

KUDU

KUDU FUND

EMERGING EUROPE, MIDDLE EAST, AFRICA

Monthly Report September 2009

The world economy continued to stabilise in September, but stock markets sold off sharply in mid-month as new data from America showed the economy was weaker than expected in the third quarter.

Away from America, the balance of the world's economy continues to shift rapidly, a change symbolised clearly by the demise of the G8 hegemony. From now on, it is the G20 that will gather to discuss economic issues. In the wider world there is little discussion of a crisis of capitalism. Business in Mumbai, Beijing, Qatar and Cairo is brisk, and increasingly dominated by lateral trade ties – so-called 'South to South' contacts, like China's investment in Africa, or trade between the Gulf and India.

The fast-growing economies of EMEA – Russia, Turkey, North Africa, southern and eastern Europe, and the Gulf, are amongst the newest members of the world free market economy. Although the Soviet Empire broke up in 1989, it took at least a decade for the full effects of this historic geopolitical shift to take economic effect.

The economic opportunities in EMEA are enormous: the region controls over 80% of the world's discovered oil, and gas,

and most of the reserves of base and precious metals. It has a well educated work force and a people hungry to improve their standard of living.

The Kudu fund is focused upon identifying long term business and economic trends in EMEA, which which will deliver profitable returns.

One important current trend is the continued opening of financial markets in the Kingdom of Saudi Arabia to external investors. The Saudi economy is the most important in the Gulf region – not just because of its carbon wealth. Unlike its neighbours along the Gulf coast, the Kingdom has a large and youthful population. There are now 28 million Saudis compared to around 500,000 native Qataris.

The Saudi stock market is large and well diversified, and is notably under-researched by global standards. Amongst its interesting companies are:-

Almarai is the largest producer of dairy products in the country, producing milk, yoghurt and fruit juices. As disposable wealth has increased, consumers are spending a higher proportion of their income on processed foods. The

company has consistently grown its income through the economic cycle, and is well-placed to expand into different products and foodstuffs.

SAFCO is a specialist producer of fertilizers. The company takes natural gas, which was until recently treated as a valueless waste product of oil drilling, and turns it into Urea fertilizer.

The Nitrogen fertilizer industry is a cyclical commodity industry, historically dominated by European and American producers. In this price driven industry, the lowest cost producer occupies a position of special strength – and few world competitors can match SAFCO's access to a long term and extremely low cost supply of natural gas. The company is also well positioned geographically – closer to Indian and Asian agricultural markets than European and North American suppliers.

As the Kingdom seeks to develop economically, many companies in strategic sectors will undergo rapid transformation. Understanding this very local process will provide specific opportunities for profit.

■ **George Case**



TOP 5 LONG POSITIONS	ATTRIBUTION %
RASPADSKAYA	4.58%
MOBILE TELESYSTEMS	4.50%
KUZBASSRAZREZUGOL	2.72%
TURK HAVA YOLLARI	2.55%
SILVINIT	2.49%

TOP 5 CONTRIBUTORS YTD	ATTRIBUTION %
RASPADSKAYA	2.14%
TURK HAVA YOLLARI	1.74%
NORILSK NICKEL	1.50%
TURKIYE VAKIFLAR BANKASI	1.49%
INDUSTRIES QATAR	1.44%

TOP 5 CONTRIBUTORS MTD	ATTRIBUTION %
RASPADSKAYA	0.85%
SILVINIT	0.76%
TURK HAVA YOLLARI	0.66%
WISDOMTREE INDIA	0.56%
VSMPO-AVISMA CORP	0.33%

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

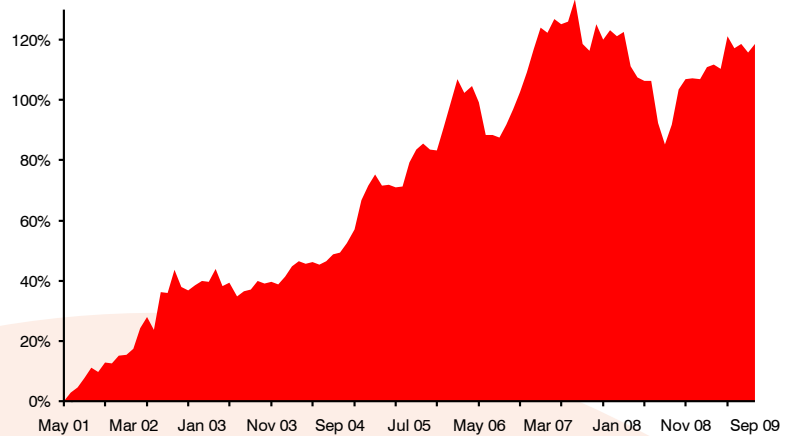
Management Company: Kudu Emerging Markets

Limited Subscriptions: Up to last business day of month



NAV per redeemable share: Class A: \$78.62 £78.94 Class B: \$170.31 £171.39 €163.36				
Performance	On Month	YTD	Rolling 12 months	Since Launch
Class B€:	2.42%	13.86%	13.82%	85.30%
Class AS:	2.41%	13.91%	13.35%	-21.38%

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	0.08	2.42				13.86

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

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