



KUDU FUND

EMERGING EUROPE, MIDDLE EAST, AFRICA

MONTHLY REPORT DECEMBER 2008

KUDU

Monthly Report

Thank you for your continued investment in the Kudu fund, we appreciate your commitment during a turbulent time for financial markets.

2008 was the worst year for the stock market since 1931.

The Morgan Stanley Pan European Index fell by -45%. Russia, the largest and most important market in EMEA, fell by -72%. Dubai fell by -72%, Turkey by -52% and Saudi Arabia by -57%.

The stock market falls in 2008 across EMEA, (and other world markets – China fell by -65%), are the most extreme in recent history. The size and global spread of the declines have been of a greater scale even than the 1929–1932 market collapse. In 1929 the Dow Jones Industrials fell by -17%, followed by a fall of -54% in 1932.

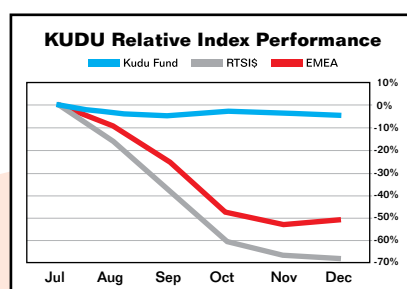
By comparison, during the current crisis, not only have many indices fallen by 70% or more, but large numbers of well-known companies have dropped by over 90%, causing devastating losses to many investors, who believed they were investing in solid, dependable blue chip shares.

The following is a short list of shares which have lost substantially all of shareholders equity during the current crisis: Lehman Brothers, Bear Stearns, Citibank, Merrill Lynch, Fanny Mae, Freddy Mac, Countrywide, Washington Mutual, Fortis, Northern Rock, Anglo-Irish Bank, Bank of Ireland, Allied Irish Bank, RBS/NatWest, HBOS, Landsbanki, and Kaupthing.

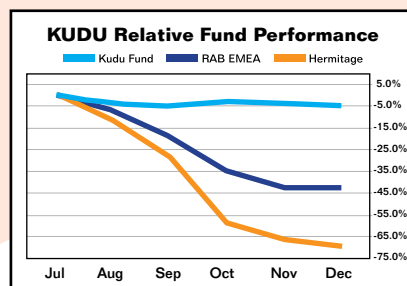
The Kudu fund fell by -27% during 2008. The major part of this fall came during the first half of the year, when market volatility reached

intense levels, making it extremely hard to hedge positions appropriately.

In early August we reduced the fund's market exposure to less than 5%. This decisive move protected shareholders from the 50% fall in EMEA markets in the second part of the year, and from further intensified market volatility.



During the full year of 2008, the Kudu fund outperformed a large majority of other funds operating in EMEA.



When market conditions stabilise the Kudu fund intends to rebuild shareholder equity in a disciplined and controlled manner. The fund went through severe market conditions during the 2001–2003 bear market, and proceeded to deliver gains of +32% in 2004 and +29% in 2005.

There are two possible parallels in history for the crisis of 2008, firstly the 1929–1932 crash, which was followed by a rise of 67%

in 1933; and secondly, the stock market collapse of 1974, which was followed by rises of 100% in many countries in 1975.

Following last year's sell-off, EMEA company valuations are now extremely low, with debt-free companies trading at prices ranging from two to seven times current earnings. Earnings are expected to fall this year, but when the down cycle ends, the EMEA stock market could rally strongly.

If a company, trading on just 2x current earnings, were to double its profits from today's depressed levels in the next three years, then the company's valuation would probably return to more normal 10x current earnings. The combination of earnings growth and re-rating in this example would lead to a tenfold increase in the share price.

The Kudu fund aims to protect investors equity during the current period of uncertainty, and then to act decisively when conditions change.

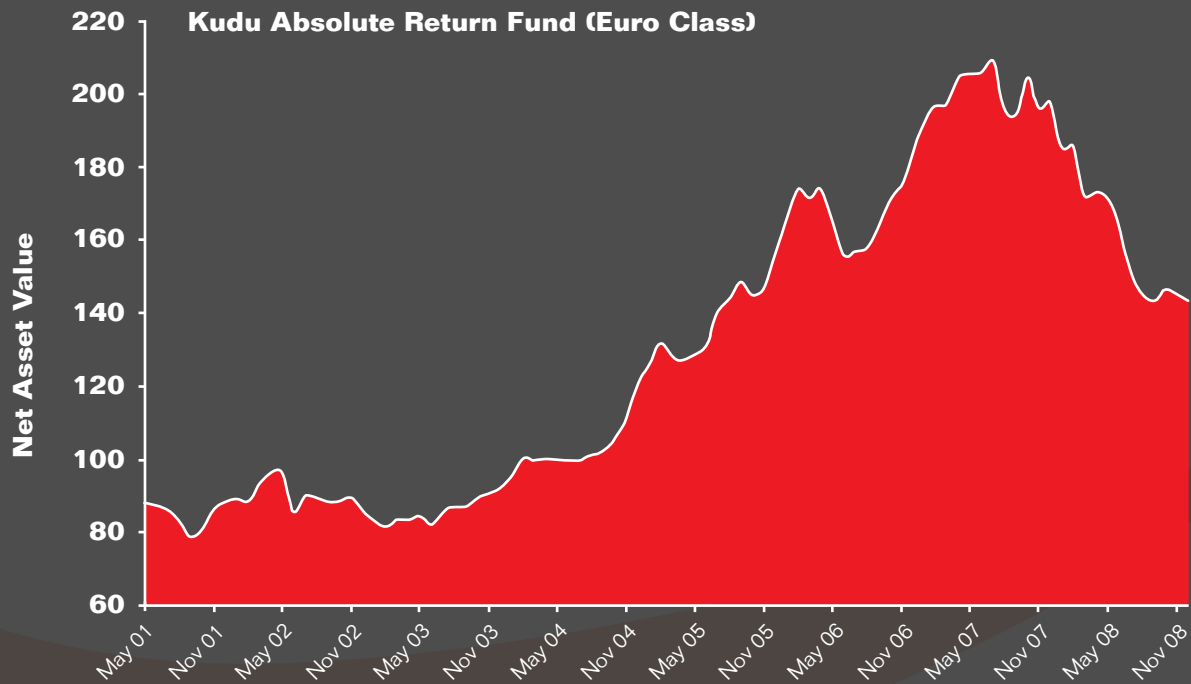
For the last twenty years - including 2008 - EMEA countries have grown faster than those in the West. According to the most recent forecasts, much of EMEA is expected to grow at a positive (if reduced) rate in 2009, compared to the -2% expected for Europe, and -2.8% expected for the UK.

