



KUDU FUND

EMERGING EUROPE, MIDDLE EAST, AFRICA

MONTHLY REPORT JUNE 07

KUDU

TOP 15 LONG POSITIONS

	%
SBERBANK -CLS	4.16%
ALPHA BANK A.E.	4.14%
BULGARIAN LAND DEVELOPMENT	3.99%
MOBILE TELESYSTEMS- SP ADR	3.84%
OPAP SA	3.80%
HELLENIC BANK LIMITED	3.73%
SWEDBANK AB - A SHARES	3.63%
KAZKOMMERTSBANK	3.36%
FIRST GULF BANK	3.32%
BANK MUSCAT SAOG-GDR REG S	3.29%
MICHANIKI SA	3.27%
OTP BANK NYRT	3.17%
MTN GROUP LTD	3.14%
HALYK SAVINGS BANK	3.05%
BANK HAPOALIM BM	2.95%

TOP 5 CONTRIBUTORS MTD

	BPS
EVRAZ GROUP SA - GDR REG S	40
MOBILE TELESYSTEMS-SP ADR	36
SBERBANK - CLS	31
HELLENIC BANK LIMITED	31
MICHANIKI SA	23

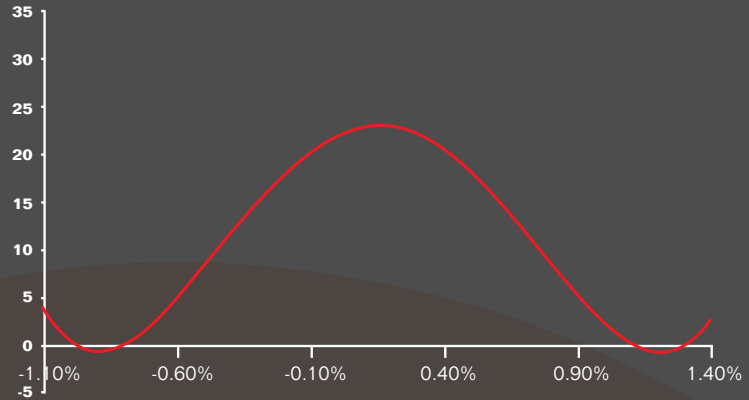
TOP 5 CONTRIBUTORS YTD

	BPS
AFRICA-ISRAEL INV LTD	233
ALDAR PROPERTIES PJSC	181
MICHANIKI SA	156
ENKA INSAAT VE SANAYI AS	126
EVRAZ GROUP SA - GDR REG S	91

