Monthly Report April 2010

The current problems in Europe and the fiscal weakness of the UK, are the clearest possible reminder of the profound shifts taking place in the world economy.

The strongest and most dynamic economic growth in the world is currently to be found in emerging markets. Current projections suggest this trend will only strengthen in the next ten years as debt reduction and fiscal tightening slow growth even further in Europe.

Over the last few months Brazil, Singapore, India and China, have all increased their growth forecasts, with Singapore enjoying a three month growth rate above 10%.

The emerging market economies have little or no sovereign debt and equally virtually no borrowing at a company level. In today's world, this financial strength is a particular advantage.

The rich countries can afford to invest in infrastructure and industrial research and development, whilst cash-rich companies buy up distressed assets either through stock market acquisition or trade sales.

With little or no debt, emerging market countries can afford to keep corporate and individual rates of taxation at low levels, encouraging inward investment and higher economic growth.

It is hard to see how Europe can compete. Wages and social costs reflect the wishes of the democratic majority, yet hold back long-term economic growth.

In the post-war generation, there was a comfortable intellectual consensus that free market economic growth and democracy went hand in hand, but it now appears that strong economic growth has little or nothing to do with the political nature of a society. Of the four BRICs, two are vibrant democracies, but equally China and Russia are moving further away from democracy as they grow, rather than closer.

The credit crisis, and the ensuing volatility in the stock market has caused a worldwide reduction in risk appetite and portfolio inflows.

However, as local growth rates have slowed, European and US investors are increasing their holdings in emerging markets– albeit from a low base. There have been net inflows this year into emerging market equities, in spite of weak conditions in China.

Equity valuations across emerging markets are still very low by historic and western standards, with few markets trading above 11 x 2010 earnings. Dividend growth is around twice that in developed markets, and yields range between 5-8%.

The valuation gap between high yielding emerging market equities and developed world bonds is at its widest ever. Current UK bond investors paying higher rate tax, receive a yield from Gilts of between 2-2.4%, representing a guaranteed annual loss of over -1.5%, at current inflation.

By contrast, many companies in EMEA offer yields of 6-9%, with dividend increases in line with earnings growth of about 15% a year.

With stock market conditions volatile, the Kudu fund has remained cautiously positioned, with a low net exposure to the direction of the market.

However, the fund continues to invest in strong companies, exposed to favourable trends in local or world economic growth, and is prepared to increase market exposure when confidence returns to world markets.

■ **George Case**

KUDU

TOP 5 LONG POSITIONS	ATTRIBUTION %
KUZBASSRAZREZUGOL	3.35%
PHARMSTANDARD	2.90%
RASPADSKAYA	2.04%
ALDAR PROPERTIES	1.51%
COMMERCIAL INTERNATIONAL BANK	1.34%

TOP 5 CONTRIBUTORS YTD	ATTRIBUTION %
RASPADSKAYA	1.14%
KUZBASSRAZREZUGOL	0.83%
PHARMSTANDARD	0.68%
IMMOEAST	0.28%
SIBIRSKIY CEMENT	0.21%

TOP 5 CONTRIBUTORS MTD	ATTRIBUTION %
KUZBASSRAZREZUGOL	0.40%
PHARMSTANDARD	0.36%
COMMERCIAL INTERNATIONAL BANK	0.21%
IMMOEAST	0.15%
FAMOUS BRANDS	0.12%

