

BELLWETHER PARTNERS LIMITED
Offshore Strategies Fund

Australian Equities Long/Short Portfolio

Performance Report: December 2007
Key Facts

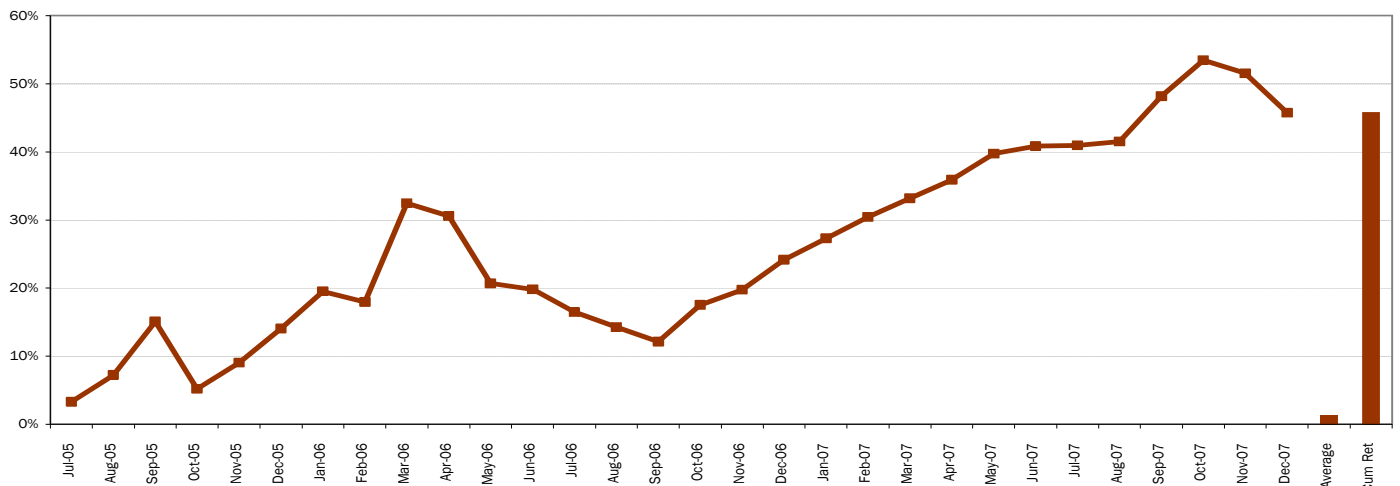
Portfolio Strategy	Australian Long/Short Equities
Fund Objective	To achieve a positive return over a rolling one year period, from taking long and short positions in listed Australian companies.
Investor Profile	Non Australian resident investors only
Inception	12 July 2005
Domicile	Grand Cayman, Cayman Islands
Investment Advisor	Bellwether Partners Limited AFSL: 238460
Prime Broker/Custodian	Deutsche Bank AG, London
Administrator	Kingsway Taitz Fund Administration Pty Ltd
Investment Advisor Contact	Level 9, 63 Exhibition Street Melbourne Vic 3000 Australia Phone: 61 3 96610888 Fax: 61 3 96610898 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: 31 December 2007

Gross NAV Unit Price	145.91
Monthly Return	-3.83%
Return from Inception	45.47%
Total Cash as % of NAV	-1.52%
Total Long Positions	32
Total Short Positions	-
Gross Long Exposure	101.52%
Gross Short Exposure	-
Futures Exposure	-
Net Exposure	101.52%

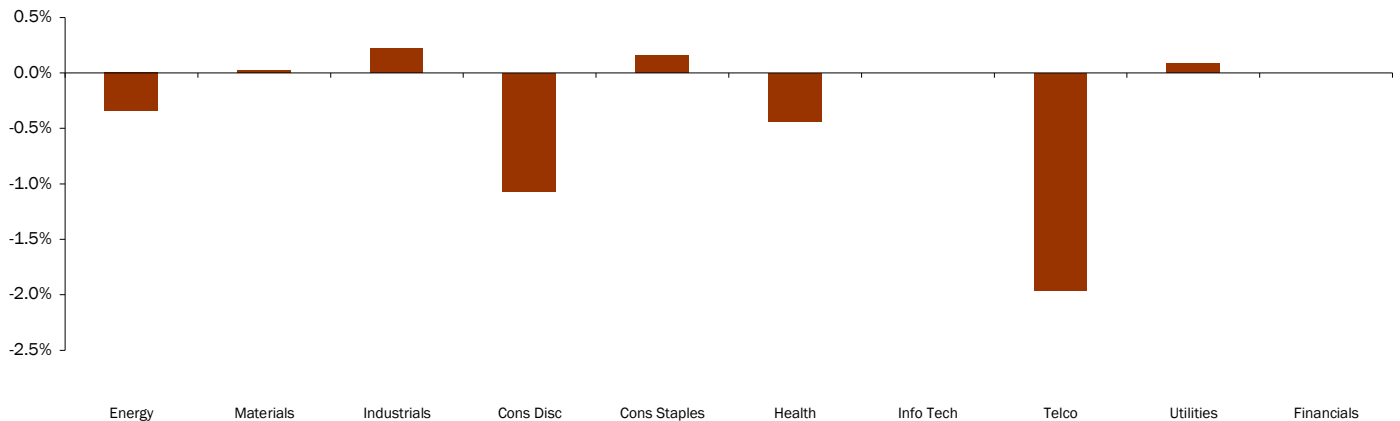
Monthly Performance (After Fees)