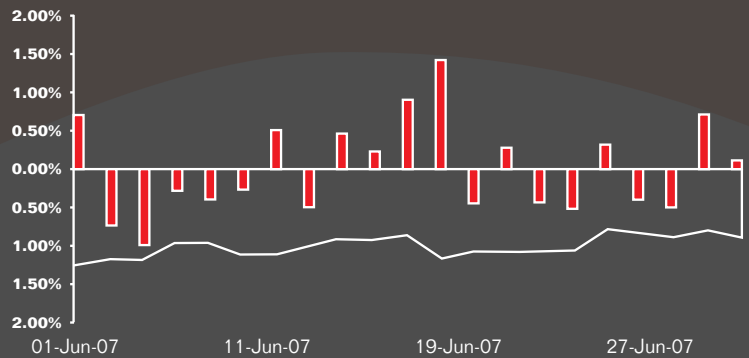
FUND SHARE PRICE

	€	£	\$
CLASS A		100.32	100.27
CLASS B	205.85	215.47	214.75

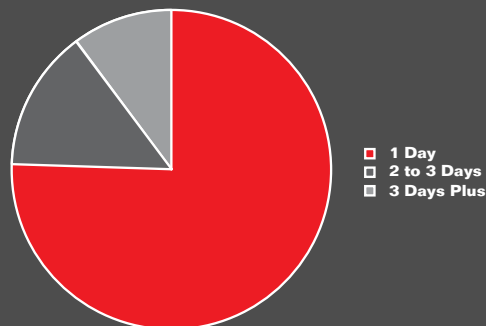
Daily Volatility - 1 Year



Daily % Change Vs Projected VAR



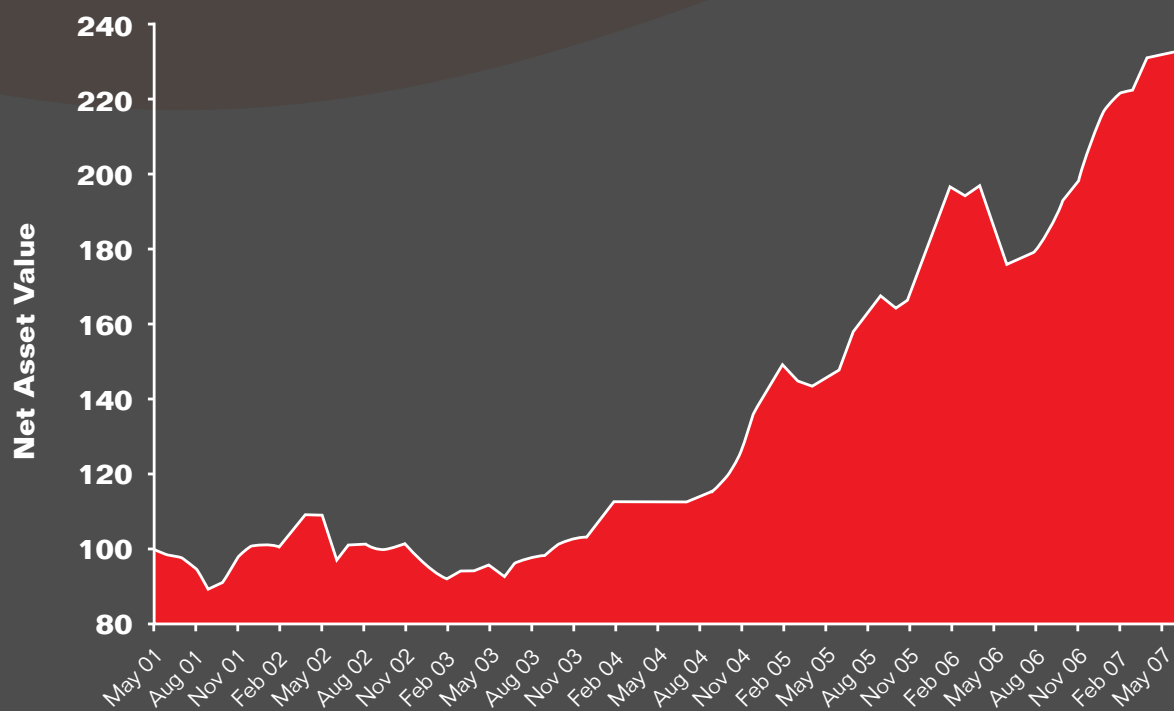
Position Liquidity - Number Days Average Volume



	2001	2002	2003	2004	2005	2006	2007
Jan		0.6	-2.9	3.9	4.6	6.0	4.6
Feb		-0.5	-2.3	4.7	4.1	5.0	2.0
March		5.3	2.6	-0.1	-2.9	-1.4	0.2
April		2.9	-0.3	0.1	-1.0	1.5	3.7
May		0.0	1.5	-0.1	1.5	-5.3	0.5
June	-1.0	-10.5	-3.0	0.1	1.8	-5.5	0.3
July	-1.3	4.8	3.9	-0.2	7.1	0.8	
August	-3.0	-0.5	1.7	1.4	2.6	0.8	
September	-5.4	-1.5	0.3	1.4	3.2	3.3	
October	2.0	0.0	3.1	3.5	-2.4	4.5	
November	7.4	1.4	1.2	5.1	1.3	2.6	
December	2.4	-4.0	1.1	8.6	6.3	5.0	
Year	0.6	-3.5	6.9	31.8	29.1	17.7	11.8

€ class monthly returns since inception -
net of all fees

Kudu Absolute return fund (Euro class)



Monthly Report

The Kudu Fund rose by 0.3% in June, compared to a decline of 0.3% by the Morgan Stanley Pan European Index, and a gain of 2.4% by the Morgan Stanley EMEA Index.

