BELLWETHER PARTNERS LIMITED

OFFSHORE STRATEGIES FUND

Australian Equities Long/Short Portfolio

Performance Report May 2007

Portfolio Strategy	Australian Long/Short Equities
Fund Objective	To achieve a positive return over a rolling one-year period, primarily from taking long and short positions in listed Australian companies.
Investor Profile	**Non-Australian resident investors only**
Inception	12 July 2005
Domicile	Grand Cayman, Cayman Islands
Investment Advisor	Bellwether Partners Limited ASFL: 238460
Prime Broker/Custodian	Deutsche Bank AG, London Branch
Administrator	HSBC Institutional Trust Services (Asia) Limited
Investment Advisor Contact	Level 9, 63 Exhibition Street Melbourne Victoria 3000 AUSTRALIA Phone: (+613) 9661 0888 Fax: (+613) 9661 0898 Email: mail@bellwether.com.au Website: www.bellwether.com.au
Registered Office	P.O. Box 908 GT George Town Grand Cayman Cayman Islands

PORTFOLIO SUMMARY as at 31 May 2007

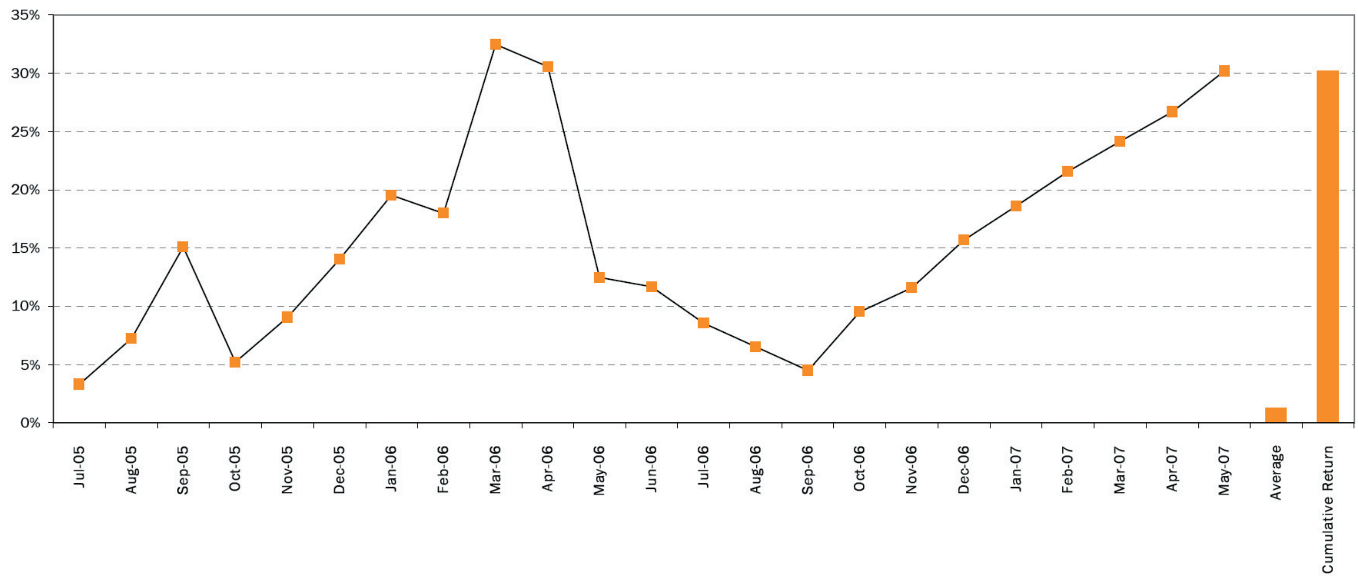
Gross NAV Unit Price	139.71
Monthly Return	2.80%
Return from Inception*	30.19%
Total Cash as % of NAV	7.29%
Total Long Positions	33
Total Short Positions	1
Gross Long Exposure	67.21%
Gross Short Exposure	-
Futures Exposure	-0.10
Net Exposure	67.11%

