

Investment Report April 2011

Declines in many world markets since early April: India down by -12%, Brazil by -10%, China by -12% and Russia by -14%, have proved the value of the fund's relatively cautious investment approach.

We continue to maintain a significant level of short positions in structurally weak companies, and index futures, whilst investing predominantly in large, multinational companies, based in Europe and the UK, which benefit from low interest rates at home and strong, broadly diversified growth in both emerging markets and a wide range of developed global economies.

The fund's portfolio is made up of two categories. The first, which form the majority at present, are companies with proven records of growing earnings over many years, with a strong potential to deliver consistent future earnings growth. These companies are not only diversified by sector, but generate their earnings across many countries and regions.

The second, at present, smaller category of shares in the fund is of local business leaders in specific emerging market countries, where growth is strong and resilient. These companies often enjoy cartel pricing, and high margins in their local markets. They also grow their earnings faster than the more diversified global group. However, by holding shares of this category in many different countries and sectors, a high level of diversification can be obtained.

Both groups of companies have achieved consistent growth for many years by building strong brands and business operations, which create high competitive barriers to entry.

Amongst the businesses represented in the fund's portfolio are, Getinge, a Swedish manufacturer of sterilization equipment for hospitals worldwide; Fuchs Petrolab, a German maker of specialist lubricants used in many different industries and applications; Syngenta, the pesticide and crop chemical manufacturer; Fresenius, the provider of Dialysis in over twenty countries; Woolworths, the South African food and clothing retailer; Tesco, the successful food and general retailer, which

will have twice its selling space outside the UK in five years; Aspen the generic pharmaceutical manufacturer; Mediclinic, the hospital operator; and Richemont, the South African owner of luxury brands.

The fund's investment portfolio offers returns over the next five years of between 90% - 170%, with annualized compound growth of between 15% - 23%, a level between four and seven times the current UK Gilt yield.

This return is calculated using a valuation model favoured by Warren Buffett. By combining earnings growth over the next five years, with dividend yields, tax rates, and a range of valuation multiples, this model calculates a range of rates of capital return and annualized growth.

At a time when many stock markets have delivered poor returns for over a year, it may appear optimistic to be forecasting such strong long-term returns. However, the weakness of many share prices, combined with continued strong company earnings growth, has increased the security of these forecast gains.

Whatever happens to the world economy over the next few months or years, it is highly unlikely that patients will stop seeking kidney dialysis from companies like Fresenius, or food from supermarkets, or cheap generic drugs.

Nevertheless, given our experience of volatile and changeable market conditions over the last ten years, whatever the attractiveness of longer term rewards from the stock market, we balance our current investments in strong, growth company shares, with a range of risk management and defensive strategies. We remain vigilant for changes and developments which may cause another major stock market decline.

However, we remain confident that the fund's investment approach offers a sensible and appropriate way to invest in changing and uncertain market conditions.

■ **George Case**

TOP 5 POSITIONS

	ATTRIBUTION %
CHARLEMAGNE	1.88%
OPAP	1.56%
ASHMORE GROUP	1.56%
FINANCIERE GROUP	1.48%
EXXARO	1.40%

PERFORMANCE ON MONTH

CLASS B EURO	-0.53%
CLASS A GBP NAV	£67.66
CLASS B GBP NAV	£148.10
CLASS B EUR NAV	€140.66
CLASS B USD NAV	\$147.32

FUND INFORMATION

CLASS A

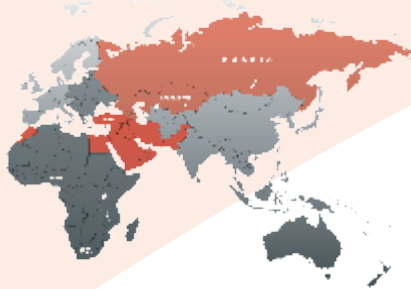
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£ BMG532541197
\$ BMG532541015

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

FRESENIUS MEDICAL CARE



Fund position - Fresenius Medical

Fresenius Medical Care is the world's largest integrated provider of products and services for individuals undergoing dialysis because of chronic kidney failure, a condition that affects more than 2 million individuals worldwide. Through its network of 2,769 dialysis clinics in North America, Europe, Latin America, Asia-Pacific and Africa, Fresenius Medical Care provides dialysis treatment to 216,942 patients around the globe. Fresenius Medical Care is also the world's leading provider of dialysis products such as hemodialysis machines, dialyzers and related disposable products.

Fresenius is growing earnings strongly in emerging markets, as more people are able to afford kidney dialysis – a life-saving treatment. The number of clinics outside the US has grown by 19% in the last year, providing a base for future earnings growth. The rise of the global middle class, 60 million people in India, and at least 200 million in other developing countries, coupled with a rise in healthcare provision and insurance, offers Fresenius dynamic growth for many years to come.

The company recently raised its earnings forecast for Full Year 2011. Using conservative estimates, Fresenius offers a 5 Yr capital return of 95%, offering annualized compound growth of above 14%. This is not the largest return in the fund's portfolio, but Fresenius is a high quality company, with a strong record of earnings growth.

	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	0.0	-1.4	1.9	0.6	-1.5	0.6	-5.7
2011	-1.1	-1.1	-0.1	-0.5									-2.7

Total Return net of fees (€class)

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