



KUDU FUND

EMERGING EUROPE, MIDDLE EAST, AFRICA

MONTHLY REPORT FEBRUARY 08

KUDU

Monthly Report

The Kudu fund rose by 0.1% in February. Global markets continued to show signs of severe distress during the month, with signs of forced selling and capitulation in some markets.

It is with great pleasure that we welcome Ali Khwaja to the Kudu team. Ali worked until recently as an analyst at UBS, and brings a detailed knowledge of the Gulf region and Pakistan. Ali has a Masters degree in Economics from Lahore University in his native Pakistan, and was honoured to be selected as a Rhodes scholar at Oxford University, where he completed an MBA.

Ali will work closely with the investment team in researching and finding the very best opportunities across EMEA, from Pakistan to the Ukraine and from Serbia to Morocco.

Right now the world is experiencing a period of severe macroeconomic disequilibrium. Rising commodity prices, a falling Dollar, inflationary pressures and huge disruption in global financial markets continue to make economic forecasting very difficult.

For ten years or more the economies of the G7, leaving aside the eighth power – Russia, have experienced a decade of falling prices for finished goods from Asia, and markedly lower inputs from labour in domestic industries. The fall in real wages has been caused by a tide of migrant labour in both Europe and North America. The resulting low headline rate of inflation has enabled interest rates to stay low in the G7, and to be cut lower still in response to periodic crises.

Now, quite abruptly, the G7 (and Russia) economies are experiencing a new and unwelcome symptom of globalisation. Rising demand in emerging markets is driving up prices for energy, metals, and food commodities, and in a parallel development, the progressive disinflation from cheap labour and finished goods has slowed to a halt.

The Fed and the ECB have taken starkly different decisions faced with the same outlook of a sharp economic slowdown and rising inflation. The Fed, has opted to cut rates sharply and treat an inflationary spike as a secondary risk. The ECB, with no coherent political counter-balance has taken a harsher route, preferring an economic slowdown to rising inflation.

The divergent choices have left the Dollar falling and the Euro strengthening. The Euro's strength creates the economic effect of an additional net rise in interest rates in the Eurozone.

The EMEA region lies right in the middle of this global monetary and inflationary crisis. The South African Rand has devalued by 20% this year, following the Dollar down a weaker path, as investors rightly price in the economic populism of the newly elected ANC president Jacob Zuma. The governor of the South African Reserve Bank will no doubt be weighing the twin pulls of an official inflation target and a lack of political support for painful monetary tightening.

The rest of EMEA is split between clear winners and losers from these macroeconomic stresses. In a crude generalisation, the producers of commodities, Russia, the Gulf and Africa, stand to benefit from the crisis, whilst emerging Europe and Turkey, with their high current account deficits and mid-wage workforces, look under real pressure.

The Kudu fund is currently positioned primarily in countries like Qatar, Abu Dhabi, Russia and Oman which stand to win outright in the current global economy.

These are turbulent markets, and even with the fund positioned broadly correctly in the current crisis, there are always risks and uncertainties. Faced with market stress, the fund is keeping a relatively low gross long position of 75%, and a low net long position.

There is always some long bias within the fund, caused by long-term holdings

in countries like Oman, Pakistan and the Gulf, and a commitment to investing, rather than trading.

At times of market stress it is sometimes easy to forget that conditions like this offer a once in a decade opportunity to acquire immense future gains at bargain prices. This is not some kind of optimistic platitude - EMEA markets offer a clear possibility of 100% gains in perhaps as little as two years, when conditions improve.

In global terms most EMEA economies stand to win, not lose, in this macro paradigm shift. Business is robust at the local level, growth opportunities and sector consolidation opportunities abound, and valuations are low.

