KUDU FUND

EMERGING EUROPE, MIDDLE EAST, AFRICA

MONTHLY REPORT NOVEMBER 07

KUDU

Monthly Report

The Kudu fund fell 4.2% in November compared to a fall of 4.5% in the MSCI EMEA and 4.4% by the Morgan Stanley Pan European Index.

In performance terms, November was the worst month in world stock markets since November 2002. Turkey fell 16% at worst before some recovery, and South Africa the same amount.

Nonetheless, however negative the state of the markets, the Kudu fund is committed to delivering absolute returns, and as a team we constantly try to improve our own process and abilities. As Gary Player said of his golf, 'the harder you practice the luckier you get'.

The ability to analyse and profit from changing market conditions, whilst remaining committed to a core set of investment skills and values, is the hallmark of the very best funds, and the Kudu fund aspires to be judged with the best in the industry.

Since August the team have conducted a thorough review of all aspects of the fund's operations: its valuation models, its trading, its research, and the statistical returns generated in each stock, sector and market. We have conducted this process with no bias, and no preconceptions.

The fund has lived through nearly seven years where stock markets have delivered high volatility and only mixed returns – the MSPE is up a mere 1.4% from the fund's launch. We have to assume that 2008 will bring more of the same – volatility, nervousness and tough markets.

We remain entirely confident in the exciting opportunities available in the markets of Africa, the Middle East, Russia, and selected Emerging European markets.

The fund's review has three definite conclusions:

1. **Reduce Midcap exposure. Fund returns at present are as good if not better in larger stocks.**
2. **Build on the fund's proven success on the short and long side in cyclical and commodity stocks. The research work in these areas has been compelling and successful, but our capital allocation has held back returns. We will change this.**
3. **Make better use of the fund's significant research edge in local politics, macroeconomics, investor sentiment, fund flows and behavioural finance factors. There can be few funds with the journalistic contacts, experience and knowledge base of the Kudu fund. The fund could use this advantage better.**

1. Reduce Midcap exposure (stocks with a market cap of $400m - $1bn)

From its inception the fund has been committed to fundamental research, valuation modelling, and business analysis. Put simply, we really believe a business is worth the sum of its discounted future earnings or cash flows, rather than what a chart might tell us or what an enthusiastic equity salesperson may like us to believe. At a functional level valuation is about good information, and at a practical level the ability to forecast what that information might be telling you. Midcaps in any market do not attract much sell side research, as the turnover and resulting commission is too low to justify such work.

The EMEA region is characterised by its thin research coverage. The fund has used this lack of investor information to drive investment returns. Typically the fund has held around 30% of its assets in midcap stocks, and some larger stocks with low free floats (of which there are many in EMEA). Liquidity has always been a major consideration in entering midcaps, and exposure has been limited to stocks where the fund can simply enter and exit positions, without causing any price change.

The problem we have found is in what Ben Graham, the Dean of Value investing, described as 'realization of value'. Once you have discovered a gem, whether a value stock or a growth stock, you need other people to come along after you, and raise the price to 'realize' the value in your investment.

It was over 'realization of value' that Warren Buffett parted company with his mentor Graham. His move to a larger company, and more growth orientated approach helped deliver better and more consistent returns. We have come to the same decision. When we analyse the fund's returns over 6 months, a year, 3 years, 6 years, the result is the same: Kudu fund makes as good returns, and in many cases better returns, on larger stocks as it does in midcaps.

The fund has largely exited its midcap positions since August, and will concentrate going forward in larger stocks, with market capitalisations above $1 billion. The fund will retain around 10% in midcap positions with particularly compelling investment dynamics.

This shift will improve risk management, Beta analysis and trading costs, leading in sum to higher investment returns.

2. Allocate more capital to successful research work in cyclical and commodity stocks.

In line with its concentration on research and valuation, the Kudu fund has generally allocated less capital to cyclical stocks, with their often highly volatile future incomes. Historically, cyclical companies have made large profits in upturns, and then seen their earnings fall sharply, sometimes into actual losses, in a down cycle. Our research focus from the fund's inception tended to concentrate on companies with more steady and predictable cash flow streams.

This bias in capital allocation is not justified by performance attribution. In down markets as well as up, the fund has in fact consistently generated Alpha, and net returns from cyclical stocks. The fund has shorted metal and mining stocks, oil and gas shares and many other cyclical sectors to great effect, and also generated substantial profits from core positions on the long side in cyclical names

Research in fact works particularly well in many cyclical sectors because small changes to earnings forecasts even over one or two years, can have a disproportionately large effect on market valuations which are often lower in key multiple terms than longer term growth sectors.

3. Make better use of the fund's research edge in top-down market changes.

The fund has a comprehensive stock of country specific and industry research. Since August we have visited Serbia, Bulgaria, Russia, Greece, Turkey, South Africa, Egypt and Dubai.