* Compounded Return (geometric)

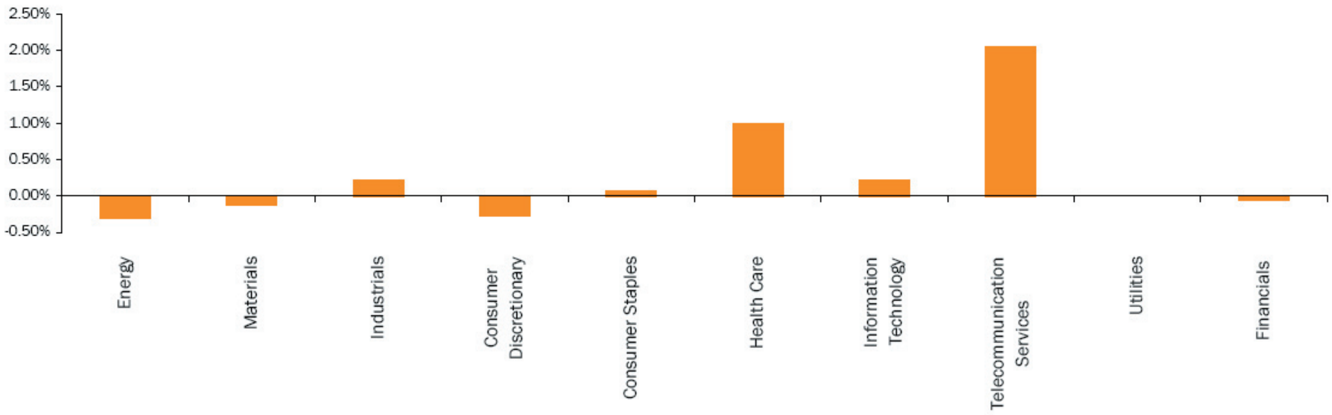
MONTHLY PERFORMANCE (After Fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	2.53%	2.48%	2.11%	2.04%	2.80%								11.96%
2006	4.79%	-1.31%	12.30%	-1.42%	-13.86%	-0.72%	-2.79%	-1.89%	-1.88%	4.80%	1.90%	3.67%	
2005	-	-	-	-	-	-	3.29%	3.80%	7.35%	–8.60%	3.66%	4.59%	

MONTHLY RETURNS (After Fees)



CONTRIBUTION TO TOTAL RETURN by Sector (GICS): May 2007



PERFORMANCE CONTRIBUTIONS

Top	Contribution (%)	Position
ANE	0.71%	Long
BHP	0.62%	Long
LEI	0.55%	Long
RIO	0.47%	Long
CAB	0.27%	Long

Bottom	Contribution (%)	Position
ANZ	-0.27%	Long
WAN	-0.26%	Long
FXJ	-0.14%	Long
ERA	-0.12%	Long
IPG	-0.12%	Long

OVERVIEW

The Australian Equity market continued its upward trend in what is typically a slow month for equity markets. May was spurred on by persisting M&A activity and a strengthening global growth outlook. A favourable Federal budget handed down during the month dominated domestic economic data and delivered the Income Tax cuts expected in an election year. In the same vein, the Reserve Bank of Australia did not raise domestic interest rates when it met early in the month. The Australian currency continued to exhibit strength, while inflation remained benign despite strong employment data and climbing consumer confidence.

Despite hiccups in the Shanghai indices, the Chinese demand story generated out performance in the Materials sector (+6.7%) despite some distortion of commodity prices. The Energy (+6.6%) and Information Technology (5.1%) sectors also outperformed, while Consumer Staples (-0.18%), Consumer Discretionary (-0.3%) and Financials (0.6%) lagged.

The portfolio returned a solid 2.80% in May, rewarded by key holdings in the Industrials and Materials sector. Our strategy of investing in companies with strong earnings growth paid off, with stocks such as Leighton Holdings, Cabcharge, JB Hi-Fi, and Rio Tinto all performing strongly.