Russia has finally shaken off its weak start to the year. The winning of the 2014 Winter Olympics in Sochi, the outcome of a successful public relations campaign by Putin, together with a rise in oil to above \$75, has improved sentiment substantially. The Kudu Fund has continued to find excellent value in Russia and is well positioned to benefit from a rebound in the Russian market. During the month the Fund faced headwinds from South Africa, where an unexpected rise in interest rates led investors to abandon consumer sensitive stocks, but this was compensated across several other regions that performed well in June.

The Kudu Fund continues to seek opportunities in markets that are facing structural changes. We have been positive on the investment climate in the Gulf for most of the year and the fund has built up its exposure in a number of these markets. The ongoing due diligence, following our research trip in February, has thrown up many exciting ideas, further cementing our conviction that travel and first hand analysis of the regions and companies in which the Fund invests is integral to the process.

Richard Thaler, Professor of Behavioural Finance and Economics at the University of Chicago and prominent theorist in behavioural inefficiencies, has presented numerous market 'anomalies'. These anomalies occur when the behaviour of market participants results in the inefficient pricing of particular securities. The Gulf markets, dominated by retail investors, are among the most inefficient in the world. They opened to foreign investors in late 2004, heavily overvalued and in the midst of a bubble created by over-enthusiastic and exuberant locals. As a result, few international investors paid much attention. The dramatic market falls of the last 18 months, which have seen GCC indices decline between 40% and 60%, have attracted investors with a value bias, and the region has proved a fruitful hunting ground.

There are certain characteristics particular to the GCC markets. The majority of flows are still driven by retail investors, who focus on the simple valuation parameters of price earnings multiples and dividend yield. The Kudu Fund's process devotes large amounts of time to obtaining a comprehensive understanding of the industries and

competitive environments in which the companies operate, and performing detailed valuation analyses that highlight companies with favourable structural dynamics over their peers.

The United Arab Emirates, a collection of seven emirates ruled by Abu Dhabi, the largest and wealthiest, is an interesting investment market. The oil cycle has resulted in substantial surpluses being earned by the Gulf producers, and the new and progressive leadership of Sheikh Khalifa bin Zayed Al Nahayan is ensuring that these funds filter their way down through the economy. The Abu Dhabi Investment Authority, Abu Dhabi's vehicle for investing its vast surpluses, is rumoured to have a staggering US\$500 billion under management. This underpins the economy's growth ambitions and reduces the sensitivity to the oil price. Further, proactive steps are being taken to diversify these markets away from oil, and into financial services, tourism and service centres.

The result of this is that many individual companies are benefiting disproportionately from these dynamics. One of the funds positions, First Gulf Bank, owned by the ruling family of Abu Dhabi, has been able to grow loans at a CAGR in excess of 100% over the past 5 years through innovative products and aggressive management. Returns are further boosted by the zero taxation regime. Another company, Aldar Properties, is a government selected vehicle focusing on the development of much of the real estate in Abu Dhabi, and has been a core position in the portfolio throughout the year. Aldar has benefited from being allocated substantial tranches of land by the government for development, at no cost. The company trades at a small fraction of the land's independent valuation. Few opportunities such as these exist in any markets around the world, let alone markets that are so actively seeking to encourage foreign investment, and that are coupled with such a positive macro backdrop.

The Salama Group is another example of a company benefiting from a niche positioning in a strong growth environment. It is the largest Takaful and Re-Takaful company in the world and outright leader in the GCC and North Africa. Takaful is an Islamic insurance concept that is grounded in Islamic Law, and the word itself translates as 'solidarity'. The market is expected to triple from US\$5 billion in 2005 to US\$15 billion in 2015. The continued development of the Gulf and Islamic states is creating a need for general insurance and few companies have the necessary Sharia approvals.

This creates significant barriers to entry coupled with strong fundamental growth dynamics.

Anomalies and pricing inefficiencies also exist in some of the more developed markets in which the Fund invests. Greece became the 10th member of the European Union back in 1981 and adopted the euro in 2001. The result has been an extremely attractive operating environment for companies, where strong regulatory and legal frameworks are driving the growth of the economy. GDP growth has been consistently higher than the core EU member states, and wealth differentials have been steadily narrowing.

