

Emerging Market Credit Opportunities (EMCO) Fund

Fact Sheet: December 2009

Fund Description

The Emerging Markets Credit Opportunities Fund is an open-end Hedge Fund incorporated in the Dubai International Financial Centre (DIFC). The objective of the Fund is to provide investors with attractive total rates of return within the fixed income universe by undertaking to take advantage of credit opportunities in Emerging Market companies and countries.

Executive Summary

Fund Type	Hedge Fund
Domicile	DIFC, Dubai
Currency	US Dollar
Regulator	DFSA
Bloomberg Ticker	MCFEMCO
Net Asset Value	Monthly
Liquidity	Monthly
Management Fee	2% p.a.
Auditor	Deloitte & Touche
Registrar, Administrator & Custodian	HSBC Middle East

Fund Summary

NAV as at 31 st Dec.	9.03
Yield	8.77%
Average Coupon	6.61%
Portfolio Modified Duration	2.58
Average Maturity	7.59 years
Average Portfolio Rating	BBB-

Top 3 Long Positions

Issuer	Weight %
Tata Motors	10.53
Paiton Energy	10.17
Bumi	7.08

Peer Comparison

	1 Mnth %	3 Mnth %	2009 %
EMCO	2.87	4.25	31.50
JPMorgan EM Debt Fund	0.40	0.27	31.93
TCW EM Income Fund	0.72	2.17	35.16
DWS EM Fixed Income Fund	-1.74	0.00	23.52
Ashmore EM Corporate HY Fund	6.51	4.10	33.21
T Rowe Price Inst. EM Bond Fund	0.44	0.11	24.19

Source: Bloomberg

Overview and Outlook

EMCO was up 2.87% in December & up 31.5% for 2009

The year 2009 will be remembered as one in which HY Emerging Market debt posted its best record yet. The CS Emerging Market Corporate Bond BB Index returned 51.2% while the BBB Index returned 36.8%. These returns were driven by the severe dislocation in spreads at the beginning of 2009, followed by an aggressive monetary and fiscal response.

At the start of the year the fund was positioned defensively by eliminating leverage and investing in strong BBB+ rated issues. From the second quarter we believed that there was an opportunity in strong BB rated credits to generate returns with comfortable downside protection, thus the average rating of the fund was as low as BB in May 2009. This helped us capture the rally as we ended 1H09 with a return of 15.44%.

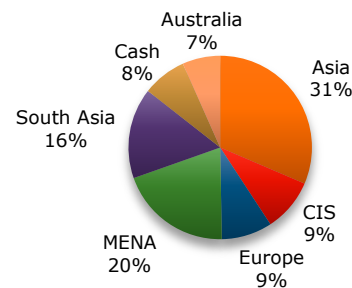
Come end of September the rally that started from the lows in March began to fade as yields reached pre-Lehman levels and supply of new issues came to the market. With this in mind, and the view that yields in the lower rated issues are at the tight we exited all holdings which were B or lower during the month, thus ending the year with an average rating of BBB-.

We expect credit returns in 2010 to be strong by historical standards but lower than in 2009, increasing the importance of relative value in generating outperformance.

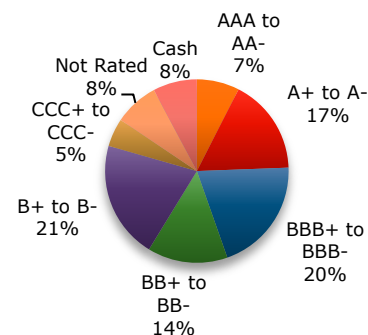
Demand for HY Emerging Market corporate credit is likely to benefit from a lack of spread alternatives, amid slow US and European growth, historically low yields, and a heavy supply of government bonds.

Given market concerns about the robustness of the rebound and still highly leveraged balance sheets, we estimate that 2010 will provide closer to 11-12% returns.

Regional Composition



Ratings Breakdown



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