

Monthly Report June 2010

The last twelve months have delivered few net returns for world equity markets – many indices are either down, or trading around the same level as last July. However this apparent calm does not begin to convey the full intensity of trading over the last twelve months. There have been a series of further debt crises, in Dubai, Ireland, Greece, and Hungary, and a general sense of malaise and concern about the state of the world economy.

Current market sentiment is mixed. Optimism about a strong conventional US and European cyclical recovery has faded, giving way to widely diverging views – reflected in a stock market range some 20% wide.

Given this lack of wider direction in the market, the most profitable current opportunities currently lie in identifying sector and thematic developments which have gained traction beneath the wider volatility of the last few years.

The Kudu fund invests with a thematic investment process – taking core portfolio positions in specific sectors, where multi-year change is taking place, whilst hedging a graded amount of market risk and exposure. This approach has consistently delivered high risk-adjusted Alpha returns.

Thematic analysis is particularly appropriate in emerging markets. Countries at relatively early stages of economic growth have more structural and business trends, than mature developed markets.

The fund's current thematic investments favour companies with either low cyclical economic exposure, or positioned in a local market – like India – where domestic economic demand is strong.

In Russia, the fund invests in a number of medical companies. This sector is exposed to major change. The Russian population currently spends a very low proportion of its wealth on healthcare. But in areas which have seen strong local economic growth – like Moscow and St Petersburg, the value of medical spending is rising fast. If this same pattern is repeated across the country, healthcare companies stand to profit from many years of favourable trading conditions.

The fund also holds a number of Mobile Telecom stocks – a sector which has undergone a business evolution over the last two years. After many years of enjoying a strong growth cycle, the industry has matured into a stable cash-generative utility status – collecting a secure monthly

revenue from almost every member of the population.

There are some areas – like Egypt and Africa, where subscriber growth is continuing, but for the most part, the fund's investments in this sector are motivated by strong cash generation, and high dividend yields – with the added attraction of potential take-overs.

We continue to balance this commitment to thematic investment with quantitative analysis of short-term market sentiment and direction. The fund holds short positions in markets and sectors with poor prospects, as a counter-balance and hedge for long high-conviction investments.

As far as the wider market is concerned, until either the US stock market or economy leads the way with a clear positive direction, it is likely that global stock markets will continue to trade according to local business conditions and developments, rather than with a strong correlated market trend.

■ **George Case**

TOP 5 LONG POSITIONS ATTRIBUTION %

OPAP	1.95%
SBERBANK	1.37%
CHARLEMAGNE CAPITAL	1.29%
KUZBASSRAZREZUGOL	1.29%
VIMPLECOM	1.05%

TOP 5 CONTRIBUTORS YTD ATTRIBUTION %

RASPADSKAYA	0.43%
IMMOEAST	0.28%
WOOLWORTHS HOLDINGS	0.17%
COMMERCIAL INTERNATIONAL BANK	0.15%
PICK N PAY STORES	0.10%

TOP 5 CONTRIBUTORS MTD ATTRIBUTION %

WOOLWORTHS HOLDINGS	0.07%
VIMPLECOM	0.05%
MTN GROUP	0.04%
CHARLEMAGNE CAPITAL	0.02%
COMMERCIAL BANK OF QATAR	0.01%

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

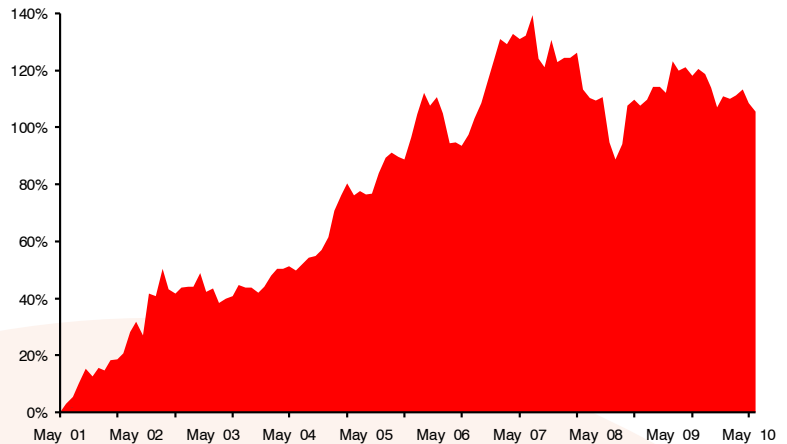
Management Company: Kudu Emerging Markets

Limited Subscriptions: Up to last business day of month



NAV per redeemable share: Class A: £69.63 Class B: \$151.24 £151.75 €144.23				
Performance	On Month	YTD	Rolling 12 months	Since Launch
Class B€:	-2.37%	-5.97%	-6.11%	63.60%

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							-5.97

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

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