

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 |

BELLWETHER PARTNERS LIMITED
Offshore Strategies Fund

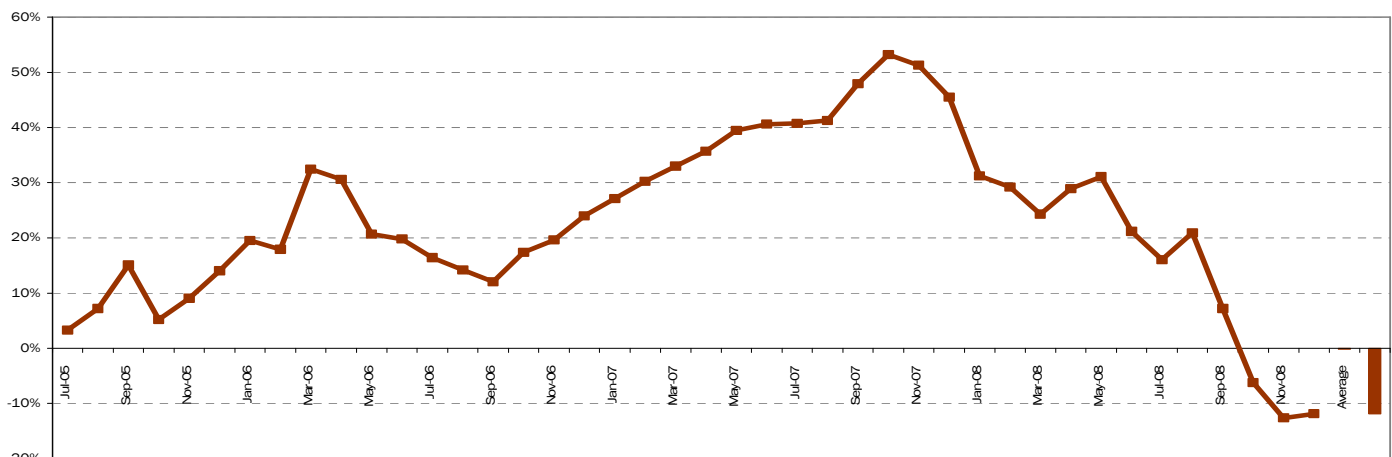
Australian Equities Long/Short Portfolio

Performance Report: December 2008
Portfolio Summary: 31 December 2008

| | |
|-------------------------------|---------|
| Gross NAV Unit Price | 71.90 |
| Monthly Return | 0.88% |
| Return from Inception | -11.83% |
| Total Cash as % of NAV | 1.95% |
| Total Long Positions | 26 |
| Total Short Positions | - |
| Gross Long Exposure | 98.05% |
| Gross Short Exposure | 0.00% |
| Futures Exposure | - |
| Net Exposure | 98.05% |

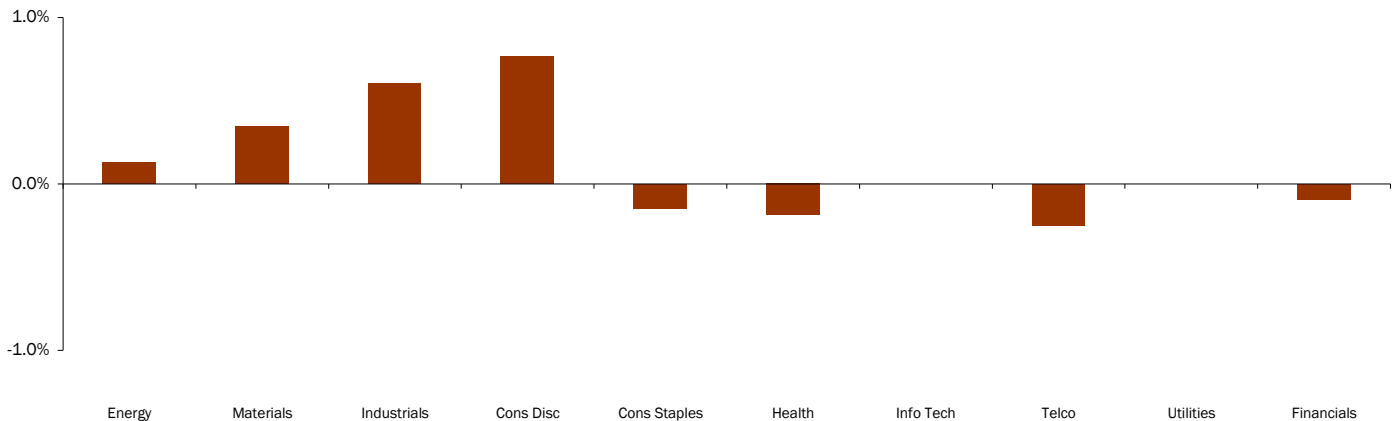
Monthly Performance (After Fees)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|--------|
| 2008 | -9.78% | -1.56% | -3.80% | 3.71% | 1.69% | -7.56% | -4.22% | 4.19% | -11.36% | -12.49 | -6.82% | 0.88% |
| 2007 | 2.52% | 2.47% | 2.11% | 2.03% | 2.79% | 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% | -2.80% | -1.91% | -1.89% | 4.78% | 1.89% | 3.66% |
| 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 2008