The ongoing Community Support Frameworks of the EU, currently at CSF III and entering the CSF IV stage, have provided substantial resources for infrastructure development in the country. The programme is aimed at giving subsidies to member states to drive investment in infrastructure and foster growth. This has provided not only a stimulus to an already buoyant economy, but has also been of substantial benefit to the capacity constrained local construction market. J&P Avax, the second largest player in the industry, has seen backlog swell as the government races to meet the deadlines outlined in the Community Support Frameworks. The company's concession assets add substantially to the predictability of cash flows, and the company is likely to surprise the market with its continued strong improvement in earnings.

The Greek banking market is also attractive, with double digit loan growth and limited pressure on margins. Alpha Bank trades on 2.3x 2008 book value with a Return on Equity of some 24%, on our estimates. However, it is important when considering this valuation to bear in mind that the Greek banks have been extremely quick to purchase assets in neighbouring South Eastern Europe at low multiples, and their growth is secured for many years to come. Interesting too is the glaring absence of any major global players in the market. In a sector ready for consolidation, it is unlikely to be long before a major bank gets involved in a meaningful acquisition, following Credit Agricole obtaining a stake in Emporiki Bank last year. The Fund is well positioned to benefit from such dynamics.

We remain confident in the outlook for the EMEA region in general but with mounting concerns surrounding US sub-prime debt we remain vigilant, aware that emerging markets do not exist in isolation.

■ The Kudu Team

GEOGRAPHICAL EXPOSURES/ATTRIBUTION

Emerging Europe:

Beta adjusted net exposure: +2.07%
Performance attributions: +35bps

Greece:

Beta adjusted net exposure: +12.73%
Performance attributions: +44bps

Israel:

Beta adjusted net exposure: +3.35%
Performance attributions: -19bps

Russia and the CIS:

Beta adjusted net exposure: +16.91%
Performance attributions: +89bps

Turkey:

Beta adjusted net exposure: +13.38%
Performance attributions: +17bps

Africa:

Beta adjusted net exposure: +17.87%
Performance attributions: -114bps

Middle East:

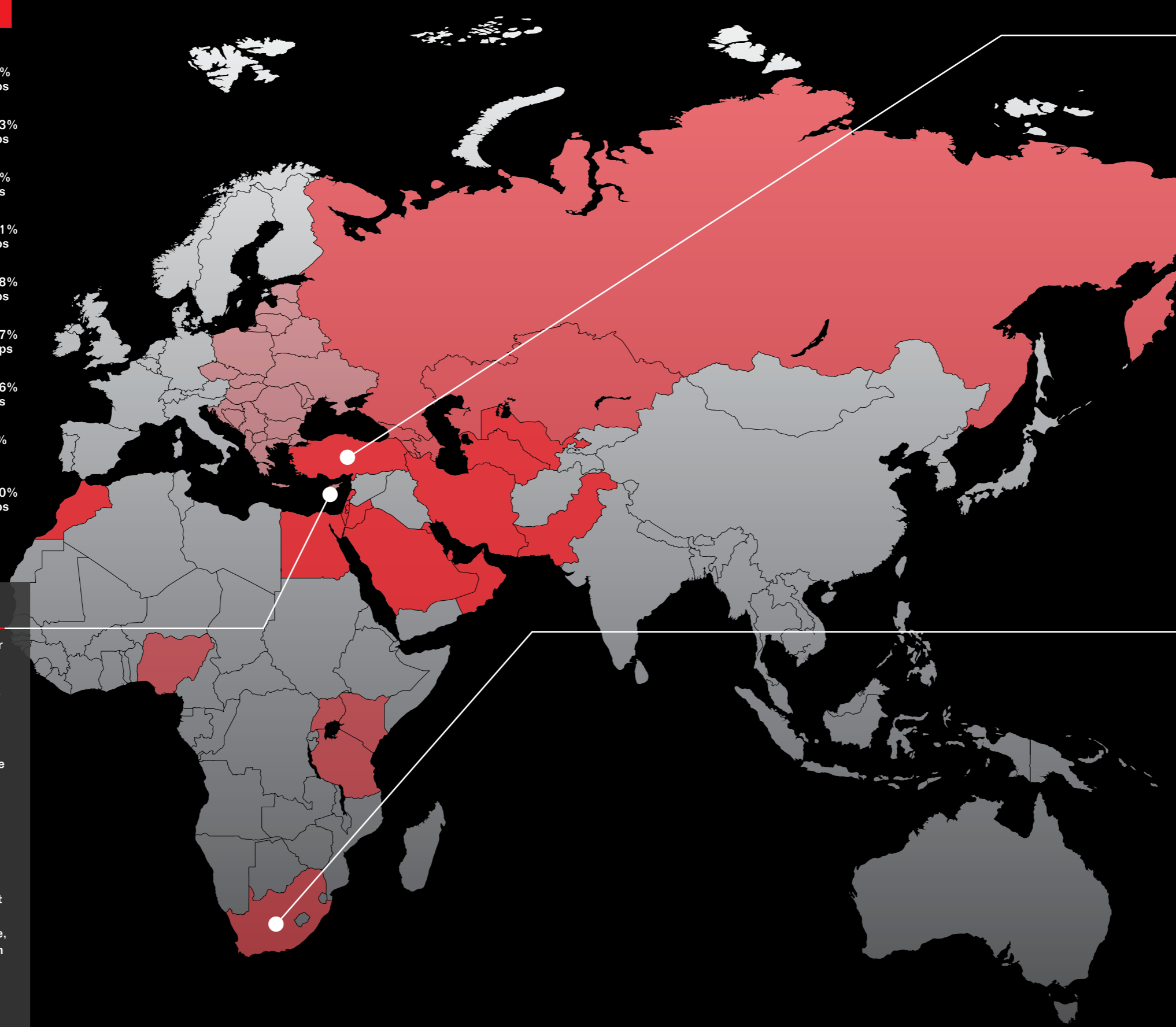
Beta adjusted net exposure: +15.06%
Performance attributions: -22bps

