

# **BDT INVEST FUNDS PLC**

Newsletter

Month of January 2008.





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## Review

Ouch. A nasty month. The Emerging Markets Focus Fund fell 13.5% and the Asian Focus Fund by 9.9% while the strength of the Yen assisted the Japanese Focus Fund (-4.1%) and the Japanese Smaller Companies Fund (-3.8%). Please see the fund fact sheets for complete fund and index performance details and individual commentaries. All Fund returns quoted above are for the US\$ B share class and in the case of the Asian Focus Fund include the reinvestment of the \$0.40 dividend recently declared and paid.

Inevitable perhaps but, having cried "Wolf" countless times over the past year, we sailed into this storm with too much canvas set. While last month's "Crystal Ball" section more or less envisaged the events of January (1) we thought these events would unravel over six months and not six days and (2) we expected the modest December rally to mutate into a traditional Chinese New Year rally. Rats.



## End of an Era?

The chart above depicts the MSCI Asia ex Japan Index over the past five years on a log scale (the MSCI Emerging Markets Index looks almost identical). It has been a rollicking bull market and it is a fair generalisation to say that both Asian and Emerging Market equities recently peaked at valuation levels that (1) exceed the valuations of developed markets and (2) were approximately equal to valuations recorded at the tail end of previous Asian/GEM bull markets. It is also the case that the current "correction" is longer in duration, and the percentage fall bigger, than previous hiccups. Value investors left the asset class a while ago, momentum investors have just been handed their heads and growth investors are looking increasingly nervous as global growth grinds to a halt.

While events of the past month have reminded us that the French retain an almost unique ability to surprise, the real news remains the ongoing unravelling of the US-centric structured finance industry and the related collapse in securitisation. CLSA's Chris Wood remains our preferred read. Activity and prices in the housing market continues to fall sharply and the severe tightening in lending standards revealed in the Senior Loan Officer Survey just published by the Fed does little to suggest there will be better news in the quarters ahead. The fall in the yield of the US 10 year Treasury from 5.2% last June to 3.6% today is evidence of the deflationary implications of a contracting credit system and it appears quite likely that the US economy is already in recession.

## Slowing Growth

None of the events in the previous paragraph *directly* impact the majority of Asia's listed companies but this is the era of globalisation and Asia is very sensitive to trade. Slowing global growth is not good news for the regional economies. Round One of competitive downgrades by the analyst community is underway.

Commodities have held up well. We believe some of the strength relates to short term or specific supply issues (i.e. Australian flooding / coal or the South African power shortage / platinum) but the insatiable demand of the Chinese for long term supplies (and indeed assets) remains a crucial prop. Chinese growth will slow rapidly as 2008 unfolds and we believe commodity stocks remain relatively high risk.

With one or two exceptions the Asian portfolios remain heavily biased toward domestic investment themes. Industries as diverse as toothpaste, power plant equipment, cement, property, telephones, banks, insurance, wind farms, car parts, industrial gas waste treatment, lotteries and infrastructure abound. While we are reasonably confident of the growth prospects of each of these holdings the market, as always, can prove somewhat less discriminating in the short term. As a rule of thumb the less "index heavyweight" the holding, the less discriminating the market and there is no doubt that our fondness for fast growing mid-caps across the region impacted the portfolios significantly last month.

## Reflate or be Damned

The gentle easing of monetary policy that commenced last summer has been overtaken by events. The Bernanke Fed has been given little choice but to act forcefully and confidently to ease liquidity conditions in the credit markets. The central assumption must be that the Fed will continue to react to weak economic data and further signs of distress in the credit markets with lower rates and additional liquidity.

A Federal Reserve hell-bent on cutting interest rates and supplying unlimited liquidity presents an interesting (and familiar) problem for monetary authorities across Asia. Upward pressure on Asian currencies and downward pressure on Asian interest rates will be an ongoing feature of 2008.

## Outlook

Across global markets equity investors are running scared and, following the five year bull market in Asian and Emerging Markets, it is hard to fault the investor for "reducing the bet" on higher risk asset classes. We apologise that we have not done a better job for clients over the past month.

The rising risk aversion associated with growing problems in the US credit market is, however, laying the foundations for Asia's next bull run and we would caution against becoming too negative. At a stock level things are starting to get interesting again and there are even rumours of bull markets finally getting underway in regional backwaters such as Taiwan and Thailand.

