

## Investment Report March 2011

World share prices continue to move with a high level of uncertainty and volatility, even after recovering from the 10-15% falls caused by the Tsunami and nuclear crisis in Japan. Concerns about the US deficit, the prolonged Greek debt crisis, slower than expected American economic data, and commodity price volatility, have all caused sharp moves in share prices.

This level of price uncertainty has been a notable feature of the stuttering global economic recovery since 2008. However, with the exception of price rises in some physical commodities, like Silver, there have been few outright gains in most world stock markets, for at least a year.

Over the last twelve months, the FTSE 100 – one of the better performing of world markets – has risen by just +0.5%, having earlier dropped by -18% and spent several months in negative territory. The US stock market return has been no better. For UK investors, over twelve months the American market has fallen by -1% in Sterling terms.

Elsewhere, stock markets in Europe, China, Brazil and India, are either down or flat over this period. Perhaps surprisingly, given the amount of comment about a global commodity boom, Wheat, Copper and Natural Gas, along with many other smaller commodities, have fallen in price in 2011, even in Dollar terms, by up -10% this year.

In spite of these stock market conditions, many of the Kudu fund's investments have delivered strong gains. Some of our individual stock selections have been excellent. This year, Exxaro, the low-priced South African coal miner which was detailed in a previous month's report, has risen by 25% - the best performing stock in the Johannesburg index. Another core position, Opap, the monopoly gambling company in Greece, has risen by 10% this year- also the best stock performer in the Greek index.

However, strong returns from many investments have been outweighed by the continued weakness of many financial markets.

We believe the only sensible way to approach these conditions is to continue to invest in shares with a low level of correlation to wider market direction, and to focus on the stock specific opportunities which these uncertain conditions have made available.

We have increased our investments in companies working in the medical and health field, where earnings are linked to factors other than economic growth. Demand for kidney dialysis or generic pharmaceuticals – when drugs come off patent - has grown even through the world economic uncertainty since 2007.

The fund invests in Fresenius, the German-listed dialysis company, where earnings growth is being driven by increased demand for dialysis in the developing world and emerging markets. The company has tripled annual earnings over the last nine years, and there is no reason to expect that growth will not continue for many years.

Healthcare and other sectors whose earnings are less correlated to economic activity are also proving attractive to corporate buyers. With stock market valuations depressed because of continued economic uncertainty, listed companies offer a discounted way of buying future growth.

Johnson and Johnson's recent bid for Synthes, the Swiss medical device manufacturer, is likely to be the first of many deals this year. J&J are paying just 18 times 2012 earnings, which is hardly a full price for a company with steady annualized earnings growth of 12% in all economic conditions.

■ **George Case**

## TOP 5 POSITIONS

	ATTRIBUTION %
CHARLEMAGNE	1.86%
OPAP	1.65%
ASHMORE GROUP	1.55%
FINANCIERE GROUP	1.49%
EXXARO	1.39%

## PERFORMANCE ON MONTH

CLASS B EURO	-0.06%
CLASS A GBP NAV	£68.06
CLASS B GBP NAV	£148.91
CLASS B EUR NAV	€141.41
CLASS B USD NAV	\$148.20

## FUND INFORMATION

### CLASS A

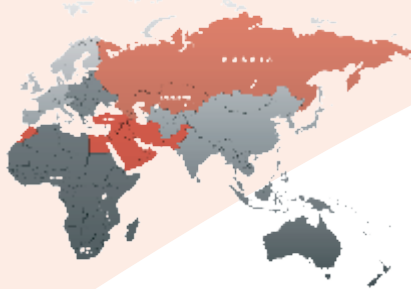
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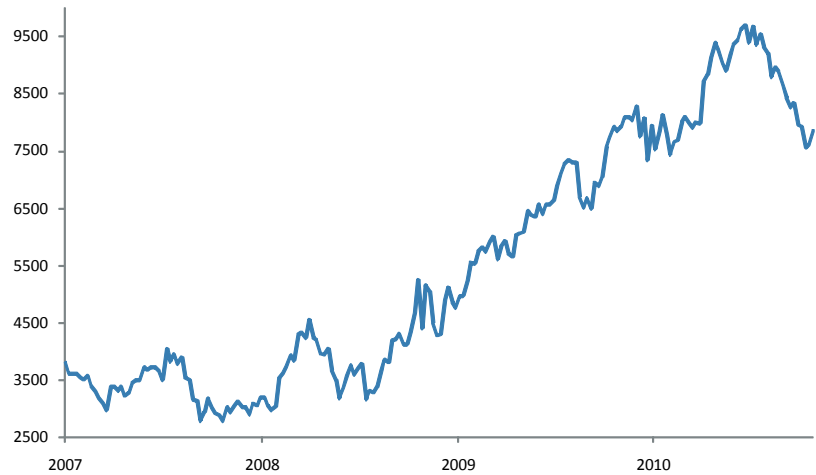
### BLOOMBERG

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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

## ASPEN PHARMACEUTICALS



### Fund position - Aspen Pharmaceuticals - South Africa

After a -25% slide in Aspen's share price, caused by strength in the South African rand and fears over domestic price regulation, the company is now trading at an attractive valuation of 12.5 x 2012 earnings, a discount to world peers.

Aspen continues to grow profits both in its home South African market and overseas. The company recently released strong guidance for Sigma, its Australian acquisition. Aspen has production sites in Tanzania, Kenya, Brazil, Mexico, and Germany, as well as in South Africa. Aspen plans further world acquisitions to add to its most recent successful acquisition in Brazil.

Aspen has a corporate agreement and global partnership with Glaxo, which offers expertise and new profit opportunities. This link-up, between two companies previously sharp competitors, is part of a growing trend by Multinational research Pharmaceuticals to adapt to the worldwide shift in favour of generic drugs, which has had such a damaging effect on Big Pharma earnings in recent years.

	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	-1.4	1.9	0.6	-1.5	0.6	-5.7
2011	-1.1	-1.1	-0.1										-2.2

Total Return net of fees (€class)

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