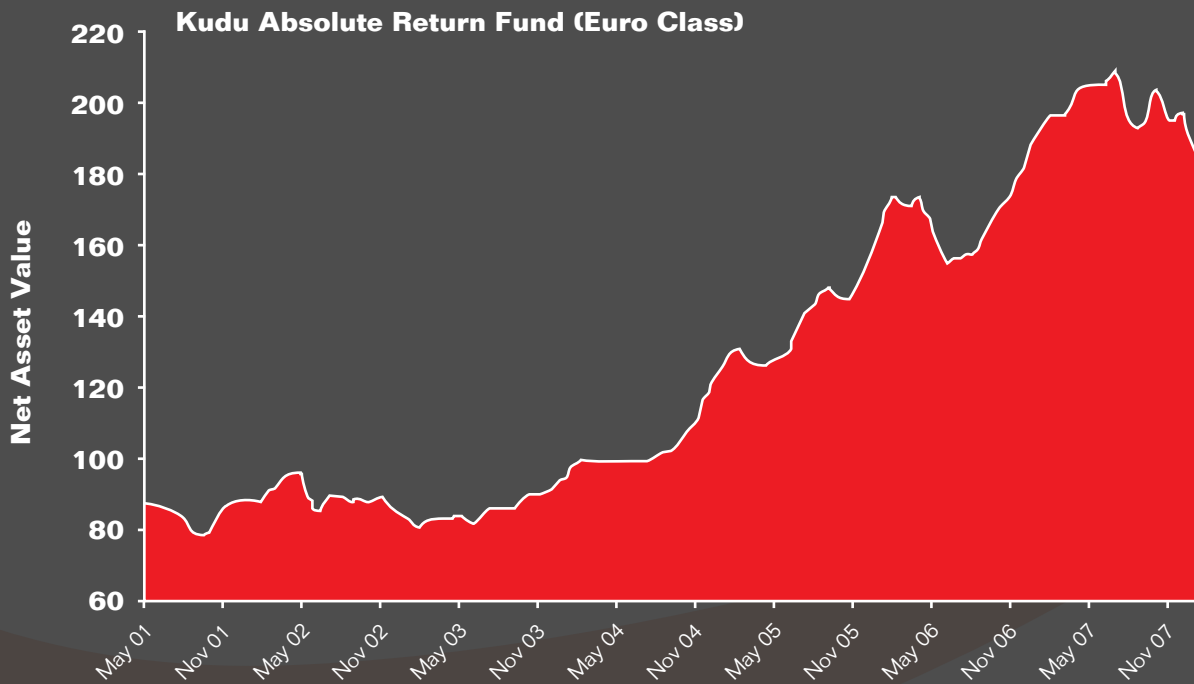
EMEA stocks have strong cash flows, virtually no debt, growth markets, high returns on equity, low competition and clear scope for reinvestment of retained profits at sustainably high rates of return on capital.

Whilst the fund waits for market conditions to stabilise, the investment team is occupied in researching new markets and in monitoring and hedging the fund's market exposure.

■ **George Case**
 ■ **Jon Bond**
 ■ **Malcolm Levy**

NAV per redeemable share: Class A: \$90.45 £90.79 €94.44 Class B: \$194.28 £195.57 €185.48

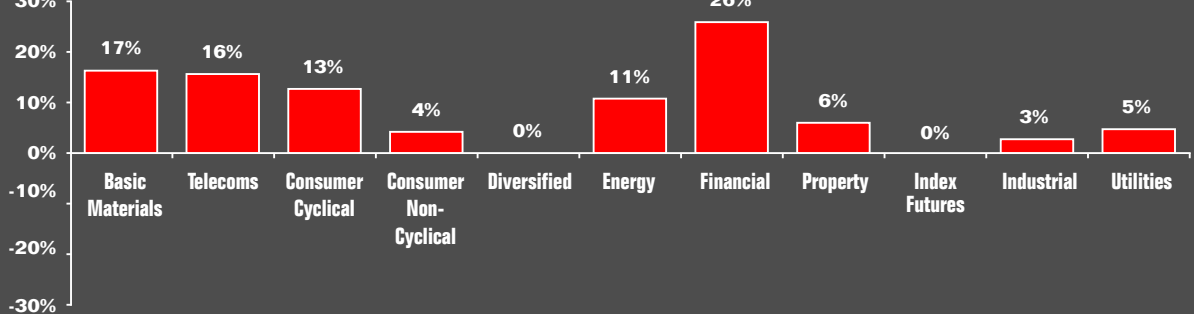
Performance	February	YTD	Rolling 12 months	Since Launch
Class A\$:	-0.01%	-6.28%	N/A	-9.55%
Class B€:	0.12%	-6.07%	-5.7%	110.4%