Our position in Auspine (ANE) was also rewarded with the fund making a considerable profit on our small holding following the completion of a tender for 25% of the company.

OUTLOOK

In the absence of strong negative offshore catalysts, we anticipate reasonable potential for a strong close to the Financial year on June 30 as changes to Superannuation laws generate domestic market activity and the global outlook remains positive.

Commodities prices are becoming hard to gauge given the volume of speculative funds flooding the market. Nevertheless, underlying demand from China will remain a key driver over the long term. It is our opinion that jitters in the Shanghai A index are attributable to the dynamic nature of the growing market rather than being an indicator of poor economic health. This view was reinforced late in May with the World Bank raising China's economic growth forecast for 2007 from 9.6 per cent to 10.4 per cent.

Within the Resources sector, we are of the belief that demand destruction for nickel is an area of significant potential concern. We have exited our pure play nickel exposures, and prefer at this time to remain mostly invested in the large diversified miners.

Outside of Resources, the fund continues to look for companies with high growth, strong and defensible market positions, and compelling stories, whose price can be justified by earnings growth, not merely excessive speculation.

Some commentators are beginning to suggest that market valuations are becoming stretched at this time. Market timing can be difficult to predict; given this, the Fund is not overly exposed from a sectoral perspective, but is looking at adding value through superior positioning within each individual sector. Identifying risk factors can be just as important as potential positive catalysts, and the fund is therefore considering these in order to provide a strong diversified portfolio in order to minimise such risks.

TOP PERFORMERS

(1) Auspine Limited +0.71% (ANE)

Timber Group Auspine gained a staggering 57.85% in May. ANE was added to the portfolio as an outcome of the team's Qualitative research effort; the fund took a small position following an invitation to tender for 25% of the company. We believed that the market was not placing an appropriate valuation on the company, and were rewarded by making a considerable profit on the holding for the month.

(2) BHP Billiton Limited +0.62% (BHP)

BHP Billiton performed strongly in May, gaining 6.9% by month end as the market digested news that Group President of Non-Ferrous Metals, Marius Kloppers, will be appointed as CEO Chip Goodyear's successor in October. The announcement saw analysts reiterate buy ratings for BHP, with Kloppers seen as a dynamic leader who is expected to drive significant corporate change.

(3) Leighton Holdings Limited +0.55% (LEI)

Leighton Holdings surged 27.8% in May after confirming they made an indicative offer for underground mining specialist Barminco. Analysts reacted positively to the news, seeing the acquisition of Barminco as a logical extension of LEI's mining capabilities. LEI also announced midmonth a JV with Dubai based property developer Emaar to undertake residential and retail projects in the Indian market, a deal worth more than $1.5 billion to Leighton over the next five years. LEI ranks strongly at #8 in our Quant model.

BOTTOM PERFORMERS

(1) Australia and New Zealand Banking Group Ltd -0.27% (ANZ)

ANZ closed the month down 5.7%, weakened by the poorly performing Financials sector. Falls in the Shanghai Indices spooked investors at the end of the month, seeing the losses as a potential negative indicator for the health of the Chinese economic growth. This proved to be a very short term response as several indicators reinforced the real strength of the Chinese economy. ANZ also finalised its purchase of a 19.1% interest in Malaysian Bank AMMB Holdings in May, a significant strategic milestone for ANZ's regional partnership portfolio.

(2) West Australian Newspapers -0.26% (WAN)

Uranium miner ERA was pushed 9.3% lower after production at its Ranger mine was interrupted by heavy rains. The mine lost 300 tonnes of uranium production in March when it was forced to shut down its processing plant for two weeks. Based on analyst projections of ERA's 2008 revenues, the flooding could cost the company close to $200 million in lost sales.

(3) Fairfax Media Limited -0.14% (FXJ)

Fairfax Media lost 6.9% in May after News Corporation divested their ~7.5% stake in the group mid month after the completion of the Rural Press merger. Fairfax Digital continued to strengthen its ties with web giant Google through a number of commercial agreements covering online advertising revenue and content sharing.