BDT Invest LLP  
5th February 2008



## Investment Objective

The BDT Invest Asian Focus Fund aims to achieve absolute returns. The Fund is not managed against, nor constrained by, any index; comparisons are for illustrative purposes only. Equity investments will be made in Japanese, Asian and other Emerging Markets. Monies not invested in equities will generally be held in short term fixed interest securities. US Dollar, Sterling and Euro denominated share classes are available. The Sterling and Euro share classes are hedged back into their base currencies in the normal course of events.

## Commentary

The Net Asset Value of the US Dollar B shares fell 9.9% in January. In comparison MSCI Asia ex Japan and MSCI Japan registered falls of 13.9% and 4.6% respectively. The portfolio benefited from exposure to domestic Taiwan and a decent liquidity position but we witnessed substantial share price declines in a number of our larger holdings including China Insurance and Samsung Fire and Marine which impacted performance. We executed several cut loss transactions early in the month but held off as selling in the markets became increasingly indiscriminate. Indeed the sell off allowed us to top up our position in Minth at an attractive level. Liquidity has declined to 21%. Valuations around the region look decidedly better after the recent shake out.

Compound Annual Growth Rate since Inception	
<b>Class A\$ Share</b>	<b>14.0%</b>
<b>Class B\$ Share</b>	<b>14.5%</b>
5th March 2001 - 31st January 2008	

	A class	B Class
<b>Net Asset Value</b>		
Dollar Class	\$ 23.49	\$ 24.27
Sterling Class	£ 20.84	£ 21.71
Euro Class	€ 19.45	€ 19.39
Fund Size (million)	\$148.1	
Historic Yield	1.7%	1.6%

<b>Dealing</b>	
Dealing Frequency	Daily
Dealing cut off point	5pm (Dublin time)
Valuation point	9am (following day)
Min Investment	\$ 10,000 \$ 500,000
Subsequent	\$ 2,500 \$ 100,000

<b>Fee and Charges</b>		
Annual Management Fee	1.5%	0.9%
Entry Charge	3.0%	0.0%
Exit Charge	0.0%	3.0%
TER (estimated)	2.03%	1.43%
<i>(excluding performance fee and entry/exit charges)</i>		

**Performance Fee**  
10% of any gains in excess of 10%. Subject to high tide marks and/or CAGR since inception.

**Broking Commissions**  
The Fund pays normal transaction commissions which range from 0.2% to 0.7%. BDT Invest has entered into soft commission arrangements.

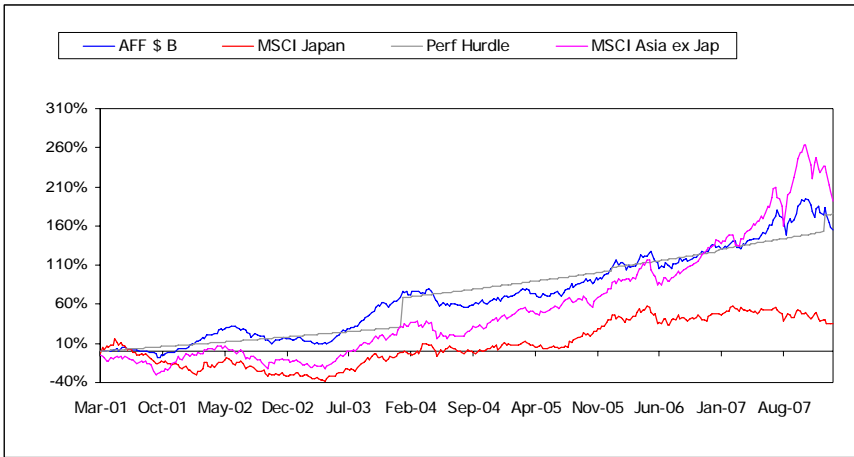
**Activity**  
Activity is not "targeted" and will depend upon market conditions. Since launch turnover (an average of purchases and sales divided by the fund size and expressed as an annualised percentage) has been 120%.