	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%	4.70%	3.58%	-1.26%	-3.83%
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: December 2007



Overview

The Australian equity market finished the year with a disappointing performance in December. The market fell 2.6% during the month, reducing the overall return for calendar 2007 to 16.2%, which still represents a fairly healthy year's return. Investors took a more cautious approach in December due to the uncertainty surrounding the contagion effects of the US credit market liquidity issue and whether or not this might lead into a 2008 recession. US and European banks recorded significant losses resulting from their exposure to the sub-prime debt market although the Australian "Big Four" banks have remained largely immune. Some of our smaller banks and non-bank lenders (eg RAMS) have had difficulty in rolling over their wholesale borrowings which are used to finance their domestic lending (primarily housing) businesses. Outside the banking sector, companies with highly leveraged balance sheets have also had difficulty in securing debt; Centro Property Group being the prime example. REIT's and infrastructure companies, which often also have highly leveraged balance sheets, suffered from investor discontent and share price falls.

Market behaviour in 2007 was quite different to previous years in that the appreciation was attributable to only a small number of stocks. The top 10 actually accounted for the entire rise in the index and, far more astonishingly, BHP and RIO alone accounted for just over half of this. The impact on fund performance was of course profound with only those funds having at least a market weight in BHP and RIO being in a position to perform well. The Bellwether Australian Share Fund was one of these.

Although currency was quite steady in December, the year saw some significant moves with the Aussie appreciating

10.9% against the US dollar. Moves against the Euro, Pound and Yen were less significant. Interest rates also rose with the Australian 10 year bond rising to 6.33% from 5.87%.

The Bellwether Offshore Strategies Fund returned -3.83% in December. Conditions were testing with only the Healthcare (up 2.3%) and Energy (up 1.6%) sectors showing any worthwhile appreciation. Reflecting current market concerns, the Fund is currently structured in a relatively risk averse way with no large exposures away from the market and an emphasis on companies with strong balance sheets and a solid growth outlook coming mainly from domestic businesses.

Outlook

Global markets, including Australia, are currently going through a tough patch with November and December yielding negative returns. The first few days of January has continued this recent weakness. Investor concerns remain the risk to corporate earnings which might flow from a slowing US economy, a strong Australian dollar, increasing cost pressures and the availability and rising cost of liquidity. Countering those issues are the extent to which growing economies, such as those found in Asia, are able to offset any US weakness. We believe the China growth story will continue through to the long term but probably not without occasional setbacks and this is, of course, largely factored into market prices. Valuations, as measured by historical standards, are not stretched with Price Earnings ratios (PEs) running at the long term average. It is the "E" in this ratio that we will be watching in the New Year.



Top 5 Performance Contributors

	Contribution (%)	Position
CSL	0.16	Long
WOR	0.15	Long
QBE	0.11	Long
WDC	0.09	Long
ASX	0.09	Long

Top 5 Performance Detractors

	Contribution (%)	Position
BHP	-0.80	Long
SGB	-0.48	Long
RIO	-0.45	Long
TOL	-0.38	Long
NUF	-0.24	Long

Positive Contributors

CSL Limited (CSL)

Portfolio Contribution +0.16%

In a very tough month for the market, CSL performed very well yielding a share price return of 4.27%. Being a healthcare stock, CSL benefits from being in a defensive sector when times are tough in the market, as well as benefiting from its own research and development program as well. It was this latter driver for the stock that was highlighted during the month with CSL holding its December 2007 Research and Development Briefing.

WorleyParsons Limited (WOR)

Portfolio Contribution +0.15%

WorleyParsons also had a good month, with its share price returning 3.83% during December. This was due to the winning of a number of contracts during the month. These were; the Sarawak Shell contract to its joint venture Ranhill WorleyParsons in Malaysia, the Woodside Pluto LNG contract to a WorleyParsons joint venture with Foster Wheeler, the BP Kwinana Oil Refinery contract and the Canadian oil sands contract awarded to Canadian subsidiary Colt WorleyParsons.

QBE Insurance Group (QBE)

Portfolio Contribution +0.11%

QBE put on a very respectable 2.84% in December despite there being no major news flow for the company during the month.

Negative Contributors

BHP Billiton Limited (BHP)

Portfolio Contribution -0.80%

Like most of the market, BHP had a negative month in December with the share price falling over 6%. There was more news flow on the possible BHP takeover of RIO, with RIO making it clear it would reject any offer that undervalued RIO and its prospects. Under the UK Takeover Code, BHP must now make a formal takeover bid for RIO or renounce any offer, by the deadline of 6 February 2008.

St George Bank (SGB)

Portfolio Contribution -0.48%

The St George Bank share price fell by nearly 13% in December. The bank held its annual general meeting halfway through the month and announced that its Chairman will step down during 2008. Apart from this, there was little news flow for the company during December. Despite the share price fall, we remain comfortable with the fundamentals of the St George business and our current overweight position in the stock.

RIO Tinto Limited (RIO)

Portfolio Contribution -0.45%

RIO fell nearly 8% in December, but this was after a 32% rise in November due to the interest shown by BHP Billiton in possibly making a takeover bid for the company. RIO had a very solid 2007, and along with BHP, we remain strong believers in the long term strength these companies have because of their exposure to the development of the Chinese economy and the other BRIC countries.