KUDU FUND

EMERGING EUROPE, MIDDLE EAST, AFRICA

MONTHLY REPORT MARCH 08

KUDU

Monthly Report

The Kudu Fund fell by 7.3% in March in very difficult market conditions. The shattering financial crisis in America has caused a sharp drop in confidence in emerging market equities. The fund entered the month with a 75% gross long equity position - for every $100 of investor capital the fund had $75 invested, and the remainder in cash. The fund had short positions amounting to around 50%, leaving a 25% net exposure. During the month almost all of the fund's long investments fell in value, but the short protection fell by a smaller amount. Even with this highly cautious approach the fund fell in value.

The fund is committed to building shareholder wealth over the long term. The investment process, built over the last ten years: seven years of the fund's life and the preceding three involving a family office, is built upon the specific opportunity offered by Alpha investment returns from the information inefficient emerging markets of EMEA.

In order to manage and drive Alpha returns, the fund relies on a degree of stability in pricing relationships between many markets. The financial crisis of the last eight months has caused a steady deterioration in the volatility of a wide range of pricing relationships. In March the situation became markedly worse, with a degree of randomness cutting through the market.

The fund has reduced its exposure to the market to adapt to these conditions. The reduction in risk is based not on any assessment of value or of market direction, but on a practical assessment that until the fund can assess a stock's market Beta with confidence, even as an aggregate group of portfolio positions, then the portfolio of long and short positions should remain sharply limited.

In conjunction with our investment process we run a series of quantitative and mathematical screens to determine when market relationships may have settled to a degree sufficient to give confidence that new positions can be appropriately hedged. Analysis of past periods of market breakdown suggest that after a major crisis, it can take between six months to a year for pricing and market relationships to settle. An overlay to the current situation points to a period between February and August of this year.

The value of mathematical and quantitative screens is that they concentrate on the issue of stable inter-relationships in financial markets, and remove both the direction of the market and the subjective emotion of debating whether or not any particular crisis is over.

Currently the fund has 59% of investor capital invested in EMEA equities. The long portfolio is spread across 35 positions, leaving an average position size of 1.7%. Of the long portfolio, 80% is invested in companies with a market capitalisation greater than $1 billion. Liquidity has always been a key consideration in the investment decision-making process, and the fund has developed strict rules to control the exposure to this risk in the market. In times of market stress like the present, the liquidity controls remove a key area of concern for both the fund's managers and investors.

It is sometimes believed that smaller companies must be more interesting or must offer highly superior returns. Whilst this argument may have some residual merit in western markets, in emerging markets companies of all capitalisations offer opportunities for Alpha returns.

The fund's core currency is the Euro and the cash deposits are held in segregated accounts at Goldman Sachs, Morgan Stanley and UBS.

The fund is not exposed to emerging market currency risk. Equity positions are hedged on initiation. For example, if we buy a local Turkish stock, the fund sets up a short Turkish lira position to an equal value. When the position is closed the currency hedge is closed also.

The Kudu Fund's internal rules and regulations are designed not to constrain investment skill, but to provide a clear framework which crucially removes emotion from certain areas of decision making.

The investment team continue to research in great detail specific sectors. Take the agricultural market: which has become a popular headline sector. With prices for soft commodities at multi-year highs, and advertisements for Argentine land cropping up in magazines, we decided to apply a period of detailed research to the sector.

We are currently analysing the whole agricultural sector to see how the global agricultural boom will affect the many companies in EMEA with agricultural markets. Last year saw sharp rises in potash prices, which benefited Uralkali and Jordan Potash amongst others. During this potash boom, prices for nitrogen fertilizers and for generic and patented agrochemicals have thus far changed very little, but the dynamics remain extremely positive. To gain exposure to this, the fund has invested in Faujji Fertilizer Company in Pakistan, which has access to plentiful low priced gas.

The team are also researching Nigerian banking, the effects of the market crash in Greece, Turkey and the Balkans, and the long and short opportunities in Russian real estate.

Currently the fund has exposure to three particular themes, two positive, one negative. These are asset price inflation in the Middle East, the improving outlook for Russian oil, and a continuing decline in the South African retail environment.

The fund is exposed to a selection of equities in the Gulf and Arab world that benefit from an extreme macroeconomic distortion. The GCC countries have in the main pegged their currencies to the US Dollar. For many years this linkage worked well enough. Oil, the principal export of the region, is priced in Dollars, and political and military ties bound the Gulf states to the US. However, against a backdrop of global inflation and a weak dollar, real asset prices are inflating fast in the Gulf.

