

KUDU

KUDU FUND

EMERGING EUROPE, MIDDLE EAST, AFRICA

Monthly Report June 2009

In the first six months of 2009 until the end of June the S&P500, the benchmark US stock market index, has risen 1.8%. In spite of this rather feeble showing, the strength of the recovery from the March low point has raised the possibility that many world stock markets may be starting a new Bull market.

Given the cyclical nature of financial markets and economic conditions, it is more likely than not that the stock market has seen its lows for the Bear market of 2007-2009. Company earnings have generally surprised to the upside in recent months and it appears clear that the stock market is proving a beneficiary of the radical monetary policy actions taken to kick start the world economy.

In 1998, the Russian default and the collapse of Long Term Capital encouraged the Federal Reserve to cut rates aggressively. When the Dot Com Bubble burst in 2001, the Fed again flooded the system with cheap money. The winners on both those occasions were the credit and real estate markets- which are effectively first in line for any benefit from cuts in interest rates.

However, the specific nature of the 2007/2008 collapse has altered the normal

order of advantage in the economic system. Because the crisis had its epicentre in the credit and real estate markets, these areas have effectively been too bombed out to respond to the current benign monetary environment of quantitative easing and zero interest rates.

Dubai is a prime example of this problem. The whole city state was a poster child for the boom, and is now battling to solve the complex web of financial debris which the crisis has left behind

So, with the credit and real estate markets battered and sidelined, the central bank supply of liquidity has had a more direct effect on the stock market than has been seen in previous crises.

Not all areas of the stock market are responding equally to low interest rates. The recent collapse of the Saad family companies in Saudi Arabia shows that the credit crisis is still causing damage. The Saad problems, along with those of the interlinked Ahmed Hassan al-Gosaibi groups appear to stem from the toxic combination of short-term borrowings being used to finance long-term investments – which have dropped in value.

The Kudu fund's positioning reflects a very country and sector-specific view of the world. Some clear areas are benefiting from low rates and better than expected conditions, whilst other sectors are struggling.

With so many brokers, analysts and funds leaving the EMEA markets last year, the Kudu fund's expert knowledge of the region has proved to be of great advantage. For example, the Russian company VSMPO-Avsima, one of the few world companies mining and working Titanium, has seen a sharp reduction in analyst coverage. With a free float of around 20% there is not enough secondary trade in the shares to make paying an analyst's time economic. For Kudu, having followed the company closely, this provides a real advantage, since the wider market has little awareness of the company's future earnings.

The markets of EMEA continue to offer particular opportunity- due to the rapid pace of changing events and the lack of dedicated coverage.

■ **George Case**



TOP 5 LONG POSITIONS ATTRIBUTION %

KAZMUNAIGAS	2.11%
SEKERBANK	2.03%
CEZ AS	1.99%
ANGLO AMERICAN	1.95%
ROSNEFT	1.94%

TOP 5 CONTRIBUTORS YTD ATTRIBUTION %

INDUSTRIES QATAR	1.44%
MMC NORILSK NICKEL	1.19%
AVISMA CORP	1.00%
RASPADSKAYA	0.95%
TURKIYE VAKIFLAR BANKASI	0.79%

TOP 5 CONTRIBUTORS MTD ATTRIBUTION %

AVISMA CORP	0.59%
CHARLEMAGNE CAPITAL	0.34%
TURKIYE VAKIFLAR BANKASI	0.26%
TURK HAVA YOLLARI	0.24%
ISLAMIC ARAB INSURANCE	0.19%

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

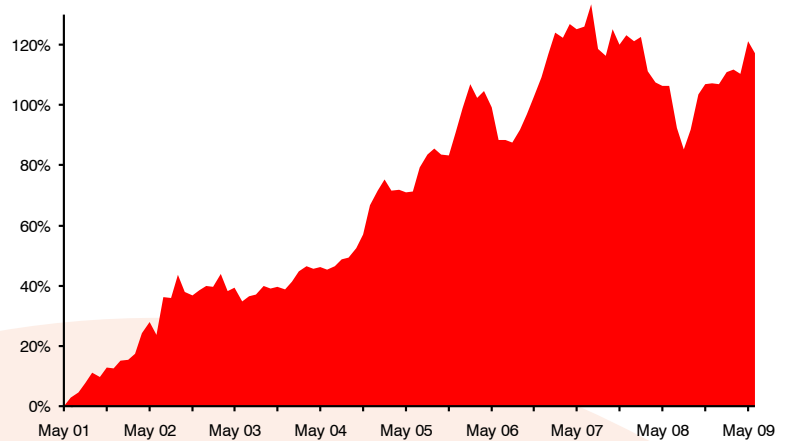
Management Company: Kudu Emerging Markets

Limited Subscriptions: Up to last business day of month



NAV per redeemable share: Class A: \$74.00 £74.26 Class B: \$160.08 £161.03 €153.61				
Performance	On Month	YTD	Rolling 12 months	Since Launch
Class B€:	-2.50%	7.06%	-6.46%	74.24%
Class AS:	-2.55%	7.22%	-6.62%	-26.00%

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	1.3	2.9	7.9	-2.5							7.06

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

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