

# KUDU

## KUDU FUND

### EMERGING EUROPE, MIDDLE EAST, AFRICA

#### Monthly Report February 2009

February was another bleak month for World equity markets. The continuing collapse of banking shares spread outwards to the insurance sector. Large household names of European insurance like Aegon, Swiss Re and Axa saw their shares fall by 40-50% as investors foresaw a repeat of the banking story of 2008.

Recent economic data from Japan, Europe and America has confirmed that the world economy suffered a shock slowdown in the latter part of 2008. The positive news is that the Federal Reserve anticipated this event over a year ago, with a series of rate cuts taking short-term rates close to zero. The US government, along with many other governments, has also started injecting money into the economy proactively, to try to counteract the force of the recession.

The Kudu fund has been well placed to deal with the markets in 2009. The fund entered the year with over 95% of shareholder assets in cash or government bills. This cautious policy has been proved correct, as the fund has avoided the latest turmoil to hit the market, and stands ready

to take advantage of opportunities which are being created by a rare combination of stock market factors.

The fund has a clear strategy for dealing with highly uncertain markets, which was tested during the Russian crash of 1998, and the bear market of 2001-2003. The fund holds the majority of assets in cash, and waits for specific trends and changes to develop in the market. The key lesson, which the fund has learnt over the last ten years, is that the best balance of risk and reward is found by waiting for the market to react clearly to economic events, before committing assets from the fund.

The stock market can be a distorting prism, reacting in unusual and unanticipated ways to changing events. The market often moves so far in anticipation of potential change, that even when the expected event occurs, prices move immediately in a contrary direction, confounding expectations.

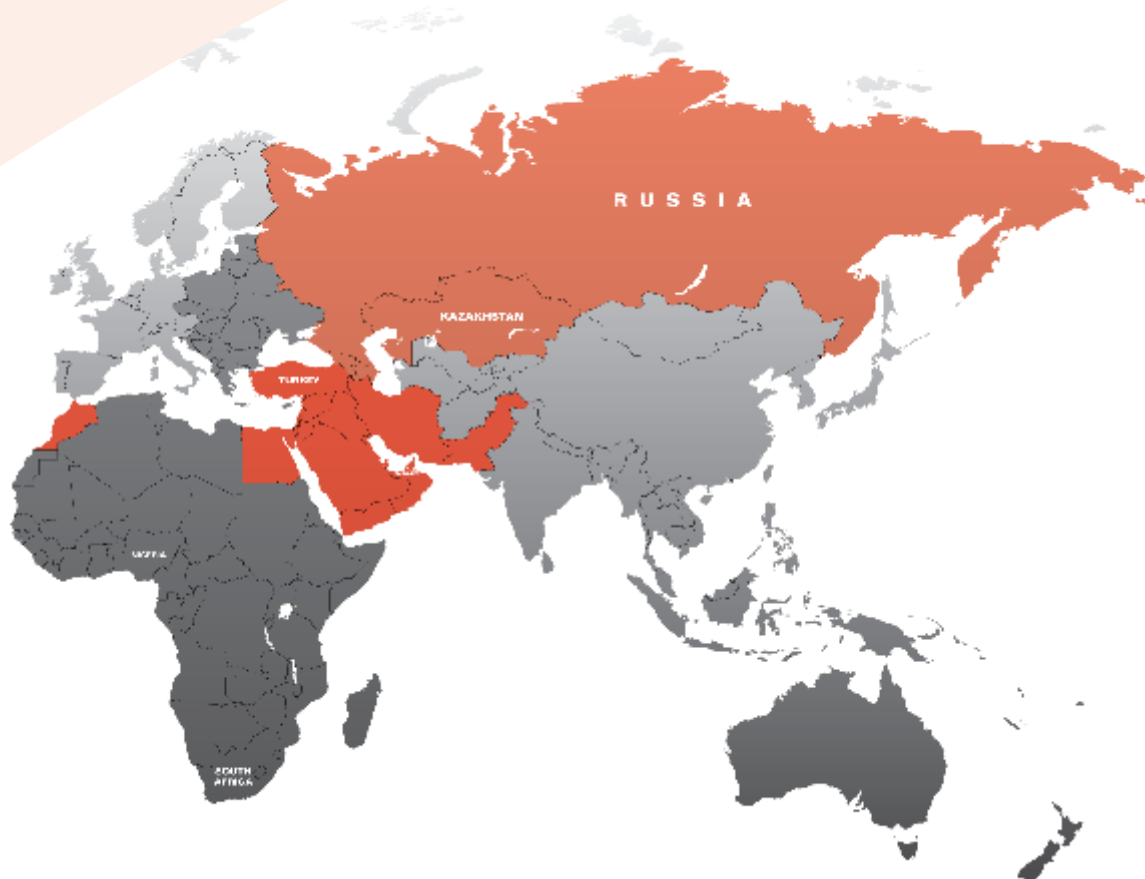
The EMEA region offers as wide a range of dynamic and major market developments as at any time in the last ten years.

