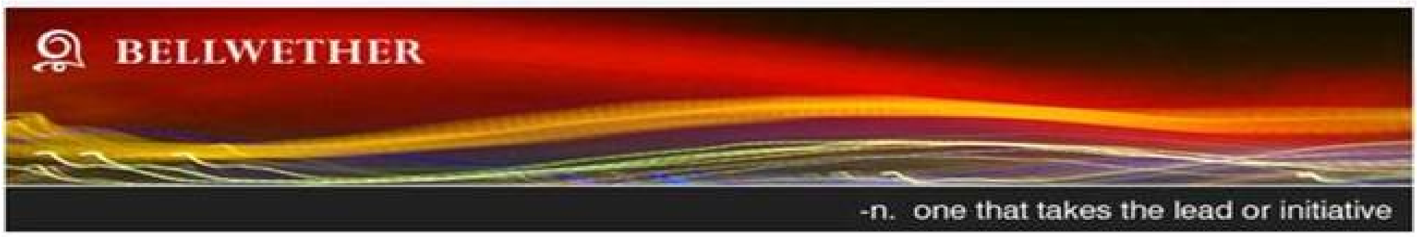



# BELLWETHER PARTNERS LIMITED
## Offshore Strategies Fund

# Australian Equities Long/Short Portfolio

## Performance Report: August 2007

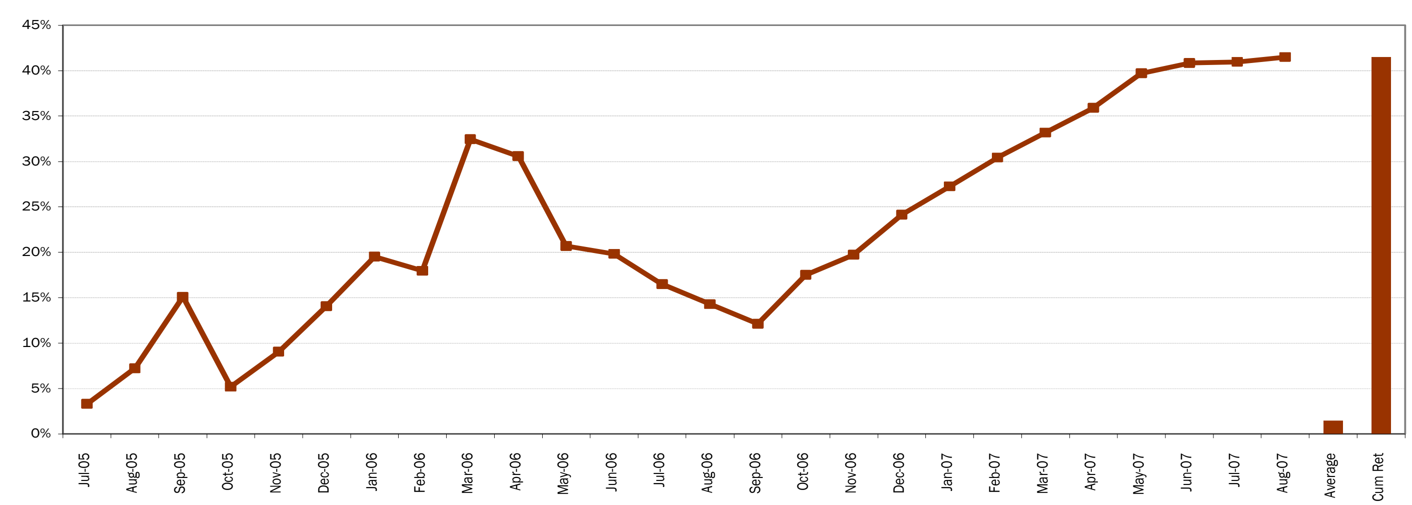
| Key Facts | |
|---|---|
| Portfolio Strategy | Australian Long/Short Equities |
| Fund Objective | To achieve a positive return over a rolling one year period, from taking long and short positions in listed Australian companies. |
| Investor Profile | **Non Australian resident investors only** |
| Inception | 12 July 2005 |
| Domicile | Grand Cayman, Cayman Islands |
| Investment Advisor | Bellwether Partners Limited<br>AFSL: 238460 |
| Prime Broker/Custodian | Deutsche Bank AG, London |
| Administrator | Kingsway Taitz<br>Fund Administration Pty Ltd |
| Investment Advisor Contact | Level 9, 63 Exhibition Street<br>Melbourne Vic 3000 Australia<br>Phone: 61 3 96610888<br>Fax: 61 3 96610898<br>Email: mail@bellwether.com.au<br>Website: www.bellwether.com.au |
| Registered Office | P.O. Box 908 GT, George Town, Grand Cayman, Cayman Islands |

