

KUDU

KUDU FUND

EMERGING EUROPE, MIDDLE EAST, AFRICA

Monthly Report July 2009

The majority of recently released statistics suggest that the world economy has started to recover from its worrying freefall. There are always dissenters, but the current trend in global growth appears positive. There are three main reasons for the better economic statistics: firstly, the huge sums of money poured into the world financial system by central banks; second, direct Keynesian spending to pump prime demand - everything from cash for clunkers to road building - and thirdly, the fact that in much of Asia and Latin America, consumers kept spending during a period when western retail demand dropped abruptly.

These three factors have not had a clear and uniform effect on national economic conditions around the world. Some countries are doing so well it is hard to believe there ever was a crisis, whilst at the same time other regions are suffering a belated slowdown in growth. This divergence is very much a return to normal conditions, after an unusual period of synchronised global growth from 2005-2007.

In any ten year period there are huge disparities in growth and wealth creation between the top nations and the laggards. From an investment perspective it almost always pays to stay with the winners. This may sound self-evident, but there is always a school of thought which is attracted to the laggards. Applied to emerging markets this makes little sense. In 1950 the Sudan, Nigeria, South Korea and Malaysia, appeared similarly positioned economically. Over subsequent decades it would have been a lesson in futility to back the losers. The movement in stock markets since March does not necessarily reflect which countries are performing best economically. Many sectors which have moved sharply ahead, are simply re-pricing up from levels which reflected fears of bankruptcy and disaster.

The fund is positioned in sectors where valuations are still low and where the mid-term profit outlook is improving. The fund has long positions in Polish and Turkish retail banking, the Indian IT industry, generic pharmaceuticals,

specific areas of South African retail, agricultural fertilizers, and branded consumer goods in the Middle East. There are major differences in outlook between companies operating in the same sector. Businesses who entered the downturn with high borrowings are still struggling to survive, whereas companies with net cash have the freedom to make acquisitions at prices which can immediately enhance earnings.

EMEA equities are currently priced at much lower valuations than Asian and Latin American stocks, whilst the economic outlook for the three regions are not very different. At a time of extremely low money market and bond yields, EMEA shares offer high dividend yields and the option of further earnings growth to come. In the medium term equities appear to offer a better balance of earnings and growth, when compared to government bonds, which are effectively overpriced because of quantitative easing and the residual effect of the credit market collapse.

■ George Case



TOP 5 LONG POSITIONS	ATTRIBUTION %
WISDOMTREE INDIA EARNINGS	3.40%
MOBILE TELESYSTEMS	2.97%
ANGLO AMERICAN PLC	2.95%
AVISMA CORP	2.83%
TURKIYE VAKIFLAR BANKASI	2.48%

TOP 5 CONTRIBUTORS YTD	ATTRIBUTION %
INDUSTRIES QATAR	1.44%
TURKIYE VAKIFLAR BANKASI	1.38%
RASPADSKAYA	1.24%
NORILSK NICKEL	1.19%
SBERBANK	0.98%

TOP 5 CONTRIBUTORS MTD	ATTRIBUTION %
WISDOMTREE INDIA EARNINGS	0.56%
TURKIYE VAKIFLAR BANKASI	0.56%
TURKIYE GARANTI BANKASI	0.44%
BANK VOZROZHDENIE	0.38%
TURKIYE HALK BANKASI	0.36%

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

Nicola O'Neil +353 1436 7292

Auditors: Ernst and Young

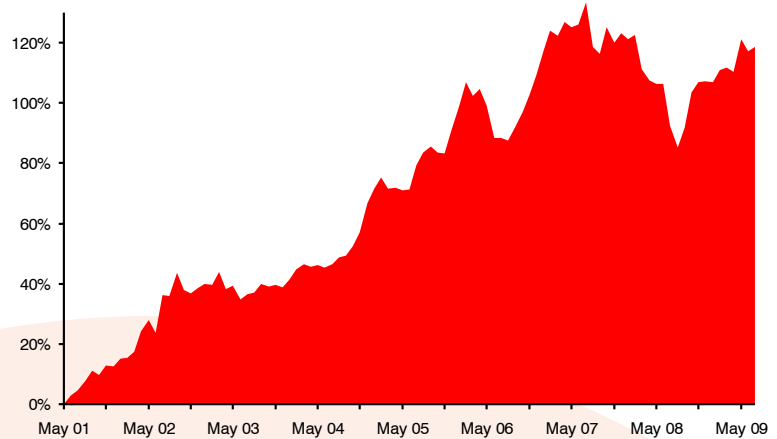
Management Company: Kudu Emerging Markets

Limited Subscriptions: Up to last business day of month



NAV per redeemable share: Class A: \$76.75 £77.02 Class B: \$166.12 £167.08 €159.36				
Performance	On Month	YTD	Rolling 12 months	Since Launch
Class B€:	3.74%	11.07%	5.75%	80.76%
Class AS:	3.73%	11.20%	5.50%	-23.25%

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	3.74						11.07

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

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