

**Key Facts**

<b>Portfolio Strategy</b>	Australian Long/Short Equities
<b>Fund Objective</b>	To achieve a positive return over a rolling one year period, from taking long and short positions in listed Australian companies.
<b>Investor Profile</b>	<b>Non Australian resident investors only</b>
<b>Inception</b>	12 July 2005
<b>Domicile</b>	Grand Cayman, Cayman Islands
<b>Investment Advisor</b>	Bellwether Partners Limited AFSL: 238460
<b>Prime Broker/Custodian</b>	Deutsche Bank AG, London
<b>Administrator</b>	Kingsway Taitz Fund Administration Pty Ltd
<b>Investment Advisor Contact</b>	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
<b>Registered Office</b>	P.O. Box 908 GT, George Town, Grand Cayman, Cayman Islands

**BELLWETHER PARTNERS LIMITED**  
**Offshore Strategies Fund**

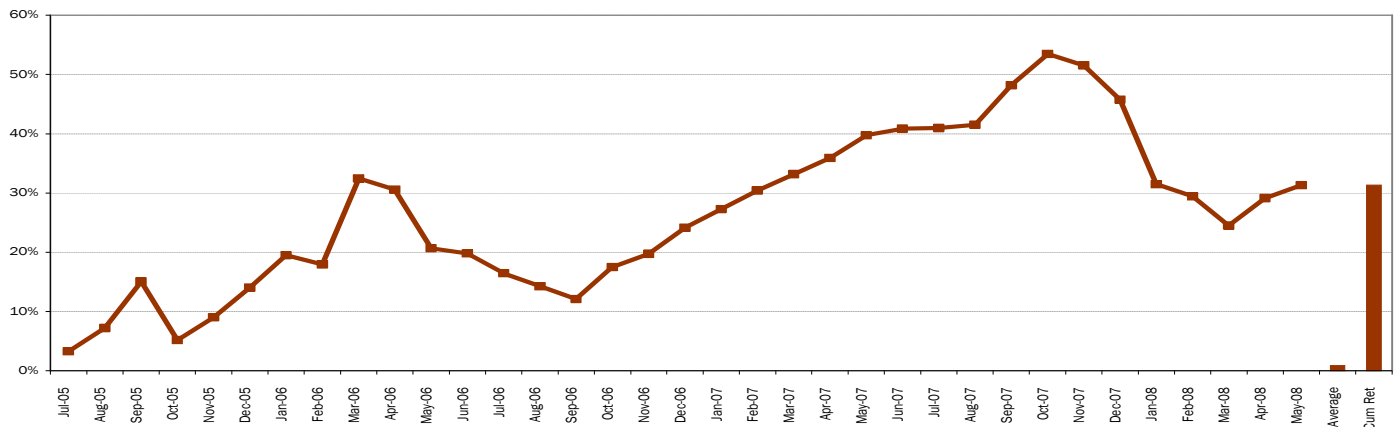
# Australian Equities Long/Short Portfolio

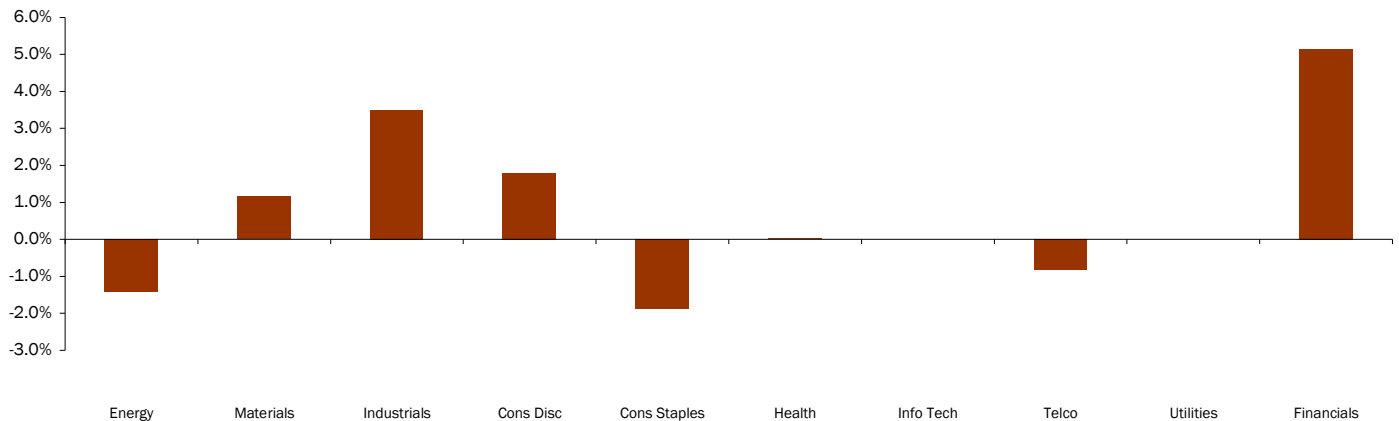
**Performance Report: May 2008**
**Portfolio Summary: 31 May 2008**

<b>Gross NAV Unit Price</b>	130.69
<b>Monthly Return</b>	1.69%
<b>Return from Inception</b>	31.31%
<b>Total Cash as % of NAV</b>	8.23%
<b>Total Long Positions</b>	29
<b>Total Short Positions</b>	1
<b>Gross Long Exposure</b>	93.26%
<b>Gross Short Exposure</b>	1.49%
<b>Futures Exposure</b>	-
<b>Net Exposure</b>	91.77%

