BELLWETHER PARTNERS LIMITED
Australian Share Fund
September 2006

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Fund Inception	11 August 2004
Benchmark	S&P/ASX 300 Accumulation Index
No. Stocks Held	25

UNIT PRICE as at 30 September 2006

NAV Price	$1.3138
Buy Price	$1.3184
Sell Price	$1.3092

PERFORMANCE STATISTICS

Periods ending 30 September 2006	1 month	3 months	1 year	Since Inception (p.a)
Fund Return (Gross)	-1.46%	-3.68%	14.71%	31.20%
Benchmark*	1.31%	2.94%	16.01%	25.56%
Out/Under Performance	**-2.77%**	**-6.62%**	**-1.30%**	**5.64%**

* S&P/ASX 300 Accumulation Index

OVERVIEW

The Australian Equities market returned to an environment of severe volatility in September after a period of respite in August driven by the well received company reporting season. The S&P/ASX 300 gained a modest 1.3%, masking severely unstable market conditions generated by widespread concern over the health of the US economy. M&A speculation continued to simmer in September, generating price fluctuations in takeover targets that decoupled from fundamental valuations.

Signs of a downturn in US housing led to an increased degree of risk aversion and volatility in the market as investors reduced their exposure to those sectors likely to be punished by a US economic contraction. Speculation over weaker global economies led to softer commodity prices during the month, with the diversified miners BHP and Rio Tinto hardest hit. The Materials sector was the worst performer, losing 2.5% over the month despite a rally in the later weeks after the Chinese central bank forecast faster economic growth in 2007. Weak gold and base metals prices drove mining stocks lower during the month, with the exception of nickel and zinc; their soaring prices delivered a boost to those stocks with related exposure.

The oil price declined sharply during the month as a corollary of US economic fears, as well as higher than anticipated inventories and easing tension in the Middle East. The devaluation triggered a sell-off across the Energy sector (-2.4%). The Healthcare sector outperformed (+9.6%) with the market generally bullish about companies such as Cochlear that are not exposed to macro-economic cycles. The rally in the Healthcare sector was however mostly attributable to takeover activity and speculation. The traditionally defensive Industrials (+5.3%) and Utilities (+5.0%) sectors performed well as investors moved to preserve profits.

The Bellwether Partners Australian Share Fund reported a retraction of 1.46% (gross), underperforming the benchmark S&P/ASX 300 Accumulation Index. Fundamental valuations were largely ignored in September, with market behaviour dominated by investor generated noise following the company reporting season.

In line with the macro-economic view the team increased exposure to defensive sectors at the beginning of the month, for example Financials and Industrials, reducing exposure to Resources. Nevertheless, an overweight to BHPand RIO stripped value as investors sold out of the sector on fears that the run on commodities was coming to an end. We believe that BHP and RIO now look cheap on P/E valuations and their prices will rebound; that view was supported by gains in the last week of the month.

In September we again saw evidence of the volatility of returns generated by a concentrated portfolio but are encouraged by early October performance that validates our investment decisions. As stated by CSFB in their October Quantatative Report:

"With a flurry of corporate activity in September, stocks with poor investment metrics were in demand. Low price-to-book was one of the best value factors we monitor in the latest month. Stocks with poor ROE, poor 3-year price momentum, poor earnings growth and a recent history of earnings downgrades all outperformed on average – reflecting a perception that, where management fail to deliver, stocks can attract corporate attention."

OUTLOOK

The US housing slowdown and the ensuing impact on the US economy is expected to remain a driver of market behaviour in the coming months, sustaining the risk averse conditions that generated turmoil in September. We believe recent commodity price volatility to be based on sentimental reaction to suggestions of an economic slowdown rather than being fundamentally driven. We are however aware that investor perception can materially impact short term price performance as demonstrated in September.

The impending US reporting season, commencing in October, is likely to set the direction on the market for the rest of the year. Domestically, CPI data released on October 25 appears likely to be the decider for the RBA in setting a further interest rate rise in 2006.