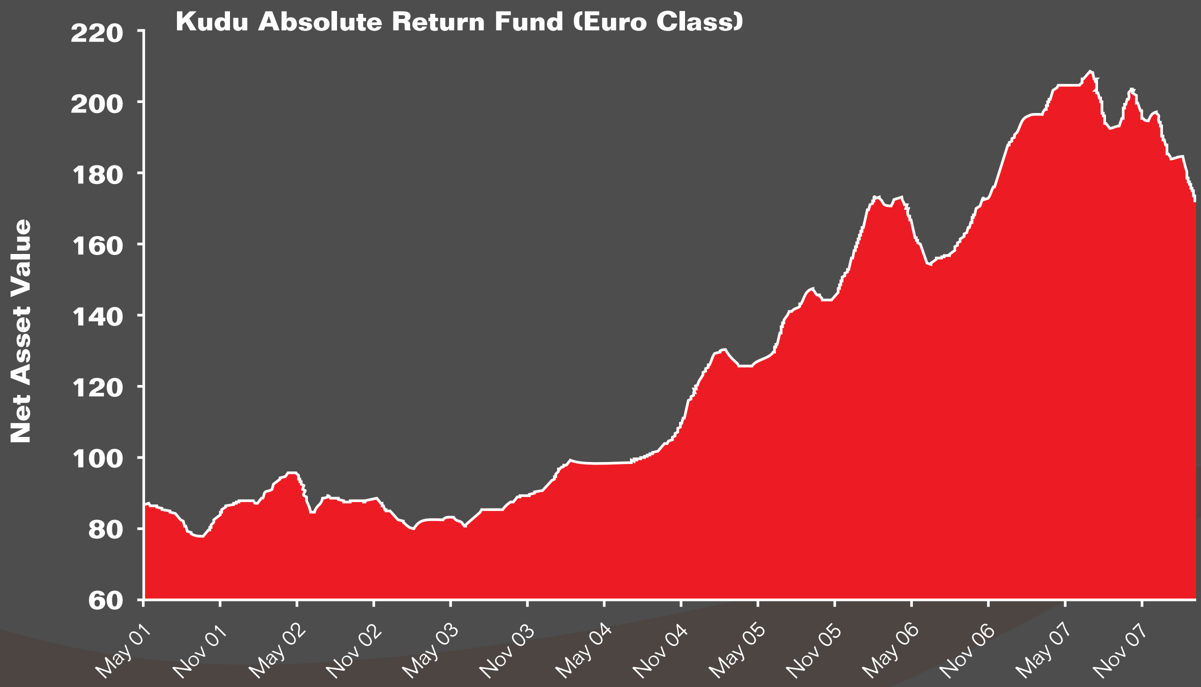
The Russian oil sector is currently attractive. Valuations are at historically low levels relative to western oil majors and profits are robust. The change in government this year, though widely perceived as cosmetic, may lead to some important shifts in policy. The oil sector currently suffers from very high taxation, which causes distortions in the activities of major oil companies. The new government is likely to reduce overall oil taxation and provide incentives for companies to find and develop new fields. The fund holds long positions in a number of major Russian oil companies.

South Africa suffers from high inflation caused by historically high inflation expectations and rigidities in the local economy. The rand's 20% devaluation this year is causing further imported inflation, and the South African Reserve Bank is raising interest rates to prevent a cycle of sharply rising prices. However, raising rates in response to a devaluation in the currency caused by the global credit crisis may cause a sharp slowdown in the local economy. The fund has a number of short positions in companies exposed to the retail and consumer sector.

As managers we have a high degree of confidence in the investment process, and in the potential for future profitable returns, both from the current themes within the fund, and the many opportunities which we have identified, but which require some improvement in market stability to implement. The fund continues to monitor intra-market correlations and Beta stability. When conditions improve, the fund is well placed to act decisively.

