

Monthly Report August 2010

Recent company results from Russia, India, Turkey, the Middle East and Africa have been better than expected, reflecting strengthening trading conditions in many local economies. The most positive feature of this robust economic growth is how much of it is the result of domestic demand – services, infrastructure spending, and consumer spending – rather than the export of raw materials.

With China, Brazil and Germany all reporting strong economic growth, it appears increasingly likely that even the continuing weakness of the US economy is not causing a more widespread global slowdown.

In many EMEA countries, companies took immediate action in 2008 to cut costs, laying off workers and reducing capital expenditure and expenses, in anticipation of a significant recession. However, instead of a cyclical contraction, demand has remained either steady or surprised on the upside, leading to a sharp jump in profits, as higher sales have

been generated with lower company costs. This same effect is driving the strong earnings of many US Multinationals.

So far this year, this trend of improving corporate earnings has not yet been reflected in a sustained positive trend in stock market prices. Instead, most EMEA markets have traded sideways, with high volatility and instability, reflecting the uncertainty of American and European capital markets.

However, if the US economy shows further signs of recovery, then emerging market shares could move sharply upwards, on the basis of revised forecasts for future earnings growth.

The drivers of economic growth and consumer demand have proved much more resilient in EMEA, where the Kudu fund invests, than in much of the old world.

However, the credit crisis has created sharp divisions between economic winners and losers. For example, Greece faces a period of

austerity and economic contraction, whereas Turkey has just reported annualised growth of more than 10% for the second Quarter of 2010.

The fund continues to invest in countries, sectors and business themes where long-term structural trends are driving profits. These themes range from food supermarkets, to infrastructure construction, healthcare provision, agricultural fertilizers, generic pharmaceuticals, microcredit, and transport.

We believe that a combination of strong corporate earnings and relatively low current equity valuations, make a strong case for staying committed to specific sectors within EMEA equity markets.

Over the long term, the strong performance from investing in emerging markets has tended to occur not in a gradual and proportionate way, but rather in shorter periods of sharply changing sentiment, when caution quickly turns to optimism.

■ **George Case**

TOP 5 LONG POSITIONS ATTRIBUTION %

CHARLEMAGNE CAPITAL	1.33%
KUZBASSRAZREZUGOL	1.17%
URALKALI	0.96%
SIBERSKY CEMENT	0.91%
COMERCIAL BANK OF QATAR	0.43%

TOP 5 CONTRIBUTORS YTD ATTRIBUTION %

RASPADSKAYA	0.43%
IMMOEAST	0.28%
WOOLWORTHS HOLDINGS	0.17%
COMMERCIAL INTERNATIONAL BANK	0.16%
SBERBANK	0.10%

TOP 5 CONTRIBUTORS MTD ATTRIBUTION %

FIRST GULF BANK	0.07%
OPAP	0.05%
NAYA BARAT	0.04%
VIMPLECOM	0.03%
ETIHAD ETISALAT	0.03%

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

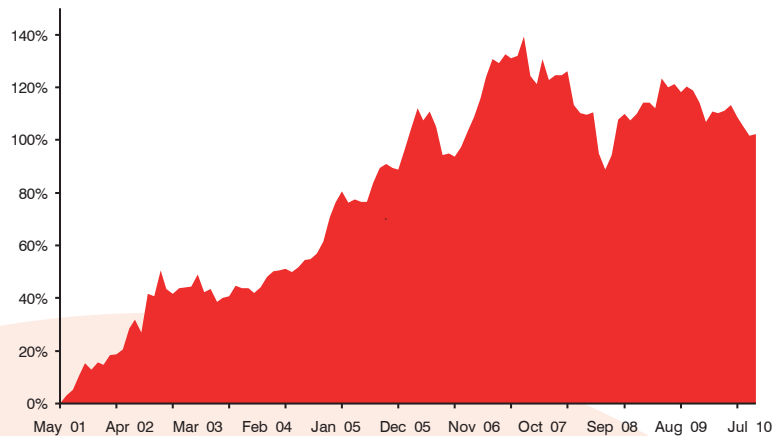
Management Company: Kudu Emerging Markets

Limited Subscriptions: Up to last business day of month



NAV per redeemable share: Class A: £68.64 Class B: \$149.13 £149.72 €142.28				
Performance	On Month	YTD	Rolling 12 months	Since Launch
Class B€:	-1.36%	-7.24%	-10.80%	61.39%

Kudu % Relative Return to Euro Stoxx 50 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	3.2	-0.2	-5.3	-2.4	0.0	-1.4					-7.24

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

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