

Monthly Report May 2010

The Kudu fund has performed well in the recent major market reversal.

May was an extreme month in world markets. The Dow Jones experienced a short market freefall on May 6th, similar to the 1987 crash, dropping 10% in a day, before later recovering some of the loss.

The market collapse in April / May was caused by a worsening of the European credit crisis. During this downturn, the main European index has fell by -19%, and the index of European banks by -28%.

During the same time, the Kudu fund has fell by a total of -5% indicating an effective net long exposure to the fund's benchmark European index of 25%.

Given that the fund typically maintains an average net exposure of approximately 60%, this analysis indicates that the fund successfully reduced its market exposure by over 50% before the market fall – one of the fund's best performances in extreme market conditions over the last nine years.

This kind of market trading is highly unusual. From 1990-2000,

the stock market experienced just one similar month - in August of 1998.

Anticipating and predicting market collapses is a difficult process, involving a combination of quantitative analysis of market indicators and experience.

On this occasion, problems in credit spreads and inter-bank lending gave warning that the Greek credit crisis had spread to other European markets.

The fund reduced its net exposure before the market downturn to around 15% - the lowest level the fund normally holds – since valuations in the stock market have already fallen in 2010 to very low levels.

However, an underground gas explosion at the largest coal mine operated by Raspadskaya, one of the fund's investments, increased the net exposure to the market to an effective 25%.

In the short term, the fund's strong performance in these conditions is of little consolation, but it does show that after nine years of operation, the Kudu fund's investment process is working robustly – albeit in the face of continued hostile conditions.

The Kudu fund has outperformed the European Index, in both the short and the long term, since its inception.

In 2010, the Kudu fund has outperformed the market by more than 6.5% - with less than half the volatility of the index.

Over the nine years of the fund's existence, the fund has outperformed the stock market by 11% a year since 2001, with a price volatility 40% lower than the index.

Looking ahead, the prospects for the stock market appear uncertain – but not completely negative.

The world economy presents a very mixed picture at present – weakness in Europe, but growing strength in China, India and elsewhere.

The Kudu fund is adding to investments where economic growth is strong, and corporate earnings robust.

India and Russia are both beneficiaries of rising domestic demand and improving growth forecasts for 2010 and beyond.

■ **George Case**

TOP 5 LONG POSITIONS	ATTRIBUTION %
PHARMSTANDARD	2.62%
KUZBASSRAZREZUGOL	2.61%
SBERBANK	1.53%
AGTHIA GROUP	1.29%
FAMOUS BRANDS	1.27%

TOP 5 CONTRIBUTORS YTD	ATTRIBUTION %
RASPADSKAYA	0.43%
IMMOEAST	0.28%
KUZBASSRAZREZUGOL	0.26%
COMMERCIAL INTERNATIONAL BANK	0.17%
WOOLWORTHS HOLDINGS	0.11%

TOP 5 CONTRIBUTORS MTD	ATTRIBUTION %
FAMOUS BRANDS	0.07%
AGTHIA GROUP	0.04%
FOSCHINI	0.02%
LEWIS GROUP	0.02%
TRUWORTHS	0.02%

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

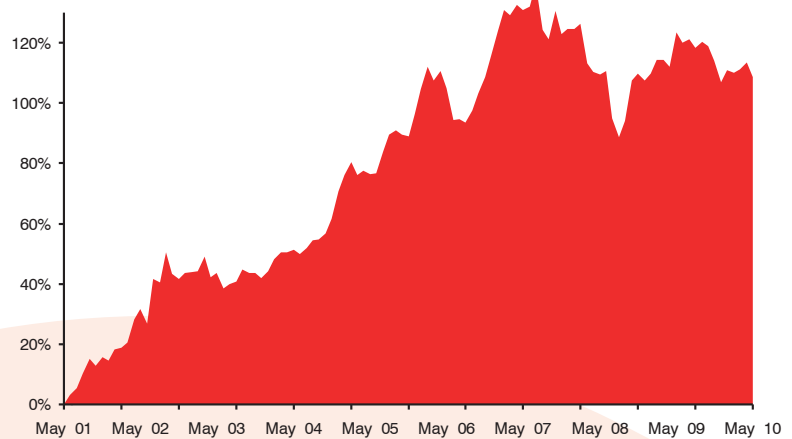
Management Company: Kudu Emerging Markets

Limited Subscriptions: Up to last business day of month



NAV per redeemable share: Class A: \$71.24 £71.26 Class B: \$154.83 £155.23 €147.73				
Performance	On Month	YTD	Rolling 12 months	Since Launch
Class B€:	-5.35%	-3.68%	-6.23%	67.57%
Class AS:	-5.01%	-3.49%	-6.18%	-28.76%

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								-3.68

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

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