



BELLWETHER PARTNERS LIMITED Australian Share Fund

July 2007

UNIT PRICE as at 31 July 2007

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| Investment Manager | Bellwether Partners Limited ASFL: 238460 |
| Contact | Emily Barnes Ph. (03) 9661 0880 Level 9, 63 Exhibition Street Melbourne Victoria 3000 Phone: (03) 9661 0888 Email: mail@bellwether.com.au Web: www.bellwether.com.au |
| Fund Inception | 11 August 2004 |
| Benchmark | S&P/ASX 300 Accumulation Index |
| No. Stocks Held | 30 |

| | |
|-------------------|----------|
| NAV Price | \$1.3927 |
| Buy Price | \$1.4021 |
| Sell Price | \$1.3923 |

PERFORMANCE STATISTICS

| Periods ending 31 July 2007 | 1 month | 3 months | 1 year | 2 Years | Since Inception (p.a) |
|------------------------------|--------------|--------------|---------------|--------------|-----------------------|
| Fund Return (Gross) | -0.65% | 3.03% | 26.70% | 28.54% | 31.83% |
| Benchmark* | -2.04% | 0.43% | 28.73% | 23.66% | 26.28% |
| Out/Under Performance | 1.39% | 2.60% | -2.03% | 4.88% | 5.54% |

* S&P/ASX 300 Accumulation Index

OVERVIEW

The Australian equity market took a hit in late July, which dragged the key indices down from intra month highs. The benchmark S&P/ASX 300 closed 2.04% lower at month end as ongoing deterioration in the US sub-prime debt market and housing concerns finally filtered through to the Australian bourse after heavy devaluations in the Dow Jones. Sharp falls in the last days of the month triggered a wide scale selloff in the Australian markets, particularly in the large resources houses, while sectors with overseas exposure also suffered. Only one sector gained value during the month, Materials up 1.2%. Healthcare (0.0%) and Telecoms (-0.1%) remained steady while Information Technology (-8.9%), Property Trusts (-4.6%) and Industrials (-4.3%) lagged.

Currency was also a major market theme early in July, as the appreciating Australian dollar continued to cause concern for exporters while delivering benefits for importers, particularly in the Consumer Staples and Discretionary sectors. The late month correction however pulled the AUD back to the 85 cent level and dampened speculation that the Australian dollar would reach parity with the USD.

Economic data remained a market focus in July following the much anticipated delivery of the CPI, with inflation figures suggesting that a domestic interest rate rise was imminent. Retail sales and employment data were softer than expected, while private sector credit growth and housing finance remained strong. M&A activities diminished in July, although there were a small number of significant bids announced with the Westfarmers' offer for Coles Group (CGL) and RIO's move to take over Canada's Alcan Ltd.

The Bellwether Partners Australian Share Fund adopted a defensive position as early as June, selecting a portfolio we believed could withstand a downturn. Consequently the Fund had reduced exposure to the sectors that bore the brunt of the US housing fallout. This positioning enabled the Fund to close the month down 0.65%; an exceptional outperformance of 1.39% against the Benchmark. The portfolio exceeded market returns in 8 of the 10 sectors, signalling good stock selection across the whole portfolio and providing powerful reinforcement of the Bellwether investment process.

OUTLOOK

The opening day of August was the worst day in the market since the 9/11 falls. Strong profits and solid economic growth forecasts protected financial markets from a full-blown correction in following days, although confidence has been reduced. Seeing attractive valuations emerging from what had previously been perceived as fully valued companies, bargain hunting investors have supported the market with opportunistic buying.

Analysts remain positive about the health of Australia's economy despite the US sub-prime concerns, with the Chinese building boom insulating the domestic market. Together with India and Brazil, China accounted for 70% of global growth in 2006. The mortgage defaults fuelling US economic concerns are also less likely to unfold in Australia, with Treasurer Peter Costello meeting with Chief Executives of the major Banks during July to ensure that lending standards remain stringent.

An imminent domestic interest rate rise was increasingly priced into the market after the RBA left rates on hold in early July. The consensus expectation was met on August 8, with an increase of 0.25% bringing the cash rate to 6.5%. Recent volatility in equity markets was not enough to defer a rise; with acceleration in demand for credit and retail spending as well as the ongoing tightness of the labour market noted as reasons for the rise. The increased second quarter CPI result (0.9%, up from 0.5% in the first quarter of 2007) made this move almost inevitable, no matter how politically inflammatory it may be in an election year.