| Portfolio Summary: 31 August 2007 | |
|---|---|
| Gross NAV Unit Price | 141.57 |
| Monthly Return | 0.39% |
| Return from Inception | 41.51% |
| | |
| Total Cash as % of NAV | 2.65% |
| Total Long Positions | 30 |
| Total Short Positions | 2 |
| Gross Long Exposure | 97.35% |
| Gross Short Exposure | 1.75% |
| Futures Exposure | - |
| Net Exposure | 95.59% |

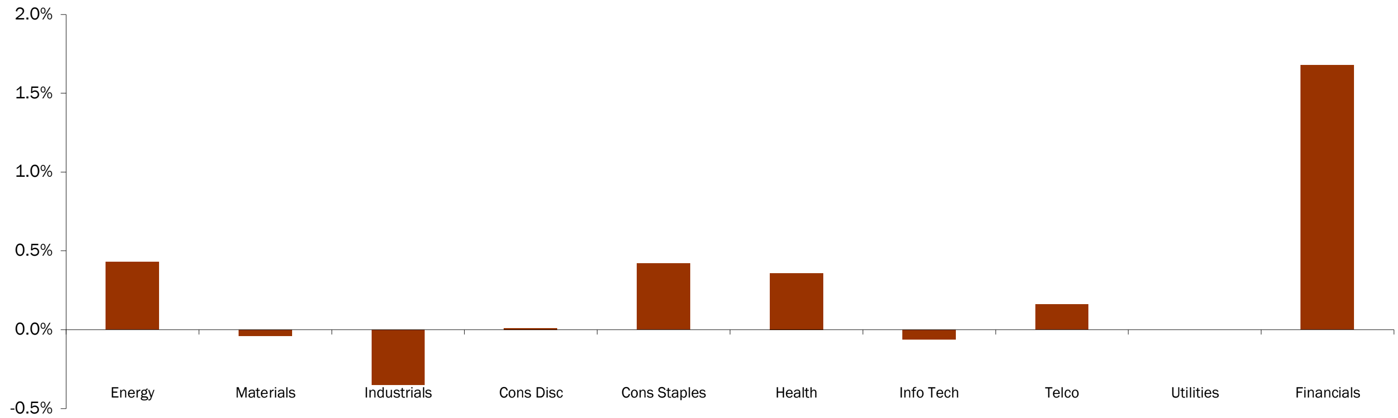
### Monthly Performance (After Fees)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2007 | 2.53% | 2.48% | 2.11% | 2.05% | 2.80% | 0.80% | 0.09% | 0.39% | | | | |
| 2006 | 4.79% | -1.31% | 12.30% | -1.42% | -7.58% | -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 GICS Sector: August 2007




## Overview

The Australian equity market finished August 2.22% higher, with company reporting season driving the market back into positive territory from an extremely poor start to the month. The US subprime mortgage crisis was a dominant driver early in August as the deterioration of the US housing market triggered concerns over the health of the US economy, which in turn devalued the Dow Jones Index and filtered through to the Australian market. After the first week the market turmoil settled, in part due to massive liquidity injections by global central banks. The rapid and sharp recovery of early losses made August one of the most volatile months the ASX has seen.

News flow related to company reporting season also contributed to the market recovery with several solid results at company level, though on balance the season failed to meet expectations. Earnings forecasts for 2008 were reduced across most sectors, down 1% from those previously anticipated by the investment community. Key themes included solid domestic demand, a continuing strong outlook for commodities and a mixed currency impact. Economic data was a talking point early in the month as the RBA lifted the cash rate by 0.25%, a move that was seen as increasingly inevitable in the face of robust economic health. The Australian dollar suffered through market volatility in August, dropping to US77.6 cents before bouncing back to US82.4 cents at month end.

The Bellwether Offshore Strategies Fund returned 0.39% for the month of August. Despite the market suffering from some irrational behaviour early in the month, the investment team maintained its conviction in our high quality portfolio, making very few changes for the month. The absence of M&A activity in the market saw Bellwether's investment process rewarded as sentiment shifted back to fundamental valuations.

