

# KUDU

## KUDU FUND

### EMERGING EUROPE, MIDDLE EAST, AFRICA

#### Monthly Report January 2009

The stock market has been an extremely volatile place to invest your money over the last ten years. World markets have surged and collapsed twice during this time, ending the decade with substantial losses. The MSCI Europe index has fallen by 35% from 1999 to today.

Given this dismal performance, it is hard to keep faith in the idea that equities offer the best place for your long-term savings. The stock market's recent failure to deliver has led disenchanted investors to follow short-term trends and fashions – from systematic computer traders to agriculture, mining, real estate or most recently corporate and convertible bonds. With respect to all these ideas, few have delivered over five years, let alone fifty years.

The wider stock market has a proven record of delivering for investors over the last hundred years. The return from shares exceeds that from bonds and cash by hundreds if not thousands of per cent over even a short lifetime. Shares are the only place where investors can beat inflation (or deflation), and become richer

through the power of economic growth and new developments in technology, culture and society.

Warren Buffett's life and work is the clearest possible proof of the opportunity which lies in simple stock market investing. From modest beginnings in Omaha, Nebraska, investing for friends and neighbours, Buffett has become the richest man in America, by picking quality stocks and letting his gains accumulate and compound.

Analysing Buffett's performance over fifty years, it is very clear that the stock market's returns are not routine and predictable. The market often advances sharply during short periods – miss these, and you miss a great deal of the available return from a span of many years. This lesson is absolutely true in Russia, where investors routinely redeem from the country, only to watch a short sharp surge in the market.

The Kudu fund was set up with the intention of creating an investment vehicle which would follow Buffett's example, with

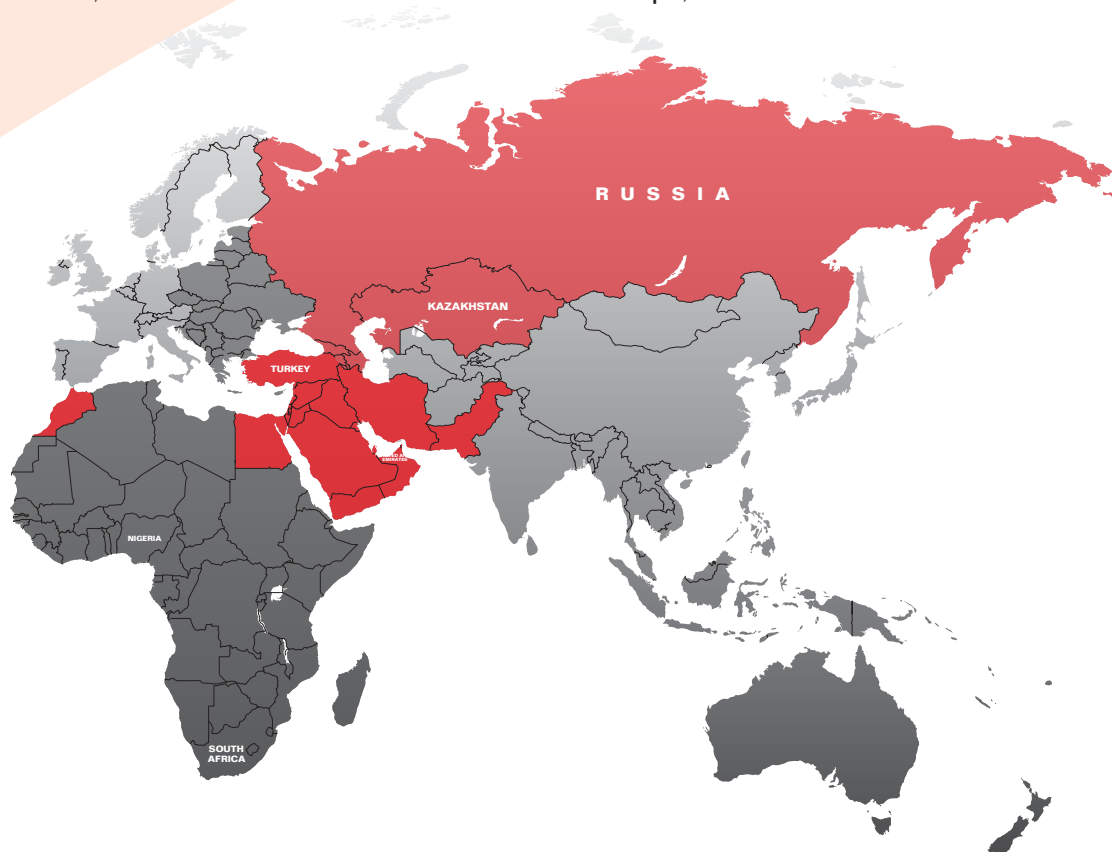
some developments to adapt to the fierce volatility of stock market investing in the era of instant communications, derivatives and hair trigger risk management.