**Distributor Status**  
The Fund has received distributing fund status for the year ended Dec 31, 2006

**Investment Manager (for enquiries)**  
BDT Invest LLP  
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**Administrator (for dealing and admin)**  
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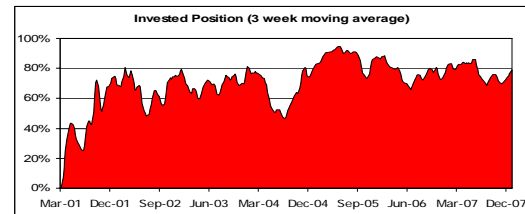
**Regulatory Status**  
Listed on the Irish Stock Exchange, approved by the IFSRA, Authorised and Regulated by the FSA



Top Twenty Holdings		Country Weights		Sector Weights	
China Insurance	4.3%	Japan	21.8%	Financials	19.1%
Nidec	3.6%			Info Tech	14.0%
SCB	3.1%	China	10.0%	Property	11.2%
Farglory Land Dev	3.1%	Hong Kong	7.6%	Industrial	11.0%
Nippon Electric Glass	3.0%	Indonesia	3.2%	Cons Disc	6.3%
Yuanta Financials	2.7%	India	4.5%	Materials	6.3%
Samsung F & M Ins	2.5%	Korea	7.4%	Telecoms	5.3%
Chinatrust Financial	2.4%	Malaysia	7.3%	Consumer Staple	4.1%
Hana Tour Service Inc	2.4%	Philippines	1.7%	Utilities	1.6%
Taiwan Semi	2.3%	Singapore	1.7%	Energy	0.0%
Citic Int Fin	2.2%	Thailand	3.1%	Health Care	0.0%
Minth Group	2.2%	Taiwan	10.5%		
IJM Corp Berhad	2.2%			<b>Portfolio Concentration</b>	
Lafarge Cement	2.1%			Top Twenty	50.4%
Yue Yuen Industrial Hldgs	2.1%			"5 & 40 rule"	0.0%
Bank Pan Indonesia TBK	2.1%	% Invested	78.7%	Number of Holdings	39
Cheung Kong	2.1%	Cash	4.9%		
Isuzu Motors Ltd	2.1%	T-bills	16.3%		
Sumitomo Realty	2.1%				
Aisin Seiki Co Ltd	2.1%				

31st January 2008	1 month	3 month	6 month	1 year	3 years	5 years
Asian Focus Fund A \$	-10.0%	-14.6%	-7.8%	9.3%	45.3%	117.5%
Asian Focus Fund B \$	-9.9%	-14.5%	-7.6%	9.9%	47.8%	123.1%
Asian Focus Fund A £	-10.6%	-14.9%	-8.3%	8.5%	44.6%	n/a
Asian Focus Fund B £	-10.6%	-14.8%	-8.0%	9.0%	46.8%	n/a
Asian Focus Fund A €	-10.2%	-14.8%	-8.7%	7.3%	39.0%	n/a
Asian Focus Fund B €	-10.1%	-14.7%	-8.4%	7.0%	39.6%	n/a
MSCI Asia ex Japan	-13.9%	-21.5%	-3.8%	22.4%	98.1%	242.4%
MSCI Japan	-4.6%	-10.0%	-11.0%	-9.4%	24.8%	100.0%

MSCI Indices (incl net dividends) stated in US\$. Fund returns stated in the class base currency.



Asian Focus Fund B \$	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
2001			0.1%	3.1%	0.9%	-1.8%	-2.6%	-1.0%	-4.7%	4.2%	5.4%	2.3%	5.6%
2002	6.4%	5.3%	3.4%	3.8%	4.3%	-3.5%	-4.5%	-1.2%	-5.0%	-0.3%	2.6%	-3.1%	7.6%
2003	0.7%	-1.3%	-3.6%	1.5%	7.4%	6.1%	4.4%	7.2%	6.3%	8.0%	-1.9%	6.1%	48.1%
2004	2.4%	2.3%	-0.2%	-5.9%	-1.7%	-0.7%	-2.4%	0.4%	2.1%	-1.0%	4.8%	2.0%	1.7%
2005	0.9%	4.0%	-4.1%	-2.4%	1.8%	1.2%	3.9%	1.4%	5.4%	-2.7%	3.9%	6.4%	21.0%
2006	3.4%	-1.6%	3.6%	1.9%	-4.7%	0.7%	-0.2%	2.0%	0.4%	2.9%	4.4%	0.2%	13.2%
2007	-0.9%	1.7%	0.1%	2.7%	2.9%	4.5%	5.7%	-2.6%	5.9%	4.7%	-5.4%	0.4%	20.9%
2008	-9.9%												-9.9%