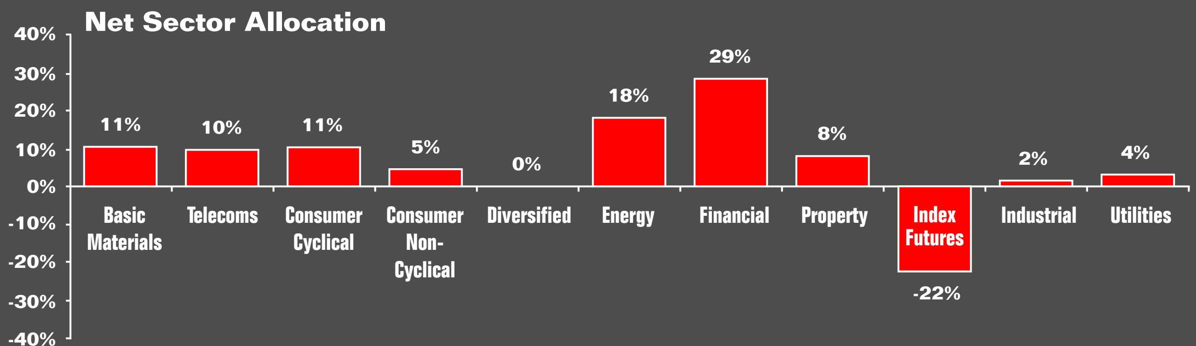
- **George Case**
- **Jon Bond**
- **Malcolm Levy**

NAV per redeemable share:	Class A: $83.49 £83.99 €87.55	Class B: $179.40 £181.01 €172.02		
Performance	**March**	**YTD**	**Rolling 12 months**	**Since Launch**
Class A$:	-7.69%	-13.49%	N/A	-16.51%
Class B€:	-7.26%	-12.88%	-12.76%	95.12%



Geographic Allocation Exposure as % of Fund NAV

Region	Long	Short	Net	Beta Adjusted Net	Performance Attribution
Europe	4.47	0.0	4.47	1.12	-0.69
Greece	2.14	0.0	2.14	0.54	-0.65
Israel	0.0	0.0	0.0	0.0	0.0
Russia	19.66	-14.79	4.87	1.22	-2.05
Turkey	1.59	-3.75	-2.16	-0.54	-0.86
Africa	10.62	-4.45	6.17	1.54	-1.08
Middle East	21.13	-10.98	10.15	2.54	-1.52
Other	19.26	0.0	19.26	4.82	-0.41
Total	**78.87**	**-33.97**	**44.9**	**11.23**	**-7.26**



TOP 5 LONG POSITIONS

TOP 5 LONG POSITIONS	%
LUKOIL-SPON ADR	3.68%
OAO GAZPROM-SPON ADR - REGS	3.07%
MTN GROUP LTD	3.03%
SHUAA CAPITAL	2.56%
COMMERCIAL INTERNATIONAL BAN	2.50%

TOP 5 CONTRIBUTORS MTD	ATTRIBUTION %
LUKOIL-SPON ADR	0.57%
EXXARO RESOURCES LTD	0.27%
ANGLO PLATINUM LTD	0.18%
OPAP SA	0.05%
ASPEN PHARMACARE HOLDINGS LT	0.05%

TOP 5 CONTRIBUTORS YTD	ATTRIBUTION %
EXXARO RESOURCES LTD	0.53%
ANGLO AMERICAN PLC	0.45%
JSC MMC NORILSK NICKEL-ADR	0.38%
SIDENOR STEEL PRODUCTS MANU	0.38%
ACCESS BANK NIGERIA-GDR REGS	0.35%

FUND INFORMATION

CLASS A

ISIN
€ BMG532541270
£ BMG532541197
$ BMG532541015

SEDOL
£ B1W7LS0
$ B1W7LR9

BLOOMBERG
£ CLACTAS BH
$ CLACTAD BH

US DELAWARE FEEDER
$ US5011831071

INVESTMENT FOCUS:

TURK HAVA YOLLARI - TURKEY

Turk Hava Yollari is Turkey's flag carrying airline, with a young fleet flying to domestic and international destinations. The current crisis faced in particular by US low-cost carriers has distressed valuations across the entire industry, and this draws our attention as we seek opportunity. Turkish Airlines continues to enjoy well above industry average growth rates, driven by increased local business passenger traffic, growth in the local tourism industry, introduction of a low-cost domestic brand and Turkey's geographical location as a transfer hub for international passengers. Full membership to the Star Alliance from Q1 2008 will further improve capacity utilisation rates, which is the key to the investment case. Restructuring has reduced employees per aircraft significantly and cost cutting is leading to margin improvements at a time when other airlines are struggling to offset fuel price increases. On our estimates the company trades on an estimated 2009 EV/EBITDA multiple of 2.1x and a P/E multiple of 2.9x, making this the cheapest airline in our universe despite the numerous positive stock specific dynamics.

	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	-7.26										-12.88

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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