## Outlook

Early September trading saw global equity markets settling somewhat following the volatility of August, particularly given the comments of the Chairman of the US Federal Reserve, Ben Bernanke, that efforts will be made to stabilise the US economy by providing support to lenders where necessary.

The mindset of investors solidified following company reporting season as companies punished by the sub-prime crisis bounced back swiftly following solid earnings results and forecasts. Particularly in the materials sector, the strength of Chinese demand reinforced a tilt toward the global economy in Australian equity markets rather than absolute reliance on the health of the US economy.

Due to the volatile nature of current markets, the Fund is not overexposed in any single specific area of the market. The Fund is relatively neutral from a sectoral perspective, but aims to hold only the best stocks from each sector. This strategic positioning allows us to focus more on holding stocks which will outperform their peers and less on the overall direction of the market.

This strategy has been highly successful in helping the OSF significantly outperform the market during the volatile conditions of the last three months.

| Top 5 Performance Contributors | Contribution (%) | Position |
|---|---|---|
| QBE | 0.53 | Long |
| WOW | 0.51 | Long |
| BHP | 0.45 | Long |
| WDC | 0.44 | Long |
| WOR | 0.41 | Long |

| Top 5 Performance Detractors | Contribution (%) | Position |
|---|---|---|
| CAB | -0.43 | Long |
| OXR | -0.42 | Long |
| MBL | -0.30 | Long |
| ZFX | -0.24 | Long |
| AIO | -0.18 | Long |

## Positive Contributors

### QBE Insurance Group Limited (QBE)

| Portfolio Contribution | +0.53% |
|---|---|

QBE's share price rose 16.3% in August after delivering an impressive 1H07 result that came in well above analyst expectations. The insurance group delivered a $921 million interim net profit, more than 10% above estimates. The solid profit was helped by a profit contribution from its two US acquisitions and lower severity and frequency of claims. Intense competition and lower insurance margins inflicted less damage on QBE than rival IAG who were punished in August for delivering a result that disappointed the market.

### Woolworths Limited (WOW)

| Portfolio Contribution | +0.51% |
|---|---|

Woolworths was rewarded in August by a solid 1H07 result, its share price reaching record highs intra month and up 11.1% by month end. CEO Michael Luscombe tipped further acquisitions by the retailer in 2008, as well as $1.3 billion of capital expenditure including $459 million of store refurbishments. WOW also signalled an expansion into retail financial services with the 2008 launch of a Woolworths branded credit card.

### BHP Billiton Limited (BHP)

| Portfolio Contribution | +0.45% |
|---|---|

BHP ended the month in positive territory, gaining 3.8% despite the sub-prime mortgage crisis creating volatility and detracting value from the mining giant early in August. BHP's $16.7 billion profit result reinforced the group's view that robust demand in China and India more than offsets US economic weakness, with CEO Chip Goodyear stating that the company would still do well even if there was a slowdown in the US.

## Negative Contributors

### Cabcharge Australia Limited (CAB)

| Portfolio Contribution | -0.43% |
|---|---|

Cabcharge's share price fell 19.8% by month end, punished by the market after their 1H07 profit growth came in below consensus expectations. CAB's wireless Eftpos terminals and a growing taxi fleet bolstered net profits, up 36% in 2006-2007 to $51.8 million. Cabcharge provided no specific earnings outlook for 2008, except to say it was well placed to improve its profits. Though we believe the market reaction to the result was overdone, currency and debt issues could further dampen CAB's outlook. Consequently the Fund had exited its position by month end.

### Oxiana Limited (OXR)

| Portfolio Contribution | -0.42% |
|---|---|

Oxiana had a fairly ordinary month with its share price falling approximately 11% in August. The fund maintained an overweight position in the stock however because of the good long term fundamentals facing the company.

### Macquarie Bank Limited (MBL)

| Portfolio Contribution | -0.30% |
|---|---|

The US sub-prime mortgage crisis and agitated investors put a dampener on Macquarie early in August which the bank failed to shake by month end, its share price dropping 11.2%. MBL did recover during the month as company reporting season and fundamental valuations gained investor attention and bargain hunters returned to take advantage of low entry prices. The Fund's MBL holding was reduced during the month for risk management purposes. We will increase the position again when we believe that any contagion issues have settled.