### Investment Objective

The BDT Invest Emerging Markets Focus Fund aims to achieve absolute returns. The Fund is not managed against, nor constrained by, any index; comparisons are for illustrative purposes only. Equity investments will be made in Emerging Markets. The Manager intends to run a focussed portfolio with a target of thirty to forty individual holdings. US Dollar, Sterling and Euro denominated share classes are available. The Sterling and Euro share classes are hedged back into their base currency in the normal course of events.

### Commentary

The performance was disappointing in January with the cash position providing scant protection. The US Dollar B shares fell 13.5% compared to the 12.5% decline in the MSCI GEM Index. EMEA (-14.6%) was hardest hit with Turkey, Russia and South Africa all suffered double digit declines. Asia (-13.9%) followed close behind with China (-21.5%) taking the brunt of the selling. Latin America (-6.2%) proved to be a relative safe haven, particularly Mexico (-1.3%). Exposure to domestic issues in Taiwan worked well with Yuanta (+15%) and Far Glory (+11%) gaining during the month. Exposure to the agriculture sector via Bunge (flat), and pharma via Teva (flat) also offered some protection. The problems arose chiefly arisen from small cap exposure which participated fully on the downside but, in time honoured fashion, has not yet participated in the recovery. The weakness of the South African rand (-9%) also contributed to the poor performance. We remain confident about the underlying fundamentals of our holdings.

Compound Annual Growth Rate since Inception	
<b>Class A\$ Share</b>	<b>23.4%</b>
<b>Class B\$ Share</b>	<b>24.4%</b>
11th October 2004 - 31st January 2008	

	A class	B Class
<b>Net Asset Value</b>		
Dollar Class	\$ 19.36	\$ 19.88
Sterling Class	£ 19.29	£ 19.74
Euro Class	€ 18.33	€ 18.65
Fund Size (million)	\$36.0	
Historic Yield	1.5%	1.5%
<b>Dealing</b>		
Dealing Frequency	Daily	
Dealing cut off point	5pm (Dublin time)	
Valuation point	9am (following day)	
Min Investment	\$ 10,000	\$ 500,000
Subsequent	\$ 2,500	\$ 100,000

	A class	B Class
<b>Fee and Charges</b>		
Annual Management Fee	1.5%	0.9%
Entry Charge	3.0%	0.0%
Exit Charge	0.0%	3.0%
TER (estimated)	2.19%	1.59%

*(excluding performance fee and entry/exit charges)*

**Performance Fee**  
10% of any gains in excess of 10%. Subject to high tide marks and/or CAGR since inception.

**Broking Commissions**  
The Fund pays normal transaction commissions which range from 0.2% to 0.7%. BDT Invest has entered into soft commission arrangements.

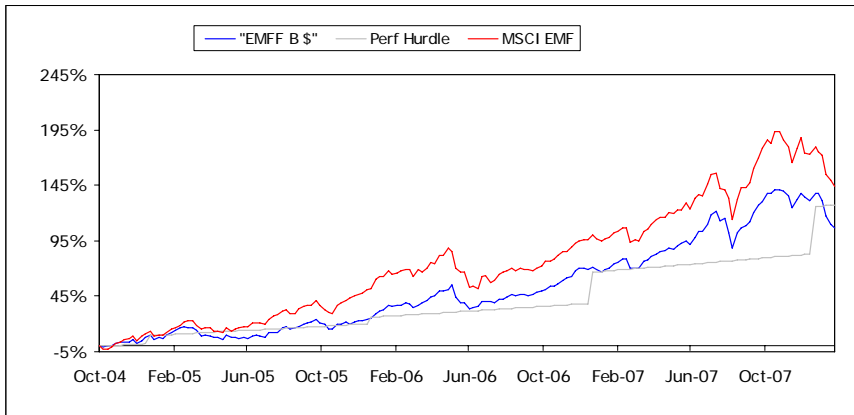
**Activity**  
Activity is not "targeted" and will depend upon market conditions. Since launch turnover (an average of purchases and sales divided by the fund size and expressed as an annualised percentage) has been 115%.