An element of caution remains in the market, but the upcoming Company Reporting season should see a return to stability with earnings numbers expected to be solid across the board. Outlook comments will however attract particular interest and no doubt influence share prices. We believe that the Fund is well positioned into reporting season, with three portfolio holdings (JBH, LEI, DJS) already announcing profit upgrades.

POSITIVE CONTRIBUTORS

BHP Billiton Limited (BHP)

| | |
|-------------------------------|--------|
| Portfolio Contribution | +0.59% |
|-------------------------------|--------|

BHP Billiton was a strong performer in July, gaining 5.6% as the market digested news of competitor RIO's \$44 billion bid for aluminium producer Alcan. BHP also delivered strong quarterly production results, with coking coal production exceeding expectations. BHP retains a solid top quartile rank in our Quantitative model.

JB Hi-Fi Limited (JBH)

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|-------------------------------|--------|
| Portfolio Contribution | +0.21% |
|-------------------------------|--------|

JB Hi-Fi was buoyed by positive business confidence and consumer spending in July, up 9.1% by month end. The music discounter experienced a sharp rise in its share price despite falls elsewhere in the market. A significant portfolio overweight to JBH was rewarded as the strong AUD continued to favour importers.

Oxiana Limited (OXR)

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|-------------------------------|--------|
| Portfolio Contribution | +0.19% |
|-------------------------------|--------|

Oxiana's share price rose 5.7% as speculation rose that a \$US525 million bank facility signalled that the miner was on the acquisition trail. Comments from management assigned the funds to funding OXR's Prominent Hill gold and copper mine in SA, but also suggested that the company was looking at 'organic growth, acquisitions and various other things'.

NEGATIVE CONTRIBUTORS

National Australia Bank (NAB)

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|-------------------------------|--------|
| Portfolio Contribution | -0.48% |
|-------------------------------|--------|

NAB lost 6.5% in July as concerns over lending conditions in the US took their toll on the big banks domestically. NAB's UK operations were scrutinised during the month, with a profit growth of 15% expected to be delivered from that business segment for FY07.

Computershare Limited (CPU)

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|-------------------------------|--------|
| Portfolio Contribution | -0.38% |
|-------------------------------|--------|

Computershare was given an 11.5% haircut in July as currency pressure and the group's exposure to the US was deemed to be a negative by investors. The impact of the strong Australian dollar is also expected to flow through to the upcoming company reporting season for companies such as CPU who are heavily invested in the US market.

QBE Insurance Group Limited (QBE)

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|-------------------------------|--------|
| Portfolio Contribution | -0.16% |
|-------------------------------|--------|

QBE were also punished by their overseas exposure, down 3.9% by month end. As well as US concerns, the insurer's share price was driven down by speculation that they were exposed to the flood damage bills in the UK which they failed to comment on. The group enjoyed some positive newsflow mid-month by signing a joint-venture agreement with diversified conglomerate Rajan Raheja Group, marking their first step into India's growing general insurance market.

TOP TEN HOLDINGS

| Stock | Fund | B/Mark |
|--|---------------|--------|
| BHP Billiton Limited (BHP) | 10.92% | 9.98% |
| National Australia Bank Limited (NAB) | 6.96% | 5.08% |
| Australia & New Zealand Banking Group (ANZ) | 6.24% | 4.23% |
| Westpac Banking Corporation (WBC) | 5.98% | 3.92% |
| Woolworths Limited (WOW) | 4.74% | 2.63% |
| QBE Insurance Group Limited (QBE) | 3.98% | 2.07% |
| AMP Limited (AMP) | 3.56% | 1.52% |
| St George Bank Limited (SGB) | 3.41% | 1.47% |
| Worley Parsons Limited (WOR) | 3.39% | 0.43% |
| CSL Limited (CSL) | 3.34% | 1.31% |
| Top Ten | 52.52% | |
| Other Stocks | 43.95% | |
| Cash | 3.53% | |
| Total | 100.0% | |

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