

Monthly Report July 2010

Over the last year major world stock markets have tracked sideways, rising and falling 10-15% more or less every two months, as investors react to newly released economic data and company earnings announcements.

The latest 6% decline in the US market, which has taken prices back to where they were in June, has been widely interpreted as evidence that the US economy is about to slide into the second leg of a 'double-dip' recession.

The evidence for a serious downturn is mixed, but any threat of so serious an outcome has a disproportionate effect on asset pricing – particularly after the events of 2008.

The data suggesting a major recession is far from conclusive. The latest business update from WPP – one of the largest advertising and marketing companies in the world – was upbeat about increases in TV Ad spending in the US and increased marketing spend by large American companies.

Business conditions in many of the emerging market countries where the Kudu fund invests, are stronger than in Europe and the US. However, global stock market sentiment is still heavily affected and driven by the US stock market, and it is clear that emerging economy stock markets are still highly correlated to American trading.

The fund remains invested in a number of high quality companies with strong cash flow and no debt. The recent bid for Potash Corporation by BHP Billiton was an indicator that quality commodity assets are rare and valuable. The fund's investment in Uralkali, the Russian potash miner rose in sympathy with the BHP bid.

With equity prices low, it is currently cheaper to acquire businesses by stock market takeover, than to grow market share organically. If, as appears likely, there are a number of other large merger and acquisition deals announced in coming months, this sign of corporate strength may provide much needed

confidence to otherwise uncertain stock market investors.

The combination of strong emerging markets growth - led by China - and a western world credit market collapse, have led to highly unusual global economic conditions. The Indian economy is growing at 8% a year; the German economy – exporting goods to the world – grew at an annualised rate of 9% in the Second Quarter of the year – the strongest rate for thirty years - yet US interest rates are at their lowest rate for a century, and 10 year Treasury Bonds offer yields of just 2.5%, considerably lower than secure dividend yields from shares of companies in sectors usually considered recession resistant.

The fund's current investment strategy is to remain invested in companies operating in markets and countries with strong local demand, whilst keeping a cautious net exposure to stock market direction until US markets give a clear sign of recovery.

■ **George Case**

TOP 5 LONG POSITIONS ATTRIBUTION %

OPAP	2.22%
SBERBANK	1.58%
CHARLEMAGNE CAPITAL	1.30%
KUZBASSRAZREZUGOL	1.19%
VIMPLECOM	1.05%

TOP 5 CONTRIBUTORS YTD ATTRIBUTION %

RASPADSKAYA	0.43%
IMMOEAST	0.28%
WOOLWORTHS HOLDINGS	0.17%
COMMERCIAL INTERNATIONAL BANK	0.15%
SBERBANK	0.14%

TOP 5 CONTRIBUTORS MTD ATTRIBUTION %

SBERBANK	0.27%
OPAP	0.22%
MOBILE TELESYSTEMS	0.12%
SIBERSKY CEMENT	0.08%
QATAR GAS TRANSPORT	0.06%

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

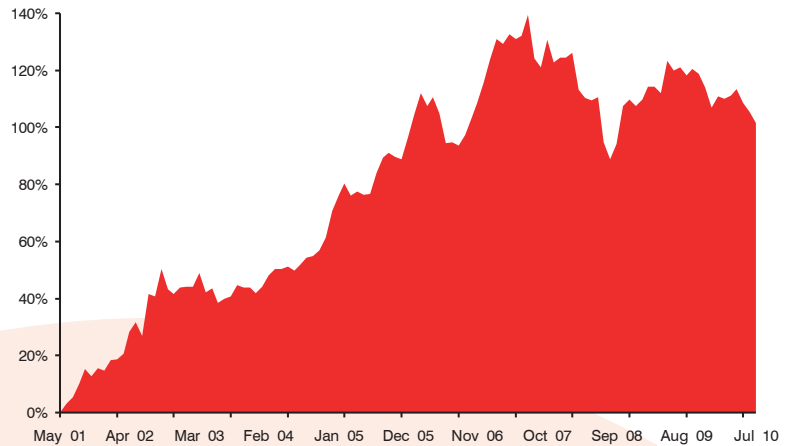
Management Company: Kudu Emerging Markets

Limited Subscriptions: Up to last business day of month



NAV per redeemable share: Class A: £69.60 Class B: \$151.10 £151.75 €144.24				
Performance	On Month	YTD	Rolling 12 months	Since Launch
Class B€:	0.01%	-5.96%	-9.49%	63.61%

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						-5.96

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

For more information contact George Case: george@kudufunds.com Tel: +44 (0)1491 638 125

Issued and approved by Kudu Emerging Markets Limited, which is authorised and regulated by the Financial Services Authority. This material is for information only and does not constitute an offer or recommendation to buy or sell any investment, or subscribe to any investment management or advisory service. It is not, under any circumstances, intended for distribution to the general public. The Funds that may be referred to in this document are unregulated collective investment schemes for the purposes of Section 238 of the Financial Services and Markets Act 2000. Accordingly, this document is only being communicated to persons to whom it may lawfully be issued under The Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes)(Exemptions) Order 2001 and COBS 4.12 of the FSA's New Conduct of Business Sourcebook.

No part of this document may be reproduced in any manner without the written permission of Kudu Emerging Markets Limited. We do not represent that this information, including any third party information, is accurate or complete and it should not be relied upon as such. Opinions expressed herein reflect the opinion of Kudu Emerging Markets Limited and are subject to change without notice.