Information from individual companies, political contacts and sector analysts give the fund a distinct edge in identifying macroeconomic trends, shifts in investor sentiment and changes in local markets.

Some market crises will always arise in global markets, but local conditions drive a series of distinct situations, from the Romanian current account deficit to Kazakh monetary conditions, and Gulf state currency revaluations and asset inflation.

The uncertainties and financial crises of 2007 have battered the markets of EMEA, leaving a trail of opportunity. There are many local situations requiring local knowledge, where the fund has an edge. With valuations so volatile and changeable, it is a great time to be a specialist fund in EMEA, able to go long, short, or step aside. The fund needs to use its information better and drive returns from top-down changes in the market.

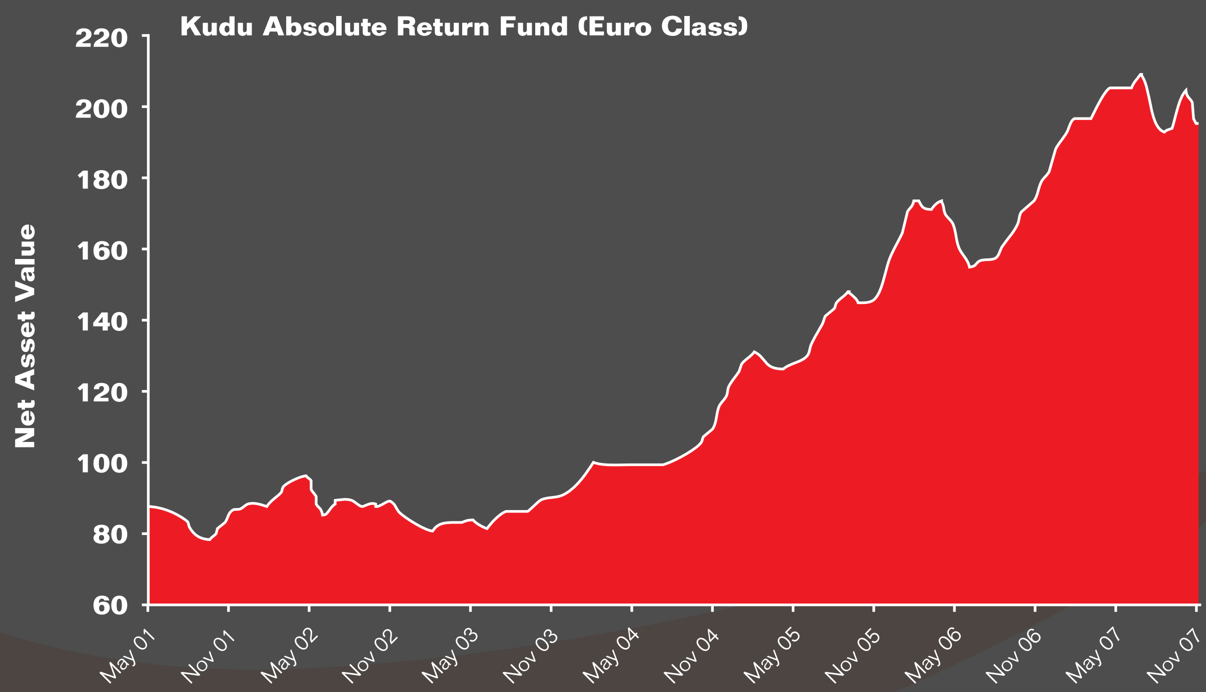
Three improvements: reduce midcaps; add capital to cyclicals; and use our research edge better.

The Kudu fund has continued to evolve and adapt since June of 2001. Back then few people used the term EMEA, other than the marketing divisions of multinationals like Microsoft. Now, we are experts in this field and one of the oldest of only a handful of hedge funds investing specifically in these markets. The fund has delivered great returns for investors by combining thorough and original fundamental research with a serious commitment to risk management and constant improvement.

We look forward to 2008 with optimism and skill, ready to deliver for all investors, however the markets may perform.

