

Key Details

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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
Number of Stocks Held	25

BELLWETHER PARTNERS LIMITED

Australian Share Fund

September 2009

Unit Price: 30 September 2009

NAV Price	1.2200
Buy Price	1.2243
Sell Price	1.2157

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)	6.15%	21.33%	17.27%	-4.95%	8.11%	16.32%	17.16%
S&P/ASX300 Accumulation Index	6.26%	21.64%	8.51%	-11.04%	1.64%	9.92%	10.83%
Out/Underperformance	-0.11%	-0.30%	8.76%	6.09%	6.47%	6.40%	6.33%

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

OVERVIEW

September again provided a strong gain in equity investments with the S&P ASX 300 rising by 6.26%. Australia outperformed global markets which rose by 2.9% - ex Australia. The September rise marked the 7th in a row for Australia. Strong economic data and positive earnings momentum following the strong August reporting season provided the primary market support.

Investors focused on sectors leveraged to an improving economy with Financials, A-REITs and Consumer Discretionary outperforming while Telecoms, Energy, Utilities and Materials lagged. Initial Public Offerings (IPO's) are now following the trend towards capital raisings and are soaking up some of the excess market liquidity while Merger and Acquisition activity is again showing some life as business confidence improves.

Interest rates remained on hold at 3.0% although comments by the RBA indicating that rates could not be sustained at such a low rate indefinitely when the economy is continuing to display results which match or exceed projections. (Subsequently confirmed by a rise to 3.25% on October 7th). The Australian dollar is enjoying a period of strong support as global economies and demand for our resources continue to perform in favour of growth based economies. The A\$ is now 88.26c against the US\$ - a rise of 4.5% over the month. That rise compares with a rise of 6.6% against the Pound and 2.4% against the Euro.

The Bellwether Australian Share Fund returned a very healthy 6.15% in September which was marginally below the market return of 6.26%.

OUTLOOK

Investors and company management appear increasingly convinced the worst has passed. The key issues investors are grappling with now are: 1. how much of the recovery has already been priced in; 2. the sustainability of the recovery; and 3. the remaining risks in the global economy. The reporting season was strong, and valuations are still reasonable although further profit recovery is required to make value compelling. Financial conditions remain supportive with interest rates at 3.0% or even a little higher. Housing demand is very strong with only half the number of houses being built that are needed to meet requirements from immigration.

Another supportive observation is that the index is still about the same level as it was 12 months ago when the world was in crisis with the failure of Lehman, the fire sale of Merrill Lynch, the rescues of Fannie Mac and Freddie May along with the massive pump priming from all Governments to keep banks afloat - often by Governments nationalising them. Compare that with today's optimism about the future with consumer confidence at 119.3 the highest level since July 2007.

Nevertheless the All Ordinaries has been to a low of 3,111 in March 2009 and recovered to a high of 4,759 during September, therefore this has been one of the quickest and strongest recoveries in history. We believe the gains need to be consolidated for a while until some of the optimism is translated into reality. The market is however likely to continue to move forward in 2010.

**POSITIVE CONTRIBUTORS****Macquarie Group Limited (MQG)****Portfolio Contribution** +0.27%

Macquarie rose 15.7% in September following on from their 15.4% rise last month. Following the purchase of Delaware Investments in August, MQG announced significant hires during September, as they seek to become a major player on Wall Street. With this strong growth focus, MQG has benefited during the month by improving market sentiment on world economies.

Westpac Banking Corporation (WBC)**Portfolio Contribution** +0.24%

Westpac rose by 7.7% in September. The sector has benefited from improving offshore sentiment, and the strengthening Australian economy. This has contributed to greater FY11 earnings certainty and declining forecasts for doubtful debts.

David Jones Limited (DJS)**Portfolio Contribution** +0.20%

David Jones performed strongly during September, returning 17.0%, outperforming the Consumer Discretionary sector (+10.6%). The sector performed strongly with a surge in consumer sentiment to 119.3. DJS reported a strong FY09 profit with NPAT up 14%, and confirmed FY10 NPAT growth guidance of between 0-5%. DJS also advised that FY10 trading to date has been better than expected, but will wait until after the crucial Christmas period before making any changes to guidance.

NEGATIVE CONTRIBUTORS**Commonwealth Bank of Australia Limited (CBA)*****Portfolio Contribution** -0.84%

While "Banks" rose 10.5%, Commonwealth rose 12.5%. An impressive rise certainly but the Fund does not hold CBA currently as the other 3 majors are preferred. CBA announced the final sizing of the PERLS V issue to be \$1.5bn, despite strong demand in excess of \$3bn. The offer is expected to increase Group's Tier 1 capital ratio by at least 0.4%.

Suncorp-Metway Limited (SUN)***Portfolio Contribution** -0.13%

Suncorp-Metway performed strongly in September rising 13.4%. The company benefited from growing investor confidence in the banking sector. The new CEO, Patrick Snowball, started his role on 1 September. SUN also announced during the month that it was in discussions to sell their LJ Hooker real estate business.

Brambles Limited (BXB)***Portfolio Contribution** -0.10%

Brambles performed well during September, rising 10.4%. BXB was another company to benefit from the improving sentiment for world economies during the month, with the majority of their business based in the US. During the month BXB paid a 12.5c final dividend, which was 20% franked, and announced the appointment of ex-DHL Express CEO John Mullen as a new director. BXB will announce the results from their review of the US CHEP operations in early October.

Top Five Holdings: 30 September 2009

Stock	Fund (%)	B/Mark (%)
BHP Billiton Limited (BHP)	12.62%	11.35%
Westpac Banking Corporation (WBC)	10.89%	6.92%
National Australia Bank Limited (NAB)	7.48%	5.78%
ANZ Banking Group Limited (ANZ)	6.82%	5.48%
Woolworths Limited (WOW)	4.23%	3.22%
Top Five	42.03%	-
Other Stocks	52.60%	-
Cash	5.37%	-
Total	100.00%	-

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

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