FUND INFORMATION

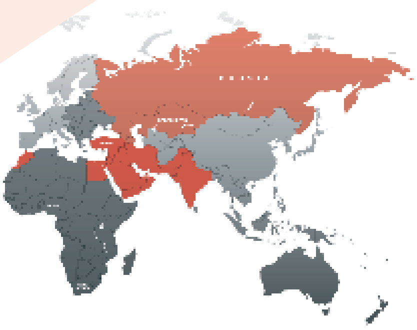
CLASS A

ISIN
€ BMG532541270
£ BMG532541197
$ BMG532541015

SEDOL
£ B1W7LS0
$ B1W7LR9

BLOOMBERG
£ CLACTAS BH
$ CLACTAD BH

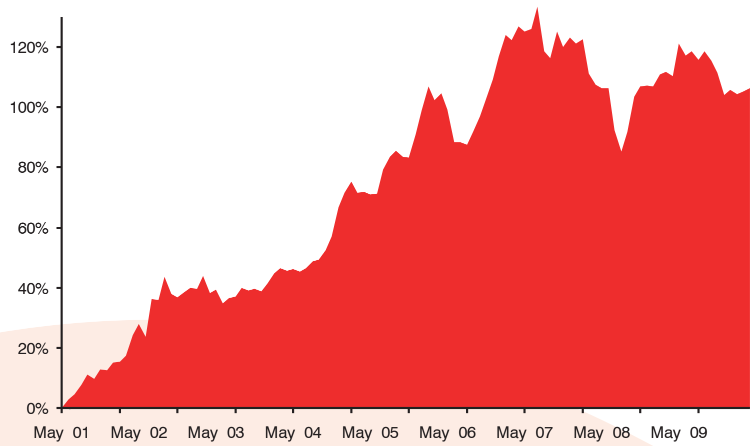
Domicile: Bermuda
Listing: Irish Stock Exchange
Start Date: Jun-01
Administrator: Citi Hedge Fund Services
Mark Jennings +353 1622 8445
Auditors: Ernst and Young
Management Company: Kudu Emerging Markets
Limited Subscriptions: Up to last business day of month



NAV per redeemable share: Class A: $75.00 £75.22 Class B: $162.94 £163.79 €156.08

Performance	On Month	YTD	Rolling 12 months	Since Launch
Class B€:	-0.18%	1.76%	6.85%	77.04%
Class A$:	-0.22%	1.60%	6.96%	-25.00%

Kudu % Relative Return to Morgan Stanley MSPE Index



Kudu Emerging Markets Limited is the London based investment advisor to The Kudu Fund, an emerging market absolute return fund. The primary objective of the fund is to achieve long term capital growth by investing in poorly understood markets with high levels of mispricing.

The Kudu Fund takes a fundamental approach to investing and looks to capitalise on valuation discrepancies and developing themes across the regions of Africa, the Middle East, southern and eastern Europe as well as western companies with emerging market exposure.

The Kudu Fund is invested in equities, both long and short, and generally invests with a time horizon of 3–18 months.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2001						-1.0	-1.3	-3.0	-5.4	2.0	7.4	2.4	0.6
2002	0.6	-0.5	5.3	2.9	0.0	-10.5	4.8	-0.5	-1.5	0.0	1.4	-4.0	-3.5
2003	-2.9	-2.3	2.6	-0.3	1.5	-3.0	3.9	1.7	0.3	3.1	1.2	1.1	6.9
2004	3.9	4.7	-0.1	0.1	-0.1	0.1	-0.2	1.4	1.4	3.5	5.1	8.6	31.8
2005	4.6	4.1	-2.9	-1.0	1.5	1.8	7.1	2.6	3.2	-2.4	1.3	6.3	29.1
2006	6.0	5.0	-1.4	1.5	-5.3	-5.5	0.8	0.8	3.3	4.5	2.6	5.0	17.7
2007	4.6	2.0	0.2	3.7	0.5	0.3	1.5	-6.6	-0.5	5.4	-4.2	0.8	7.3
2008	-6.2	0.1	-7.3	0.8	-0.9	-4.4	-8.2	-3.6	-1.2	2.1	-0.9	-1.2	-27.3
2009	-1.5	-0.9	1.3	2.9	7.9	-2.5	3.7	0.1	2.4	-2.4	-2.0	-1.9	6.9
2010	-0.2	-1.0	3.24	-0.18									1.76

Total Return [€]
Numbers net of fees [€ class]

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