No-one knows whether today's low valuations will lead to a new Bull Market, or whether the market will continue to reflect global uncertainty. The Kudu fund is prepared for either eventuality.

■ **George Case**

NAV per redeemable share: Class A: \$69.02 £69.59 Class B: \$148.94 £150.53 €143.48

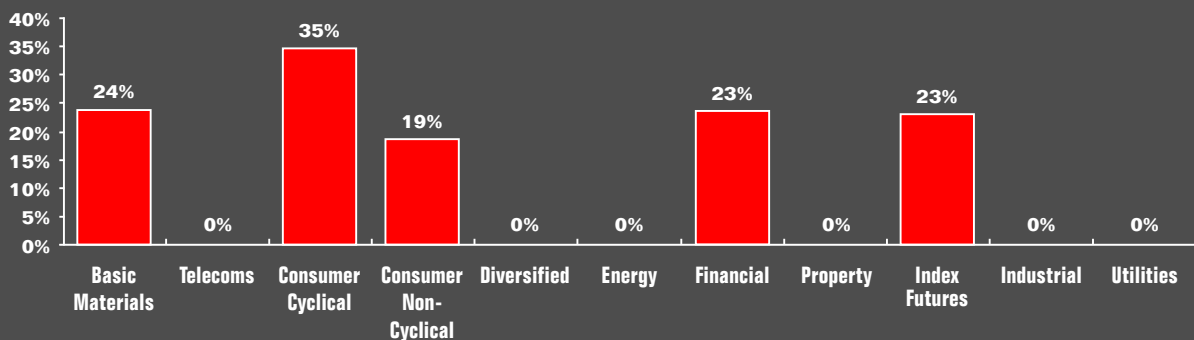
Performance	December	YTD	Rolling 12 months	Since Launch
Class B€:	-1.18%	-27.34%	-27.34%	62.75%
Class A\$:	-1.32%	-28.48%	-28.48%	-30.98%



Geographic Allocation Exposure as % of Fund NAV

Region	Long	Short	Net	Beta Adjusted Net	Performance Attribution
Europe	0.90	0.00	0.90	0.68	-0.02
Greece	0.00	0.00	0.00	0.00	-0.23
Israel	1.05	0.00	1.05	0.63	0.24
Russia	0.00	0.00	0.00	0.00	-0.81
Turkey	1.01	0.00	1.01	1.02	-0.03
Africa	1.56	0.00	1.56	1.00	-0.41
Middle East	0.00	0.00	0.00	0.00	-0.00
Others	3.00	-1.73	1.27	0.64	-0.72
Total	7.52	-1.73	5.79	3.97	-1.18

Net Sector Allocation



TOP 4 LONG POSITIONS ATTRIBUTION %

WOOLWORTHS HOLDINGS LTD	1.56%
ISRAEL CHEMICALS LTD	1.05%
TURKIYE VAKIFLAR BANKASI T-D	1.01%
AGGREKO PLC	0.90%

TOP 5 CONTRIBUTORS MTD ATTRIBUTION %

MOBILE TELESYSTEMS-SP ADR	2.2%
OPAP SA	1.9%
BANK HAPOALIM BM	0.6%
SPAR GROUP LIMITED/THE	0.6%
WOOLWORTHS HOLDINGS LTD	0.5%

TOP 5 CONTRIBUTORS YTD ATTRIBUTION %

URALKALI-SPON GDR-REG S	0.87%
SASOL LTD	0.74%
ROSNEFT OJSC-GDR	0.69%
MMC NORILSK NICKEL JSC-ADR	0.66%
COMMERCIAL BANK OF QATAR	0.56%

FUND INFORMATION

CLASS A

ISIN

€ BMG532541270

£ BMG532541197

\$ BMG532541015

SEDOL

£ B1W7LS0

\$ B1W7LR9

BLOOMBERG

£ CLACTAS BH

\$ CLACTAD BH

INVESTMENT AREA:



	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	-4.7	-8.2	-3.6	-1.2	2.1	-0.9	-1.2	-27.3

Total Return in €
Numbers net of fees (€class)

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 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 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.

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