

Key Details

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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
Number of Stocks Held	26

BELLWETHER PARTNERS LIMITED

Australian Share Fund

October 2008

Unit Price: 31 October 2008

NAV Price	0.9769
Buy Price	0.9803
Sell Price	0.9734

Australian Share Fund Performance

To 31 October 2008	1 Month	3 Months	1 Year	2 Years (pa)	3 Years (pa)	4 Years (pa)	Inception (pa)
Fund Return (Gross)	-10.64%	-15.37%	-33.93%	-4.48%	6.10%	11.69%	13.68%
S&P/ASX300 Accumulation Index	-12.88%	-18.37%	-38.29%	-10.28%	0.56%	5.69%	7.57%
Out/Underperformance	2.25%	3.00%	4.36%	5.80%	5.53%	6.00%	6.10%

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

OVERVIEW

October again proved to be a difficult month for equity markets around the world with the Australian market falling 12.6%, it's worst monthly performance since October 1987. While September saw the global financial system under extreme pressure with banks and other institutions failing, the focus of concern in October shifted to the efforts of governments and central banks in their bid to avoid a global recession.

In an unprecedented move the key central banks of Europe and North America (US Federal Reserve, European Central Bank, Bank of England, Bank of Canada, Bank of Sweden and the Swiss National Bank) **cut interest rates in unison** in early October. In addition the US House of Representatives (finally) approved the US\$700bn stimulus package and signaled that additional stimulus will be considered as required. Weak economic data coming from the US and Europe indicate that global economies are already either in or on the brink of recession so strong fiscal and monetary stimulus is likely to continue for some time yet.

In Australia, the Reserve Bank reduced interest rates by a full 1% against expectations of a 0.5% fall. The move reflects a switch in emphasis by the bank from fighting inflation, which is still around 5.0% against a target of 2 - 3%, to fighting an oncoming economic slowdown. Australia is better placed than many countries with an economy still showing firm growth but we are not immune to the global problems which are causing a very heavy fall in commodity prices and higher borrowing costs etc for our companies. At the consumer level there is a growing reluctance to spend in the face of market and property value (or wealth) uncertainty, job uncertainty and rising prices. Retail sales

are slowing quickly, particularly in New South Wales, as people take a more conservative approach.

In addition to the market falls the A\$ has declined further to 66.2c at month end as investors flee to safe haven currencies (the US\$ is considered a safe haven currency because of it's size and liquidity). The A\$ is also affected by the weak commodity prices. Oil and Gold have also been very weak.

While the big picture events are dominating the investment scene right now, sector performance within our market has been generally consistent with the overall trend; i.e., consumer staples fell only 5.8% in October compared with 18.6% by consumer discretionary. Other big losers were Materials (Resources) fell 17.9%, Energy 19.3% and Property Trusts 25.4%. On the other hand "basics" like healthcare fell only 2.8%, Telecoms 2.5% and Utilities 4.4%. Not one sector had a positive return.

The Bellwether Australian Share Fund (ASF) returned a negative 10.64%, which is a healthy 2.25% better than the market but of course we are find it disappointing to have to report negative returns at all. These are extraordinary times. Taking a long term view the Fund has outperformed by 6.10% p.a. since it's inception and importantly in the year to date where 9 of the 12 months fell, the fund outperformed in 8 months.

OUTLOOK

The financial "freeze" seems to be gradually thawing but in it's wake global economies are slowing rapidly and many are probably already in recession. We expect Australia to

avoid a recession. There is now a trade-off between attractive equity valuations on all historic criteria against the risk of lower corporate earnings, commodity price weakness and the implications of the financial crisis. Those companies which have a solid business model, good

cash flow and moderate debt will emerge bigger and stronger from this turmoil and we will continue to try and identify those companies. Calling the "bottom" is fraught with danger in a time of such high volatility but at some point current prices will prove to be exceptional value.

POSITIVE CONTRIBUTORS

Commonwealth Bank of Australia Limited (CBA)*

Portfolio Contribution +0.35%

The share price for Commonwealth Bank fell 5.4% during October. CBA announced that it will purchase the BankWest retail business for \$2.1 billion from HBOS Australia. The announced purchase was funded by a \$2 billion capital raising. The ASF benefited from the fall relative to the market because Commonwealth Bank is not held in the portfolio.

Santos Limited (STO)*

Portfolio Contribution +0.34%

Santos is another company that is not held in the ASF and we once again benefited from a share price fall of 29.37% for the stock during the month. Santos announced the completion of a gas supply agreement for a project of Moly Mines Limited.

AMP Limited (AMP)*

Portfolio Contribution +0.33%

AMP's share price declined 22.5% in October. In news for the company, they reported weak third quarter flows during the month. The ASF benefited from the fall relative to the market because AMP is not held in the portfolio.

NEGATIVE CONTRIBUTORS

Leighton Holdings Limited (LEI)

Portfolio Contribution -0.78%

The Leighton Holdings share price fell 36.63%. As is typical for the company, a reasonable number of contract wins were announced during the month, including a hospital contract for a consortium involving subsidiary Theiss, worth approximately \$720m. Leighton also announced during the month that they had sold part of their stake in the ConnectEast Group, saying that they are not a natural long-term holder of such assets.

Boart Longyear Limited (BLY)

Portfolio Contribution -0.66%

Boart Longyear had a very poor month with its share price falling by 61.16%. This continued the negative market sentiment for this sector of the market. Boart released updated guidance at the end of the month and downgraded earnings estimates. The company has successfully implemented cost cutting initiatives and is focused on efficiency, cost control and conservative balance sheet management to ride out the current market turmoil.

Wesfarmers Limited (WES)

Portfolio Contribution -0.63%

The Wesfarmers share price fell -24.6% during October with the main factor impacting the stock being negative sentiment towards coal. Wesfarmers held an investor briefing day in October detailing slowing sales in the first quarter. Wesfarmers remain confident on their ability to refinance short-term debt obligations.

Top Five Holdings: 31 October 2008

Stock	Fund (%)	B/Mark (%)
BHP Billiton Limited (BHP)	11.91%	11.21%
Telstra Corporation Limited (TLS)	8.06%	5.10%
National Australia Bank (NAB)	6.61%	4.85%
Woolworths Limited (WOW)	6.54%	4.03%
Westpac Banking Corporation (WBC)	6.45%	4.58%
Top Five	39.57%	-
Other Stocks	56.85%	-
Cash	3.57%	-
Total	100.00%	-

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

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