Since its inception eight years ago, the Kudu fund has not only out-performed the MSCI Europe index by 95%, but has also delivered more than Buffett's investment vehicle, Berkshire Hathaway.

January 2009, saw a continuation of many of the trends of 2008: falls in financial shares and many smaller markets subject to negative global sentiment. Qatar fell by -23%, Russia -15%, and few shares in EMEA delivered positive returns.

Kudu continues to hold a small number of high quality stocks now trading at between 2–8 times heavily downgraded estimates of earnings for 2009. Otherwise, the fund is cautiously positioned, waiting for time and events to offer more clarity to both financial markets and the global economy.

■ **George Case**



# KUDU

## TOP 5 LONG POSITIONS ATTRIBUTION %

PARTNER COMMUNICATIONS CO	1.25%
CELLCOM ISRAEL LTD	1.06%
SHOPRITE HOLDINGS LTD	1.03%
ASPEN PHARMACARE HOLDINGS LT	1.03%
X 5 RETAIL GROUP NV-REGS GDR	1.02%

## TOP 5 CONTRIBUTORS MTD ATTRIBUTION %

ISRAEL CHEMICALS LTD	2.1%
WOOLWORTHS HOLDINGS LTD	1.8%
PICK'N PAY STORES LTD	0.4%
ANGLOGOLD ASHANTI LTD	0.3%
TURKIYE VAKIFLAR BANKASI T-D	0.3%

## TOP 5 CONTRIBUTORS YTD ATTRIBUTION %

ISRAEL CHEMICALS LTD	2.13%
WOOLWORTHS HOLDINGS LTD	1.83%
PICK'N PAY STORES LTD	0.35%
ANGLOGOLD ASHANTI LTD	0.33%
TURKIYE VAKIFLAR BANKASI T-D	0.32%

## 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

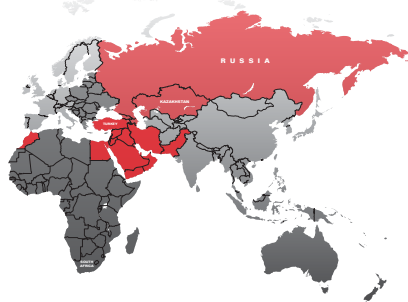
Administrator: Citi Hedge Fund Services

Nicola O'Neil +353 1436 7292

Auditors: Ernst and Young

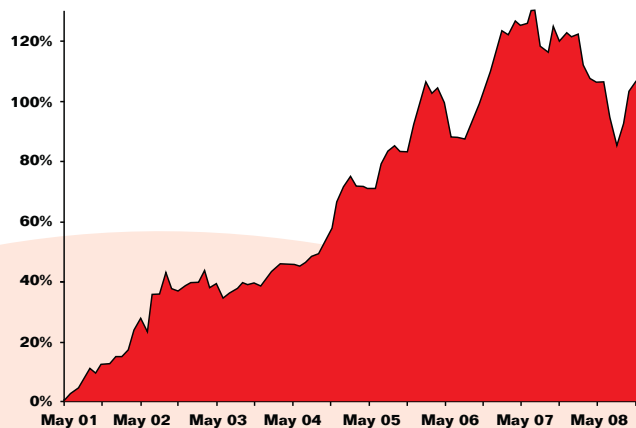
Management Company: Kudu Emerging Markets Limited

Subscriptions: Up to last business day of every month



NAV per redeemable share: Class A: \$67.96 £68.59 Class B: \$146.72 £148.43 €141.36				
Performance	January	YTD	Rolling 12 months	Since Launch
Class B€:	-1.48%	-1.48%	-23.70%	60.34%
Class A\$:	-1.53%	-1.53%	-24.87%	-32.04%

## 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												-1.5

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

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