**Distributor Status**  
The Fund has received distributing fund status for the year ended Dec 31, 2006

**Investment Manager (for enquiries)**  
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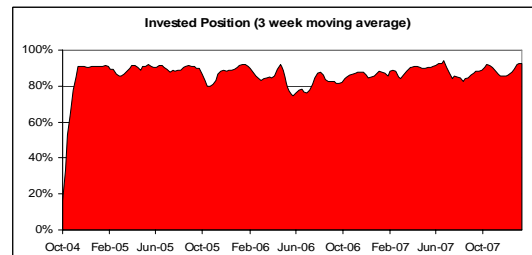
**Regulatory Status**  
Listed on the Irish Stock Exchange, approved by the IFSRA, Authorised and Regulated by the FSA



Top Twenty Holdings		Country Weights		Sector Weights	
China Insurance	3.8%	Asia	45.8%	Financials	27.7%
Bunge Ltd	3.2%	Taiwan	9.7%	Cons Disc	12.7%
Cia Brasileira ADR	3.0%	China / HK	9.2%	Industrial	12.1%
Emaar Properties	2.9%	India	8.1%	Energy	10.6%
Farglory Land	2.7%	Other	6.8%	Materials	8.7%
SK Telecom	2.6%	Korea	6.8%	Telecoms	5.3%
Gazprom ADR	2.5%	Malaysia	5.2%	Property	3.8%
China Trust Financial	2.4%	EMEA	28.1%	Utilities	3.0%
Naspers Ltd N Shs	2.3%	South Africa	10.6%	Info Tech	2.3%
Tenaris	2.3%	Russia	9.5%	Health Care	2.2%
Africa Opportunity Fund	2.3%	Turkey	3.0%	Cons Staple	2.2%
Yuanta Financial Holdings Ltd	2.3%	UAE	2.9%		
Taiwan Semi	2.3%	Israel	2.2%		
Banco Do Brasil	2.3%	Other	0.0%		
Teva Pharmaceutical	2.2%	LATAM	16.7%		
Colgate Palmolive (India)	2.2%	Brazil	12.5%		
Samsung F & M Ins	2.1%	Argentina	2.3%		
Mint Group	2.1%	Mexico	1.9%		
Hana Tour Service Inc	2.1%				
Illovo sugar	2.1%	Liquidity	9.3%		

31st January 2008	1 month	3 month	6 month	1 year	2 years	3 years
EM Focus Fund A \$	-13.5%	-16.1%	-5.0%	19.4%	47.8%	82.5%
EM Focus Fund B \$	-13.5%	-16.2%	-4.7%	20.4%	50.3%	86.9%
EM Focus Fund A £	-14.4%	-16.7%	-5.9%	18.2%	44.9%	80.8%
EM Focus Fund B £	-14.3%	-16.7%	-5.5%	19.1%	47.1%	84.6%
EM Focus Fund A €	-13.8%	-16.5%	-6.4%	16.5%	41.4%	73.6%
EM Focus Fund B €	-13.7%	-16.4%	-6.1%	17.2%	43.3%	76.1%
MSCI EMF	-12.5%	-18.4%	-1.4%	23.3%	45.0%	115.5%
MSCI EMF Asia	-14.3%	-22.8%	-5.4%	23.5%	48.9%	100.0%
MSCI EE&ME	-14.6%	-12.7%	-0.4%	14.0%	27.4%	101.8%
MSCI EMF LATAM	-6.2%	-10.4%	9.5%	38.7%	72.1%	208.3%

*MSCI Indices (incl net dividends) stated in US\$. Fund returns stated in the class base currency.*



EM Focus Fund B \$	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
2004										0.4%	5.0%	3.9%	9.5%
2005	0.7%	6.6%	-7.8%	-2.7%	1.3%	1.9%	3.4%	2.5%	7.5%	-6.5%	3.7%	3.8%	14.0%
2006	9.9%	1.2%	1.8%	5.7%	-7.9%	1.8%	2.2%	2.6%	1.2%	3.4%	-8.6%	3.2%	37.5%
2007	-0.3%	0.4%	3.5%	4.0%	4.4%	5.4%	6.3%	-4.3%	9.5%	8.5%	-5.7%	2.7%	38.8%
2008	-13.5%												-13.5%



## Investment Objective

The BDT Invest Japanese Focus Fund aims to achieve absolute returns. The Fund is not managed against, nor constrained by, any index; comparisons are for illustrative purposes only. Equity investments will be made in Japanese equities. Monies not invested in equities will generally be held in short term fixed interest securities. US Dollar, Sterling and Euro denominated share classes are available. The Sterling and Euro share classes are hedged back into their base currency in the normal course of events.

