.1%. The company stated at their AGM that their FY10 earnings would be adversely impacted by the strong A\$ with their results skewed to 2H10.

Westfield Group (WDC)

Portfolio Contribution -0.15%

Westfield fell 11.7% in October. The Real Estate Investment Trust (REIT) sector was one of the hardest hit during the GFC and was then one of the strongest in the recovery phase from March until late October. Westfield's quarterly update is expected in mid November although it is not expected to show any major market-moving events. The US market where Westfield has extensive operations is still slow, although anecdotal evidence from others in the market suggests there is some improvement in underlying fundamentals such as shopping centre sales. Westfield's income will nevertheless be restricted until lower rents and tenant relief programmes work their way through the cycle.

Top Five Holdings: 31 October 2009

Stock	Fund (%)	B/Mark (%)
BHP Billiton Limited (BHP)	12.86%	11.48%
Westpac Banking Corporation (WBC)	11.24%	7.08%
National Australia Bank Limited (NAB)	7.96%	5.71%
ANZ Banking Group Limited (ANZ)	7.15%	5.28%
Wesfarmers Limited (WES)	5.01%	2.97%
Top Five	44.22%	-
Other Stocks	52.54%	-
Cash	3.24%	-
Total	100.00%	-

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

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