Our quantitative process favours solid exposure to the more stable large capitalisation resource houses while maintaining an overweight to Financials, specifically Banks for their defensive nature. We have a strong preference to large cap over small cap stocks. In a market that lacks direction, we are aware that certain company specific characteristics (such as quality management) are likely to be rewarded. Analysis of these factors is to become a focus of our qualitative research in the coming month. We continue to avoid the strategy of investing in poorly performing companies that fail to meet our quantitative criteria as the recent thematic of poorly performing stocks becoming takeover targets is not sustainable.

POSITIVE CONTRIBUTORS

Jubilee Mines NL (JBM)

Portfolio Contribution	+0.33%

Jubilee gained 14.1% over the month, one of the better results among mining stocks. The miner is highly leveraged to the nickel price and consequently has been rewarded as nickel continues to hover close to the US$14/lb price level. JBM continues to rank highly within our quantitative model.

Cochlear Limited (COH)

Portfolio Contribution	+0.13%

Cochlear rose 5.4% over the course of the month, relatively unaffected by the cost pressures exerting pressure across the market given the abundance of skilled medical technicians in the labour market. Competitor Boston Scientific announced FDA approval of their bionic ear system during the month, triggering a slide in the share price in the last weeks of September.

Cabcharge Australia Limited (CAB)

Portfolio Contribution	+0.13%

Cabcharge gained 6.93% in a month where Macquarie announced plans to fund a rival taxi fleet and voucher system. Macquarie's new vouchers would provide the first real competition to CAB's payments system, which has a near monopoly of the market. During the month Cabcharge CEO Reg Kermode reaffirmed growth expectations for FY07 and announced a final FY06 dividend up 35.3 per cent on the previous year.

NEGATIVE CONTRIBUTORS

BHP Billiton Limited (BHP)

Portfolio Contribution	-0.%

BHP ended the month weaker, losing 6.6% as investors focus turned to concern over a US economic slowdown and consequently concerns about the sustainability of Chinese demand. BHP rallied toward the end of the month as commodity prices recovered. Given the sell down, our quantitative model identifies BHP as a turnaround candidate and we continue to hold an overweight position.

Oxiana Limited (OXR)

Portfolio Contribution	-0.38%

Oxiana gained a modest 1.75% in September in response to declining gold prices which traded below the psychological benchmark of US$600/oz for most of the month. The denial of a Zinifex-led takeover triggered further losses, reversing an early run. We sold out of our position early in the month as OXR had been relegated in quantitative model and added undue risk to our portfolio.

Rio Tinto Limited (RIO)

Portfolio Contribution	-0.31%

Rio, like BHP, bore the brunt of the resources selldown in September, losing 3.9% despite a late clawback. Analysts suggest that the large miner is looking cheap at a P/E multiple of 9 times, with any US-driven falls in base metals prices already factored in to Rio's share price and earnings growth set to continue because of production growth and capital management initiatives such as share buybacks. We continue to hold an overweight position.

SIGNIFICANT PURCHASES AND SALES

Purchases	Sales
Commonwealth Bank Limited	Oxiana Limited
Westfield Group	ASX Limited
AMP Limited	Babcock & Brown Limited
Cabcharge Australia Limited	Adelaide Brighton Limited
ANZ	Rio Tinto Limited

TOP TEN HOLDINGS

Stock	B/Mark	Fund
BHP Billiton Limited (BHP)	8.19%	10.87%
Australia & New Zealand Banking Group (ANZ)	4.90%	7.82%
Commonwealth Bank of Australia (CBA)	5.84%	6.09%
Babcock and Brown Limited (BNB)	0.28%	5.60%
Westpac Banking Corporation (WBC)	4.15%	4.98%
QBE Insurance Group Limited (QBE)	1.95%	4.89%
Stockland (SGP)	1.58%	4.87%
Rio Tinto Limited (RIO)	1.97%	3.87%
St George Bank Limited (SGB)	1.01%	3.69%
Westfield Group (WDC)	2.97%	3.66%
Top Ten		**56.34%**
Other Stocks		**35.80%**
Cash		**7.86%**
Total		**100.0%**