## Portfolio Commentary

The US\$ B shares fell 4.1% in January, in line with the Topix Index decline of 4.1% in US Dollar terms. In local currency terms, the Topix index fell 8.8%. A month of extreme volatility saw the index decline by 17.3% before it recovered quite sharply after the 75bps rate cut in the US. Perhaps in response to this action on interest rates, our financial and real estate stocks outperformed the market whilst those companies most exposed to global growth - Nintendo, Murata, Nidec and Fanuc - performed poorly. Even Japan Tobacco, which had performed very well in the tough second half of 2007, succumbed to a bout of profit taking.

The Japanese market properly entered bear market territory this month. By mid month the TOPIX Index had fallen 33% from its February '07 high and 17% since the end of December. At these levels most technical indicators were registering the sort of extremes usually associated with major market lows. In particular the deviation from moving averages had reached long term lows, and momentum indicators were pointing to the strong possibility of a sharp reversal in market direction.

Valuations were also indicating a major buying opportunity. The price earnings ratio reached a multi decade low whilst the price to book ratio approached the lows of April 2003. Whilst one can argue that current earnings expectations may be slightly too high, the market's ROE is double what it was in 2003. So it was for these reasons, technical and valuation, that we took the Fund fully invested in the middle of the month having had a cash position of 18% at the end of December. We took advantage of the market weakness to raise the Fund's weightings in those of our core stocks that had been hit hardest by the market decline.

Whilst the Japanese economy will certainly slow in 2008, there is no credit bubble to unwind. The corporate sector has a sound balance sheet, is enjoying rising profitability and should emerge from any slowdown in robust health. Current valuation levels discount an outcome that is considerably bleaker.

Compound Annual Growth Rate since Inception	
<b>Class A\$ Share</b>	<b>1.3%</b>
<b>Class B\$ Share</b>	<b>1.9%</b>
<i>3rd June 2005 - 31st January 2008</i>	

	A class	B Class
<b>Net Asset Value</b>		
Dollar Class	\$ 10.36	\$ 10.50
Sterling Class	£ 11.09	£ 11.30
Euro Class	€ 10.63	€ 10.73
Fund Size (million)	\$ 17.6	
Historic Yield	0.0%	0.0%

<b>Dealing</b>	
Dealing Frequency	Daily
Dealing cut off point	5pm (Dublin time)
Valuation point	9am (following day)
Min Investment	\$ 10,000 \$ 500,000
Subsequent	\$ 2,500 \$ 100,000

<b>Fee and Charges</b>		
Annual Management Fee	1.5%	0.9%
Entry Charge	3.0%	0.0%
Exit Charge	0.0%	3.0%
TER (estimated)	2.27%	1.67%
<i>(excluding performance fee and entry/exit charges)</i>		

**Performance Fee**  
10% of any gains in excess of 10%. Subject to high tide marks and/or CAGR since inception.

**Broking Commissions**  
The Fund pays a normal transaction commission which is currently 0.20%. BDT Invest has entered into soft commission arrangements.

**Activity**  
Activity is not "targeted" and will depend upon market conditions. Since launch turnover (an average of purchases and sales divided by the fund size and expressed as an annualised percentage) has been 134%

**Distributor Status**  
The Fund has received distributing fund status for the year ended Dec 31, 2006

**Investment Manager (for enquiries)**  
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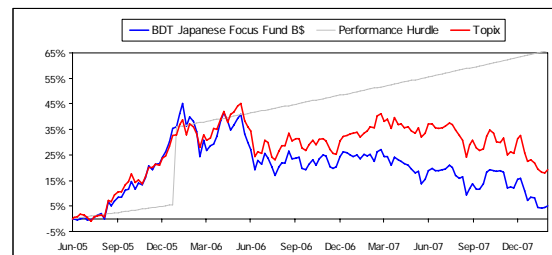
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**Regulatory Status**  
Listed on the Irish Stock Exchange, approved by the IFSRA, Authorised and Regulated by the FSA