Russia is at a key economic inflection point, eastern Europe is struggling with a currency and lending crisis, and the Gulf faces a deflation of the real estate boom of the last few years. South Africa has so far been removed from the global crisis, with the local banking industry matching Canada's for strength and good management.

Below the country level, there are major price and valuation shifts occurring at both the business sector and individual company level.

These unusual conditions offer great opportunity to the Kudu fund. The fund will continue to protect investor assets from any further market turbulence, whilst taking advantage of clear opportunities as they arise, on both the short and long side of the market.

■ **George Case**



TOP 5 LONG POSITIONS	ATTRIBUTION %
OPAP SA	0.51%
Mobile Telesystems	1.17%
DJ Euro Stoxx 50 Future	1.90%

TOP 5 CONTRIBUTORS MTD	ATTRIBUTION %
PARTNER COMMUNICATIONS CO	0.40%
VTB BANK OJSC-GDR-REG S	0.35%
FIRSTRAND LTD	0.33%
TURK HAVA YOLLARI AO	0.20%
WOOLWORTHS HOLDINGS LTD	0.18%

TOP 5 CONTRIBUTORS YTD	ATTRIBUTION %
SRAEL CHEMICALS LTD	2.22%
WOOLWORTHS HOLDINGS LTD	1.65%
VTB BANK OJSC-GDR-REG S	0.34%
TURKIYE VAKIFLAR BANKASI T-D	0.32%
ASPEN PHARMACARE HOLDINGS LT	0.30%

## 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

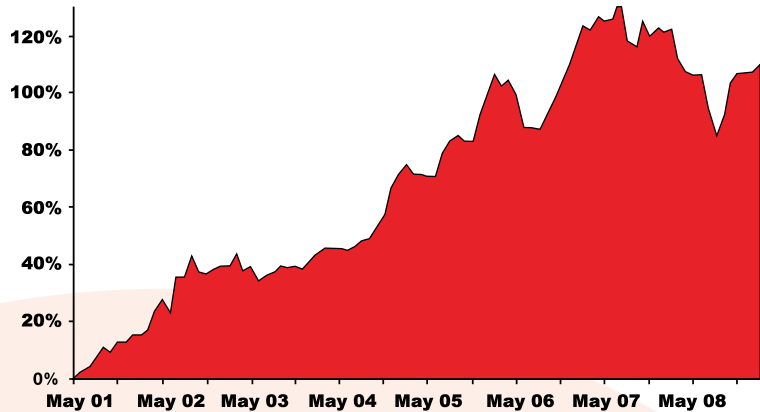
Management Company: Kudu Emerging Markets

Limited Subscriptions: Up to last business day of every month



NAV per redeemable share: Class A: \$67.28 £67.93 Class B: \$145.32 £147.06 €140.08				
Performance	January	YTD	Rolling 12 months	Since Launch
Class B€:	-0.91%	-2.37%	-24.48%	58.89%
Class AS:	-1.00%	-2.52%	-25.62%	-32.72%

## 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											-2.4

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

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