Overview

2008 !!! It's over. In share market terms it was the worst year in 100 years. Even 1930 didn't see the market fall as much as 2008. However we believe it is a light at the end of the tunnel rather than another train coming towards us. The S&P/ASX 300 Accumulation Index finished down again in December but only by 0.14%. The market actually finished 11% above its low. Many believe the stimulus packages and reduced interest rates being put in place by all major Governments will see a slow bottoming of economic activity over the next 12 to 18 months. As share markets historically have moved well ahead of the economy, 2009 may well prove a strong year in the market as most others have been after an extraordinarily bad year. Some examples from the Australian market are 1975 up 49% after a 32% decline the year before, 1983 up 60% after an 18% decline and 1991 up 29% after a 22% decline.

December did see some welcome stabilisation. Investors were prepared to add some risk to their portfolios with materials, consumer discretionary, energy, industrials and information technology showing positive returns. The main losers were property trusts (concern about valuations of commercial property) and Telecoms (Telstra being excluded from the new broadband tender process).

In terms of economics, stimulation in Australia saw interest rates further reduced by another 100 basis points to 4.25%, bringing easing in the past 4 months to 300 basis points. The Aussie currency also stabilised at just below 70c against the US\$ after getting close to 60c over the past 3 months or so.

Outlook

2009 !!! There is no question that economic conditions and activity will be sluggish at best and many economies will be fighting a serious recession. BUT... investor sentiment is low, it is well recognised that corporate profits will decline, massive selling by hedge funds, mutual funds, and commodity funds may be reaching a high point as leverage is reduced and redemptions decline. The level of cash available for investment is growing each day through ongoing saving and superannuation plans. At some stage investors will release some of this cash into "real" assets such as shares, property, etc.

Governments still have much to do in terms of fiscal stimulus as so far initiatives to provide banking sector support amounts to around 6.5% of the total OECD economy. In previous systemic banking crises from 1970 to 2007 the level of government intervention to resolve such crises has averaged around 13% of the relevant economy.

Top 5 Performance Contributors

| | Contribution (%) | Position |
|-----|------------------|----------|
| LGL | 0.95% | Long |
| QBE | 0.46% | Long |
| JBH | 0.45% | Long |
| DJS | 0.32% | Long |
| LEI | 0.31% | Long |

Top 5 Performance Detractors

| | Contribution (%) | Position |
|-----|------------------|----------|
| RIO | -0.50% | Long |
| TLS | -0.33% | Long |
| WDC | -0.30% | Long |
| BHP | -0.28% | Long |
| CSL | -0.19% | Long |

Positive Contributors
Lihir Gold Limited (LGL)
Portfolio Contribution +0.95%

Lihir's performance was nearly as good as its rival Newcrest's with the share price appreciating close to 37% during December. The gold sector has proven to be a safe haven in recent months.

QBE Limited (QBE)
Portfolio Contribution 0.46%

QBE stock ended 8.7% higher this month. The company continued to progress well with a few previously announced transactions during the month. These included completing the acquisition of ZC Sterling and PMI Asia and finalizing its capital requirements.

JB Hi Fi Limited (JBH)
Portfolio Contribution 0.45%

JB Hi Fi's share price moved higher during the month of December. There were no specific news flows from the company. The retail sector was buoyed by the \$8.4bn Federal Government's fiscal stimulus package which was released on 8 December. Retail sales for the December month are likely to have held up well given this additional spending power in the hands of some consumers.

Negative Contributors
Rio Tinto Limited (RIO)
Portfolio Contribution -0.50%

RIO Tinto's share price ended the month 18.5% lower on concerns over the company's debt position and further deterioration in the outlook for commodities. The company announced a number of measures to reduce its debt by US\$10bn by the end of 2009. RIO will reduce planned capital expenditure and its global headcount by 14,000 as part of this process.

Telstra Corporation (TLS)
Portfolio Contribution -0.33%

Telstra fell nearly 6% over the month after it was excluded from the government's NBN RFP process. The NBN Expert Panel determined that Telstra had failed to adhere to one of the five mandatory requirements of the bidding process. The missed requirement related to not showing how smaller companies would be included in the design and construction of the NBN.

Westfield (WDC)
Portfolio Contribution -0.30%

The Property sector overall had a poor month and Westfield was no exception. Westfield continues to be our preferred pick in the sector and its recent outperformance has been substantial when compared to its sector.