

**Key Details**

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<b>Fund Inception</b>	11 August 2004
<b>Benchmark</b>	S&P/ASX 300 Accumulation Index
<b>Number of Stocks Held</b>	27

## BELLWETHER PARTNERS LIMITED

### Australian Share Fund

### September 2008

**Unit Price: 30 September 2008**

<b>NAV Price</b>	1.0944
<b>Buy Price</b>	1.0982
<b>Sell Price</b>	1.0906

**Australian Share Fund Performance**

To 30 September 2008	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	4 Years (pa)	Inception (pa)
<b>Fund Return (Gross)</b>	-10.44%	-8.35%	-22.97%	3.80%	7.32%	16.08%	17.11%
<b>S&amp;P/ASX300 Accumulation Index</b>	-9.94%	-10.70%	-27.08%	-1.63%	3.93%	10.27%	11.38%
<b>Out/Underperformance</b>	-0.50%	2.35%	4.11%	5.43%	3.39%	5.80%	5.73%

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

**OVERVIEW**

September 2008 proved to be one of the most volatile months so far experienced in the current market correction. The S&P/ASX300 Accumulation Index finished the month 9.94% lower than where it started; and this return includes dividends paid during the month. Remove the effect of these payments and the S&P/ASX300 Index fell 10.52% in September. On a monthly basis, the Accumulation Index has now fallen 29.15% since peaking in October 2007, and has reported a negative return for eight of these past eleven months.

There were many negative factors weighing on the market during the month, many of them unprecedented in scale and implication for the stability of the global financial system. The collapse of a number of large US and European financial institutions led to the proposal of a US Treasury sourced \$US700 billion rescue package to buy nonperforming sub prime mortgage securities. Despite expectations, Congress rejected the first version of this package sending the US, and global stock markets, into deep losses late in the month. Also, the negative impacts of perceived predatory shorting lead to a 30 day ban on short selling in the Australian market, and similar actions in other markets.

On the economics front, the RBA reduced official interest rates by 0.25% early in September, and there is now the strong expectation that this will be followed up with a further cut in October. The unemployment rate came in at 4.1%, which is the second lowest in 34 years and GDP grew by 0.3%, quarter on quarter. The Australian dollar suffered another month of carnage starting September at 85.79 US cents and finishing at just 79.22 US cents; a fall of 7.66%. The two month fall in the Australian dollar is now at

15.92%. The oil price fell 12.85% but the gold price was up 5.97% at the end of the month, so the news wasn't all bad in the commodities space. On the sector front, Financials ex Property (-1.58%) and Consumer Staples (-3.40%) were the best performers, while Materials (-22.54%), Utilities (-13.13%) and Energy (-13.03%) were the worst performers. The Materials Sector was dragged down by BHP Billiton which suffered a 25.12% fall in its share price.

The Bellwether Australian Share Fund (ASF) reported a return of -10.44% in September, narrowly underperforming the broader market. The ASF has performed extremely well, however, during this period of volatile market behaviour, outperforming the market for seven of the eleven months and generating a total outperformance for the volatile period November 2007 to September 2008 of 3.10%. This is, of course, just a continuation of the outstanding long run performance of the ASF that has seen the fund outperform its benchmark by 5.80% annualized over a four year period.

**OUTLOOK**

There would appear to be an increasing number of market commentators making predictions that the market is now at, or at the very least, near its lows. Unfortunately, there were also quite a few calling the lows before September and its approximate 10% fall. A revised version of the bail out plan being passed in the US and any other market stabilizing measures taken are the most important determinants for the direction of equity markets. At Bellwether, we believe that now is a rare opportunity to purchase quality stocks at discount prices as part of a long term investment strategy.

**POSITIVE CONTRIBUTORS**
**Fortescue Metals Group Limited (FMG)\***
**Portfolio Contribution** +0.37%

The share price for Fortescue Metals Group fell a substantial 39.08% during September. This follows share price falls of 12.07% for August and 26.89% for July. The ASF benefited from these falls relative to the market because Fortescue is not held in the portfolio. We believe the market had overvalued the fundamental value of the Fortescue business and we have been expecting falls of this magnitude for some time now.

**Incitec Pivot Limited (IPL)\***
**Portfolio Contribution** +0.20%

Incitec Pivot is another company that is not held in the ASF, and we once again benefited from a share price fall of 36.47% for the stock during the month. Incitec Pivot announced a three year debt funding agreement for \$1.68 billion from a syndicate of eleven banks. Later in the month, Incitec Pivot underwent its 20-for-1 share split that saw its share price adjust from around the \$132 range down to \$6.60.

**QBE Insurance Group Limited (QBE)**
**Portfolio Contribution** +0.20%

The QBE Insurance share price rose by 10.65% in September. This is a remarkable performance considering the market as a whole was down by a similar magnitude for the month. During September, QBE announced that it had no direct, material exposure to some of the large US based financials currently experiencing problems; most notable amongst these being Lehman Brothers, Merrill Lynch and AIG. Also, it would appear that QBE escaped any financial damage from Hurricanes Gustov and Ike that have recently caused property damage in the US.

**NEGATIVE CONTRIBUTORS**
**RIO Tinto Limited (RIO)**
**Portfolio Contribution** -0.72%

RIO Tinto lost over a third of its market capitalization during September with its share price falling 33.73%. While there was little in the way of a stock specific reason for this fall, there were a number of negatives weighing on the sector, including softening commodity prices, negative implications of the credit crunch on the demand for raw materials and concerns about economic growth in China slowing down.

**Boart Longyear Limited (BLY)**
**Portfolio Contribution** -0.62%

Boart Longyear had a very poor month with its share price falling by 43.00%. Even taking into account the extreme negativity encountered in the market during the month, this was a dismal performance. The main negative for the stock was a key offshore competitor commenting that they were seeing slowing demand in certain parts of the global drilling services industry. The incoming CEO reducing his shareholding in the company by 50% also didn't help sentiment towards the stock.

**Leighton Holdings Limited (LEI)**
**Portfolio Contribution** -0.58%

The Leighton Holdings share price fell 19.26%. As is typical for the company, a reasonable number of contract wins were announced during the month, mainly in Western Australia and the United Arab Emirates. The magnitude of the share price fall was therefore disappointing.

**Top Five Holdings: 30 September 2008**

Stock	Fund (%)	B/Mark (%)
BHP Billiton (BHP)	11.73%	11.50%
Westpac Banking Corporation (WBC)	7.40%	4.38%
Telstra Corporation Limited (TLS)	7.27%	4.38%
Woolworths Limited (WOW)	5.69%	3.45%
CSL Limited (CSL)	5.32%	2.30%
<b>Top Five</b>	<b>37.41%</b>	-
<b>Other Stocks</b>	<b>60.77%</b>	-
<b>Cash</b>	<b>1.82%</b>	-
<b>Total</b>	<b>100.00%</b>	-

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

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