Top Twenty Holdings		Sector Weights	
Japan Tobacco Inc	5.6%	Cyclicals	18.5%
Mitsubishi Estate Co	5.1%	Electronics	17.3%
East Japan Rail	4.6%	Financials	14.9%
Takeda Pharmaceutical	4.6%	Automobiles	10.8%
Mitsui & Co	4.5%	Consumer non-durable	10.1%
Jafco Co Ltd	4.5%	Housing/real estate	8.8%
Fanuc Ltd	4.5%	Utilities	7.4%
Nippon Electric Glass	4.2%	Health Care	4.6%
Aisin Seiki Co	4.0%	Retail	2.4%
Ibiden Co Ltd	3.8%	Services	0.0%
Murata Manufacturing	3.7%	Liquidity	5.3%
Sumitomo Realty & Dev	3.7%		
T & D Holdings Inc	3.3%		
Nidec Corp	3.2%		
Isuzu Motors	3.2%		
Daiwa Securities Group Inc	2.9%		
Tokyu Corp	2.8%		
Sony Financial Holdings Inc	2.7%		
Nintendo Co Ltd	2.5%		
Yamada Denki Co Ltd	2.4%		
		Portfolio Concentration	
		Top Twenty	75.8%
		"5 & 40 rule"	10.6%
		Number of Holdings	31

31st January 2008	1 month	3 month	6 month	1 year	2 years	3 years
Japan Focus Fund A \$	-4.1%	-12.1%	-11.5%	-15.7%	-25.8%	n/a
Japan Focus Fund B \$	-4.1%	-12.0%	-11.2%	-15.2%	-24.9%	n/a
Japan Focus Fund A £	-9.3%	-18.3%	-19.6%	-23.6%	-27.9%	n/a
Japan Focus Fund B £	-8.9%	-17.9%	-19.1%	-22.7%	-26.7%	n/a
Japan Focus Fund A €	-8.8%	-18.0%	-19.8%	-24.2%	-29.6%	n/a
Japan Focus Fund B €	-8.7%	-17.8%	-19.5%	-23.7%	-29.2%	n/a
Japan TPX	-4.1%	-10.4%	-12.0%	-11.1%	-13.5%	n/a
MSCI Japan	-4.6%	-10.0%	-11.0%	-9.4%	-7.6%	24.8%

Indices stated in US\$. Fund returns stated in the class base currency. TPX returns converted into US\$ using 0900 GMT rate in order to match valuation point.



Japan Focus Fund BS	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
2005						-0.4%	2.5%	3.8%	8.2%	1.1%	5.9%	10.7%	<b>35.9%</b>
2006	2.9%	-5.8%	5.1%	-1.4%	-7.0%	-1.1%	-2.2%	1.0%	-2.2%	1.9%	0.6%	0.0%	<b>-8.5%</b>
2007	-0.5%	1.3%	-1.8%	-3.2%	-1.3%	1.2%	-0.8%	-3.9%	4.0%	0.9%	-3.1%	-5.2%	<b>-11.3%</b>
2008	-4.1%												<b>-4.1%</b>



## Investment Objective

The Fund seeks to achieve long-term capital appreciation through investment in Japanese smaller companies. The Fund uses the TSE 2nd Section Index as its performance benchmark although comparisons will also be made with the more growth orientated JASDAQ Index. US Dollar, Japanese Yen, Sterling and Euro denominated share classes are available. The Sterling and Euro share classes are hedged back into their base currency in the normal course of events.

## Portfolio Commentary

The Yen B shares fell 8.4% in January, outperforming the 13.2% decline in the JASDAQ Index and the 9.6% fall in the TSE 2nd Section Index. The Fund's holdings in the service sector and in green energy areas did well whereas those more exposed to the global economy suffered along with their large cap counterparts.