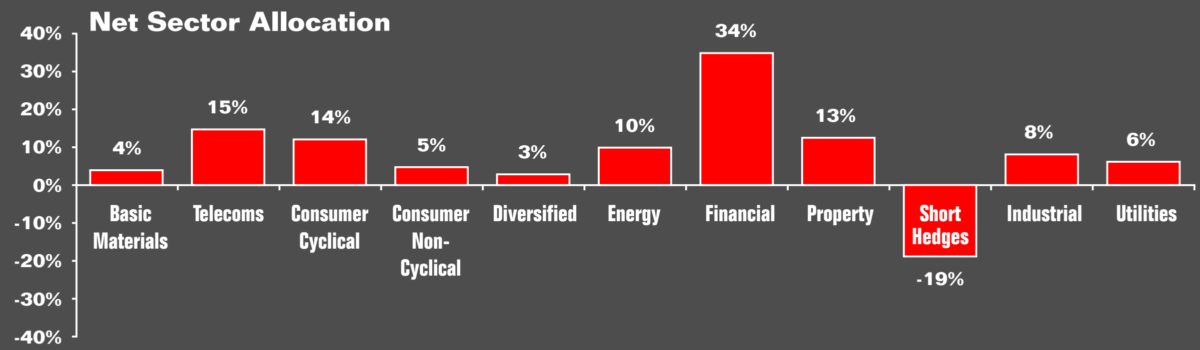
■ **George Case**
■ **Jon Bond**
■ **Malcolm Levy**

NAV per redeemable share: Class A: £95.69 $95.71 Class B: €195.86 £205.87 $205.34				
Performance	**November**	**YTD**	**Rolling 12 months**	**Since Launch**
Class A:	-4.26%	-4.29%	N/A	-4.29%
Class B:	-4.24%	6.42%	11.8%	122%



Geographic Allocation Exposure as % of Fund NAV

Region	Long	Short	Net	Beta Adjusted Net	Performance Attribution
Europe	9.1	0.0	9.1	4.5	-0.24
Greece	7.3	-4.0	3.3	1.6	-1.92
Israel	0.0	0.0	0.0	0.0	-0.15
Russia	43.8	-12.3	31.5	15.7	-0.36
Turkey	8.8	-2.3	6.5	3.2	-0.65
Africa	12.8	-0.9	11.9	6.0	-1.31
Middle East	20.8	0.0	20.8	10.4	-1.06
Other	34.2	-36.0	-1.8	-0.9	1.45
Total	**136.8**	**-55.5**	**81.3**	**40.5**	**-4.24**



KUDU

TOP 5 LONG POSITIONS

TOP 5 LONG POSITIONS	%
MOBILE TELESYSTEMS	5.19%
SBERBANK	5.05%
GAZPROM	4.30%
ERSTE BANK	3.42%
TURKIYE GARANTI	3.11%

TOP 5 CONTRIBUTORS MTD

TOP 5 CONTRIBUTORS MTD	ATTRIBUTION %
MOBILE TELESYSTEMS	0.34
NOVATEK	0.27
MOBINIL	0.25
BARLOWORLD	0.15
ERSTE BANK	0.15

TOP 5 CONTRIBUTORS YTD

TOP 5 CONTRIBUTORS YTD	ATTRIBUTION %
AFRICA ISRAEL	2.43
EVRAZ	2.42
ENKA INSAAT	1.72
MECHEL	1.69
FIRST GULF BANK	1.54

FUND INFORMATION

CLASS A

ISIN

€ BMG532541270

£ BMG532541197

$ BMG532541015

SEDOL

£ B1W7LS0

$ B1W7LR9

BLOOMBERG

£ CLACTAS BH

$ CLACTAD BH

US DELAWARE FEEDER

$ US5011831071

INVESTMENT FOCUS:

ORASCOM TELECOM – EGYPT

Orascom Telecom is one of the largest companies in Egypt, with a 33% holding in the incumbent local operator, Mobinil, as well as significant market shares in Algeria, Tunisia, Pakistan and Bangladesh. These regions enjoy the favourable dynamics of low penetration rates and strong GDP growth, combined with the more specific factors of high margins and low cost per minute, which reduces downward pressure on tariffs. This is resulting in strongly improving usage, as well as a sharp pick-up in penetration, as evidenced in the recent Q3 results. Declining capex and handset costs in the industry improve the already strong cash-flow generation of the company, and sector. The company trades on a forecast 2008 EV/EBITDA of 6.2x, a substantial discount to global peers.

	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		6.4

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

Domicile: Bermuda and Delaware, USA
Listing: Irish Stock Exchange
Assets: $200mln
Start Date: Jul-01
Liquidity: Quarterly
Lock up: 1 year soft lock up (3% redemption fee)
Minimum: Class A £/€/$100,000
Performance: 20% with HWM
Management Fee: 2%
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

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 miss-pricing.

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.

For more information contact: jon@kudufunds.com Tel: +44 207 015 5204, Fax: +44 207 015 5201

George Case george@kudufunds.com tel: +44 207 015 5202, Malcolm Levy malcolm@kudufunds.com tel +44 207 015 5203
Nick Wesolowski nick@kudufunds.com tel: +44 207 015 5205, Gaspar Garcia-Quiles gaspar@kudufunds.com tel: +44 207 015 5206
Sarah Flindall sarah@kudufunds.com tel: +44 207 015 5200