Others:

Beta adjusted net exposure: -9.98%
Performance attributions: -3bps

Total monthly attribution:

Beta adjusted net exposure: +71.40%
Performance attributions: +27bps



TOFAS – TURKEY

Tofas is a vehicle manufacturing company set up as a joint venture between Fiat and Koc Holdings in Turkey. It holds a production market share of 11% and sells its cars, Fiat brands manufactured under license, on both the local and export market. Local demand for cars has suffered as a result of the punitive interest rates in Turkey. However, while this situation is expected to normalize in the second half of this year, the fundamental drivers for Tofas are the production capacity increases that have been implemented recently. Over the coming years European production is shifting to lower cost countries, particularly Turkey, making local demand less relevant. Current capacity of 250,000 units and production of 180,000 units in 2008 will translate into full capacity utilization of 550,000 in 2010 through already signed licensing agreements, with much of the funding being provided by Fiat itself. This transformation has a significant impact on the margin the company will generate, and on our forecasts the company trades on 2009 EV/EBITDA of 4x.

HELLENIC BANK – CYPRUS

Hellenic Bank is one of the three major banks in Cyprus, offering a full range of financial services and enjoys a market share of some 11%. The sector is characterized by robust growth in volumes and rapid improvement in the quality of loans. Issues regarding non-performing loans from the collapse of the stock market in 2000/1, which impacted highly leveraged investors, have now fully worked through the system. The increasing importance of Cyprus as an offshore business centre provides further fundamental support, particularly given the profitability of deposits of this nature. The investment case is based upon the changing dynamics of the bank's earnings profile, with our forecasts putting the valuation at 7.9x 2008 expected earnings and 2.0x price to book value, despite a return on equity in excess of 25% and conservative provisioning.

DAWN – SOUTH AFRICA

Distribution and Warehousing Network (Dawn) is the dominant wholesale distributor of hardware and engineering products in South Africa. The company distributes some 30,000 products to 10,000 customers in the plumbing and building sector and is the overwhelming market leader with substantial market share. The remainder of the sector is fragmented, and offers Dawn strong growth and synergy opportunities through consolidation. The investment case, however, is based upon the impact that vertical integration into production and the purchase of leading brands will have on margins, which are currently at 11%. Further fundamental support comes from the booming local construction market and investments underway for the 2010 World Cup. On our estimates, the company trades at 8x 2009 earnings, following the integration of acquisitions.