

Investment Report Year End 2010

We believe that there is considerable potential for future gains from the Equity markets where the Kudu fund invests. Market valuations remain at low levels, whilst company earnings are robust.

Most listed companies across the region have reported strong increases in earnings during 2010 – and continue to forecast rising demand for 2011.

Just this week, Foschini, a fashion retailer in South Africa – a country emerging tentatively from recession, reported sales for the Christmas period up by +23% from last year.

However, in spite of this improving outlook, company valuations have been held back, throughout 2010, by the credit crises in Europe and weak economic conditions in the US. The outlook appears better for 2011. The US economy is showing clear signs of recovery and equities offer real value – especially compared to bonds.

If stock markets do advance in 2011, the Kudu fund is well-positioned to deliver substantial returns for our investors, though we remain prepared to adapt to a more cautious stance, if conditions change.

In the meantime, stock market trading continues to be unstable, with investors reluctant to take a decisive view after the events of 2010. There are sharp divergences between different markets, and unusually large price moves.

Last year proved to be one of the most volatile and unstable trading

years in recent history, as markets faced a series of major financial crises.

In the course of 2010, European markets endured seven major sell-offs of between -10% to -18%, a cumulative total of over -90% of market declines. For comparison, this same market traded upwards for seven years, between 1990 and 1997 with just two brief pullbacks of more than -8%.

Many individual global markets and sectors also traded poorly in 2010. China, a region favoured by many market strategists at the start of the year, spent the first six months of 2010 falling -28%, before staging a weak recovery.

The Greek stock market, in recent years one of the best performers in Europe, fell by -42% during the year, losing all the gains it has made since 1997.

Meanwhile the banking sector – traditionally the mainstay of the European stock market - struggled throughout the year, losing -27% of its value.

In these conditions, the Kudu fund was primarily concerned with protecting investor capital – whilst positioning longer-term investments for an eventual recovery.

We succeeded in this task, and at the same time continued to out-perform the European Stock Market Index – against which the fund compares its performance. The fund has out-performed the European Index over the last 1 year, 3 years, 5

years and 10 years – with a substantial reduction in risk. We believe that our investment approach continues to show its worth – in widely varying financial market conditions.

The fund's out-performance of the European Index is itself a rare achievement – and offers valuable diversification for an investment portfolio.

Recent research has shown that over 70% of UK- based funds investing in Europe, fail to match the stock market benchmark in any three year period – let alone offer any out-performance.

The last ten years have been a notably weak period for stock market investment, whilst government bonds have performed strongly. A long structural decline in global interest rates and a series of financial crises have driven substantial gains in bond prices.

However, looking ahead, there is growing evidence that the long Bull market in Bonds may be reaching an end.

With inflation in many countries exceeding bond yields - and equity valuations back at historically low levels - it seems likely that equities will prove a better portfolio investment than bonds over the next ten years.

We look forward with confidence to 2011

■ **George Case**

TOP 5 LONG POSITIONS ATTRIBUTION %

OMAN TELECOMMUNICATIONS	2.31%
VODACOM	2.18%
CHARLEMAGNE CAPITAL	1.74%
NOVOLIPET STEEL	1.56%
X 5 RETAIL GROUP	1.48%

TOP 5 CONTRIBUTORS YTD ATTRIBUTION %

RASPADSKAYA	0.43%
IMMOEAST	0.28%
COMMERCIAL INTERNATIONAL BANK	0.24%
QATAR NATIONAL BANK	0.23%
CHARLEMAGNE CAPITAL	0.20%

TOP 5 CONTRIBUTORS MTD ATTRIBUTION %

URALKALI	0.32%
GROWTHPOINT PROPERTIES	0.25%
SIBERSKY CEMENT	0.20%
VODACOM	0.20%
QATAR NATIONAL BANK	0.14%

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

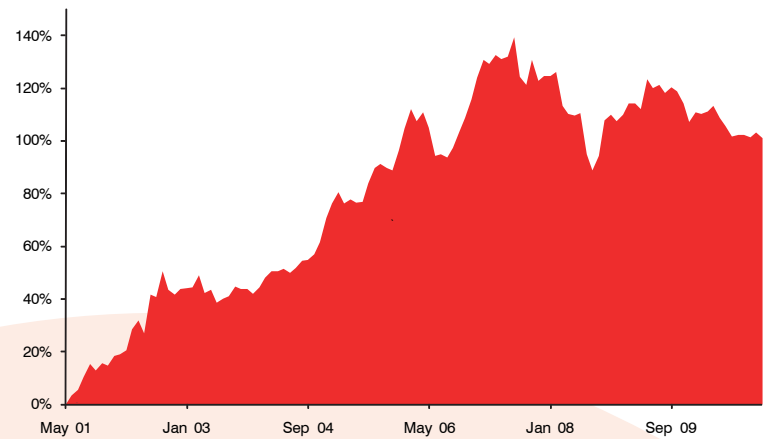
Management Company: Kudu Emerging Markets

Limited Subscriptions: Up to last business day of month



NAV per redeemable share: Class A: £69.75 Class B: \$151.76 £152.41 €144.64				
Performance	On Month	YTD	Rolling 12 months	Since Launch
Class B€:	0.65%	-5.70%	-5.70%	64.06%

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	-2.4	0.0	-1.4	1.9	0.6	-1.5	0.6	-5.7

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

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