Geographic Allocation Exposure as % of Fund NAV

Region	Long	Short	Net	Beta Adjusted Net	Performance Attribution
Europe	5.7	0.0	5.7	2.4	0.11
Greece	11.3	4.3	7.0	3.0	-1.15
Israel	0.0	0.0	0.0	0.0	-0.01
Russia	38.2	26.2	12.0	5.0	0.54
Turkey	8.7	5.0	3.7	1.6	0.51
Africa	29.1	19.1	10.0	4.2	-0.04
Middle East	31.9	4.2	27.7	11.6	1.26
Other	18.1	35.1	-17.0	-7.1	-1.11
Total	143.1	93.9	49.1	20.7	0.12

Net Sector Allocation



TOP 5 LONG POSITIONS

	%
GAZPROM	4.87%
COMMERCIAL BANK OF QATAR	3.73%
ALDAR PROPERTIES	3.54%
EVRAZ GROUP	3.49%
HYDROGK	3.37%

TOP 5 CONTRIBUTORS MTD

	ATtribution %
NOVOLIPET STEEL	0.48%
ANGLO AMERICAN	0.48%
COMMERCIAL BANK OF QATAR	0.43%
ALDAR PROPERTIES	0.38%
PHARMSTAND	0.36%

TOP 5 CONTRIBUTORS YTD

	ATtribution %
SIDENOR STEEL	0.47%
ANGLO AMERICAN	0.46%
ACCESS BANK NIGERIA	0.40%
NORILSK NICKEL	0.38%
POLYUS GOLD	0.36%

FUND INFORMATION

CLASS A

ISIN	
€ BMG532541270	
£ BMG532541197	
\$ BMG532541015	

SEDOL

£ B1W7LS0	
\$ B1W7LR9	

BLOOMBERG

£ CLACTAS BH	
\$ CLACTAD BH	

US DELAWARE FEEDER

\$ US5011831071	
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INVESTMENT FOCUS:

XXI CENTURY - UKRAINE

XXI Century is the largest and most diversified real estate company in the Ukraine. Ukraine's GDP is set to grow at 7.5% for several years as the country's transition from centralised to market economy accelerates. The country, and Kiev in particular, suffer a substantial undersupply of quality real estate across all sectors. Office and retail supply is substantially below that of Central and Eastern European countries, and up to half of that of Moscow. Residential prices continue to be driven by the increasing penetration of mortgages, which currently stand at only 5%. The current market dislocations provide an ideal opportunity to enter a position in a company valued by the market at less than half the independent value of its net underlying assets.

	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	-6.18	0.12											-6.07

Total Return in €
Numbers net of fees (€class)

Domicile: Bermuda and Delaware, USA
 Listing: Irish Stock Exchange
 Assets: \$182mln
 Start Date: Jul-01
 Liquidity: Quarterly
 Lock up: 1 year soft lock up (3% redemption fee)
 Minimum: Class A £/€/ \$100,000
 Performance: 20% with HWM
 Management Fee: 2%
 Administrator: Citi hedge fund services
 Nicola O'Neil +353 1436 7292
 Auditors: Ernst and Young
 Management Company: Kudu Emerging Markets Limited
 Subscriptions: Up to last business day of every month

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 miss-pricing.

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.

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