

# Bellwether Partners

## AUSTRALIAN SHARE FUND

### Quarterly Report December 2004

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<b>Fund Inception</b>	11 August 2004
<b>Benchmark</b>	S&P/ASX 300 Accumulation Index
<b>Portfolio Value</b>	\$1,786,266.82
<b>No. Stocks Held</b>	23

#### UNIT PRICES as at 31 December 2004

NAV Price	\$1.1539
Buy Price	\$1.1579
Sell Price	\$1.1499

\*Unit prices represent the value of a Unit in the Fund as at 31 December 2004, post distribution.

#### PERFORMANCE STATISTICS After Fees

	December Quarter (Q4 2004)	Since Inception
<b>Australian Share Fund Return</b>	+8.9%	+15.2%
<b>Benchmark*</b>	+11.4%	+17.7%
<b>Out/Under Performance</b>	-2.5%	-2.5%

\*The Benchmark for the Bellwether Partners Limited Australian Share Fund is the S&P/ASX 300 Accumulation Index

#### INVESTMENT PHILOSOPHY

The Bellwether Partners Limited Australian Share Fund aims to deliver superior medium to longer term returns by investing in a concentrated portfolio of quality Australian industrial and resource shares listed on the S&P ASX 300 Accumulation Index.

#### PORTFOLIO CONSTRUCTION

In line with our investment philosophy, the Fund is limited to a maximum twenty-five (25) stocks. Bellwether Partners' Investment Committee oversees the construction of the portfolio utilising the output from both our quantitative and qualitative processes.

#### REVIEW OF QUARTERLY PERFORMANCE

Over the December 2004 quarter the Bellwether Partners Australian Share Fund returned 8.9% versus its benchmark return of 11.4%.

#### Positive Contributors:

- Good stock selection and an overweight to the **Consumer Discretionary** sector which rose 12.2%, outperforming the broader market.
- Good stock selection in the **Materials** sector; 2.1% versus the sector return of 1.7%.

- Overweight **Aristocrat (ALL)** rose 28.4%, supported by profit upgrade driven by strong performance across the business, with good cost control expanding profit margins.
- Overweight **Perpetual (PPT)** rose 25.5%, buoyed by an announcement by management at AGM that FY05 profit growth is likely to exceed 10% and strong funds inflows into funds management operation now totalling over \$AUD25bn.
- Overweight **Gloucester Coal (GCL)** gained 22.9%, benefited along with other bulk commodity stocks on analyst's expectations of increases in coal prices and potential expanding Chinese demand. During the period the portfolio held positions in **Centennial Coal (CEY)** and **Macarthur Coal (MCC)**.
- Overweight **SFE Corporation (SFE)** 19.5% buoyed by strong equity market activity, SFE hit a record number of 950,000 contracts for one day in December. SFE also announced a new fee schedule for 2005 which will increase revenue by 7% if volumes remain the same as 2004.
- Overweight **Suncorp-Metway (SUN)** rose 13.6% on positive investor expectation for FY05 and belief the regions offered potentially greater returns than the majors.

## REVIEW OF QUARTERLY PERFORMANCE

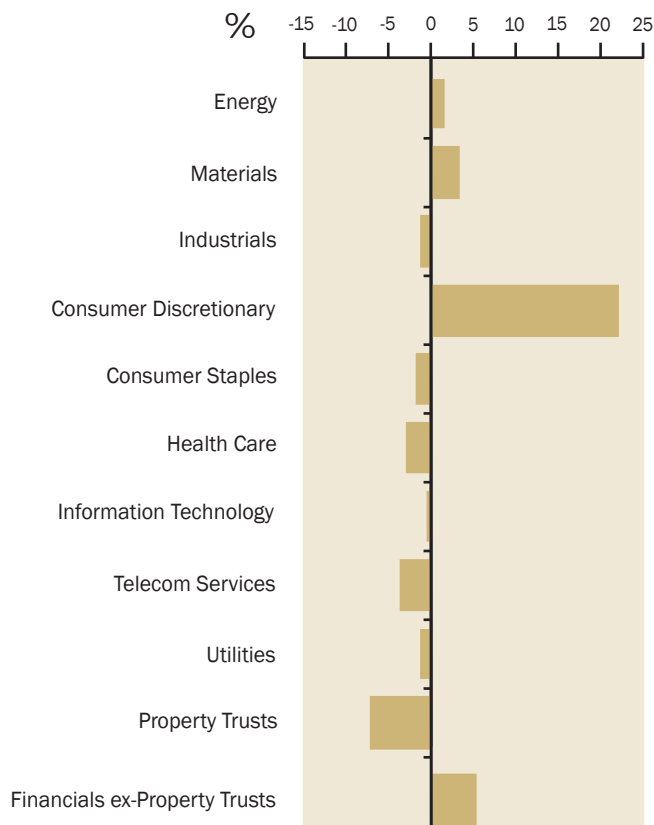
### Negative Contributors:

Whilst the return of the portfolio over the December quarter was disappointing, investors should be aware that in markets which exhibit strong returns (across a broad range of sectors) such as those which characterised 2004 it is those portfolios which hold a large selection of stocks which tend to participate in the “broad market rally”.

As our investors are aware Bellwether Partners investment approach is based on a concentrated portfolio of stocks. This investment approach will at times exhibit a greater degree of volatility of returns than a portfolio which contain a larger universe of securities, however it is the managers belief that such portfolios over the longer term will provide superior returns.

- Underweight **Consumer Staple** sector 8.2% versus the benchmark 15.5% and less favorable stock selection.
- **United Group Limited (UGL)** rose 5.7% over the quarter underperforming the broader Industrial sector. Timing issues saw the stock detract -0.21% from the portfolio’s performance.
- Overweight **Brambles (BIL)** -1.8%. Although the company reconfirmed its previous FY05 outlook, the market had priced in a potential further upgrade at the companies AGM. Our holding in the stock detracted -0.20% from the portfolio’s performance.

### ASSET ALLOCATION Active v. Benchmark



## NEWS AND OTHER DEVELOPMENTS

### Distribution at 31 December 2004

The table below provides details of the first distribution from the Bellwether Partners Australian Share Fund dated 31 December 2004.

Distribution cents per unit	\$0.0708
Number of Units on issue prior to the distribution	1,548,033.6046
Distribution Reinvested Reinvestment Price as at 04 January 2004	\$1.0839

### Change of reporting requery

From January 2005, Investment Reports for the Bellwether Partners Australian Share Fund will be issued monthly instead of quarterly.

### TOP TEN HOLDINGS

Stock	B/Mark	Fund
Australia & New Zealand Banking Group (ANZ)	4.82%	6.90%
Westpac Banking Corporation (WBC)	4.32%	6.53%
Aristocrat Leisure Ltd (ALL)	0.35%	5.92%
Perpetual Trustees Ltd (PPT)	0.25%	5.80%
Woolworths Ltd (WOW)	1.88%	5.66%
Rinker Group Ltd (RIN)	1.18%	5.41%
Unitab Ltd (UTB)	0.17%	5.36%
JB Hi-Fi Ltd (JBH)	0.04%	5.24%
SFE Corporation Ltd (SFE)	0.13%	5.15%
Oil Search Ltd (OSH)	0.18%	5.06%
Top Ten		57.03%
Other Stocks		38.87%
Cash		4.10%
Total		100%

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