**Monthly Performance (After Fees)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2008</b>	-9.78%	-1.56%	-3.80%	3.71%	1.69%							
<b>2007</b>	2.53%	2.48%	2.11%	2.05%	2.80%	0.80%	0.09%	0.39%	4.70%	3.58%	-1.26%	-3.83%
<b>2006</b>	4.79%	-1.31%	12.30%	-1.42%	-7.58%	-0.72%	-2.79%	-1.89%	-1.88%	4.80%	1.90%	3.67%
<b>2005</b>							3.29%	3.80%	7.35%	-8.60%	3.66%	4.59%

**Monthly Returns (After Fees)**


**Contribution to Total Return by GICS Sector: May 2008****Overview**

The Australian sharemarket finished in the black at the end of May, but was significantly off its mid month highs. The S&P/ASX300 Accumulation Index finished May with a gain of 1.71%, which was something of a disappointment as the cumulative return as at 19 May was a very strong 6.65%. In the US, the S&P 500 Index has now fallen 4.6% year to date. While this is certainly not great performance, the S&P/ASX300 has fallen 10.8% over the same period. The original cause of this poor performance (the subprime issue) was in the US and it is therefore ironic that this performance differential has emerged. This has caused some confusion amongst analysts and market commentators.

Economic data releases in Australia during May suggested the pace of domestic economic growth is slowing with retail sales, building approvals and credit growth all declining. The upside to this is that the RBA kept official interest rates on hold, and may continue to do so in the near term, assuming the mediocre data releases continue. Things are not all positive on the rate front however, as a major Australian bank recently announced that they expect another two official interest rate increases this year. The Australian dollar had a good month, ending May at 95.60 US cents, providing hope for those who believe there will be parity between the two currencies at some point in the near future.

The oil price continued its upward trend by putting on 12% and hitting a high of \$US133 a barrel. The Energy Sector was a strong performer in May because of this, and outperformed the market by a massive 18%. Other positive performers were the Information Technology, Materials and

Telecommunications Sectors. At the other end of the performance spectrum, the REITs were hit hard (again) and underperformed the market by approximately 10%.

In terms of major stock specific news, Gail Kelly, CEO of Westpac, announced a proposed takeover of her former employer St George, and Santos announced the part sale of its LNG project to Petronas. The latter had flow through affects on the Energy Sector, particularly on the attempted BG acquisition of Origin, whereby Origin decided to reject the BG offer because of perceived improved valuations in the sector.

The Bellwether Offshore Strategies Fund (OSF) recorded a solid performance in May with a return of 1.69%. This is the second consecutive month of positive performance for the OSF after a period of considerable instability in the Australian stock market.

**Outlook**

May provided some relief from the bearish market conditions experienced in the recent past, but while May finished on a positive note, strong gains in the first half of the month could not be sustained as the bears came out fighting in the second half. The question most fund managers are asking is whether the current up trend in the market is a "bear market rally" or a genuine return to the bull market conditions experienced up to October 2007. Given the healthy nature of the domestic economy, and the relative underperformance of the domestic share market with respect to the US market, the bears may yet have to watch out for this years running of the bulls.

**Top 5 Performance Contributors**

	Contribution (%)	Position
<b>SGB</b>	1.04%	Long
<b>BHP</b>	0.42%	Long
<b>NAB</b>	0.42%	Long
<b>LEI</b>	0.36%	Long
<b>JBH</b>	0.13%	Long

**Top 5 Performance Detractors**

	Contribution (%)	Position
<b>MQG</b>	-0.34%	Long
<b>WOW</b>	-0.19%	Long
<b>WBC</b>	-0.18%	Long
<b>AMP</b>	-0.18%	Long
<b>WOR</b>	-0.15%	Long

**Positive Contributors**
**St George Bank Limited (SGB)**

**Portfolio Contribution** +1.04%

The St George Bank share price rose 28.69% in May. The big news in the Finance Sector for the month (and the market as a whole) was the announcement of the Westpac takeover of St George. The market took the news well with most analysts and commentators expressing positive sentiment on the proposed deal. The irony of the deal is current Westpac CEO, Gail Kelly, being the previous CEO of St George. The fund benefited from its overweight exposure to St George.

**BHP Billiton Limited (BHP)**

**Portfolio Contribution** +0.42%

The share price for BHP rose 2.91% in May. Significant newsflow for the company was fairly limited other than a briefing on their petroleum business.

**National Australia Bank Limited (NAB)**

**Portfolio Contribution** +0.42%

The National share price rose 3.64% during May, and there was a 97 cent dividend payment late in the month. The good share price performance was due to the release of their 1H08 results, which were better than consensus estimates.

**Negative Contributors**
**Macquarie Group Limited (MQG)**

**Portfolio Contribution** -0.34%

Macquarie had a very ordinary May, with its share price falling 14.06% over the month. Macquarie announced their full year results for the 2008 financial year, which despite being broadly in line with previous management outlook comments, were below consensus broker estimates. Commentary that the current years profit will be difficult to meet next financial year did not help with sentiment for the stock.

**Woolworths Limited (WOW)**

**Portfolio Contribution** -0.19%

The Woolworths share price dropped 3.41% in May. There was little news for Woolworths during the month, other than an announcement that it had acquired a 20% stake in Australian Leisure and Entertainment Property Group (ALE) for \$57 million.

**Westpac Banking Corporation (WBC)**

**Portfolio Contribution** -0.18%

The Westpac share price fell 5.06% in May, although this fall excludes the payment of a 70 cent dividend during the month. The big news for WBC was the announcement of the proposed takeover of St George.