## Stock Highlights

### Japan Wind Development (3.0% of NAV, TSE-Mothers):

The company imports windmills from Germany and builds wind farms for its own use and for industrial customers. The company plans almost to double its generating capacity by 2011. The company is also expanding its electricity storage capacity due to recent improvements in battery technology. The share sells at a P/E of 29x for FY 3/09.

### Nihon M&A Center (2.8% of NAV, TSE-1):

An independent M&A advisor that targets small-sized family businesses where the owner wishes to exit. The company has tie-ups with accountants, tax advisors and local banks all over the country and gets referrals through these channels. The assessment and pricing of corporate value are the main services provided to both sellers and buyers. Fees are based on a fixed charge plus an incentive fee if a deal is done. As there are more than 3 million small companies facing succession issues in Japan, high but steady growth is likely. The share sells at a P/E of 25x for FY3/09.

### Miraial (JASDAQ, 2.4% of NAV)

A specialist manufacturer of high-performance plastic engineering products. The company is a world leader in the design and manufacture of boxes used for shipping semiconductor wafers. The industry's migration from 200mm wafers to 300mm wafers has created a significant business opportunity. Recent price falls in the memory chip market put pressure on profit margins but longer term growth depends much more on volume growth in semiconductors rather than on value growth. We think it is a good time to add the stock to our portfolio as the share price has fallen to one third of its mid 2007 peak. The share sells at a P/E of 8.5x for FY1/08.

Compound Annual Growth Rate since Inception

<b>Class A\$ Share</b>	<b>1.8%</b>
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<b>Class B\$ Share</b>	<b>2.4%</b>
------------------------	-------------

9th Feb 2004 - 31st January 2008

	A class	B Class
<b>Net Asset Value</b>		
Dollar Class	\$ 10.73	\$ 10.98
Sterling Class	£ 12.76	£ 13.00
Euro Class	€ 12.09	€ 12.25
Yen Class	JPY 1,085	JPY 1,108
Fund Size (million)	\$29.4	
Historic Yield	0.0%	0.0%

## Dealing

Dealing Frequency	Daily	
Dealing cut off point	5pm (Dublin time)	
Valuation point	9am (following day)	
Min Investment	\$ 10,000	\$ 500,000
Subsequent	\$ 2,500	\$ 100,000

## Fee and Charges

Annual Management Fee	1.75%	1.25%
Entry Charge	3.0%	0.0%
Exit Charge	0.0%	3.0%
TER (estimated)	2.27%	1.77%

*(excluding entry/exit charges)*

## Performance Fee

There is no performance fee

## Broking Commissions

The Fund pays a normal transaction commission which is currently 0.20%. BDT Invest has entered into soft commission arrangements.

## Activity

Activity is not "targeted" and will depend upon market conditions. Since launch turnover (an average of purchases and sales divided by the fund size and expressed as an annualised percentage) has been 175%

## Distributor Status

The Fund has received distributing fund status for the year ended Dec 31, 2006

## Investment Manager (for enquiries)

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London Telephone  
SW1Y 6LX +44 (020) 7659 1300

## Administrator (for dealing and admin)

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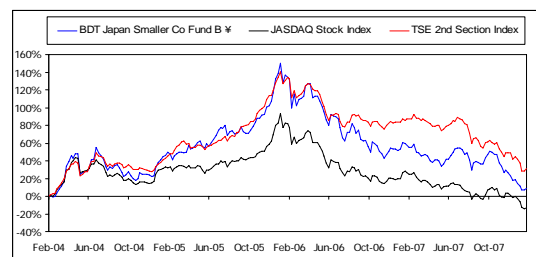
## Regulatory Status

Listed on the Irish Stock Exchange, approved by the IFSRA, Authorised and Regulated by the FSA

Top Twenty Holdings		Portfolio Emphasis		Sector Weights	
Teikoku Electric Mfg	4.0%	Internet diffusion	1.3%	Telecoms	0.0%
Matsuda Sangyo Co Ltd	3.4%	Discount Retailing	4.5%	Services	1.2%
Daiseiki Co Ltd	3.3%	Corporate Outsourcing	14.5%	Property	1.1%
Asahi Pretec Corp	3.3%	Lifestyle Change	6.2%	Materials	9.3%
Produce Co Ltd	3.1%	Cleaner Environment	13.3%	Info Tech	27.4%
Micronics Japan Co Ltd	3.1%	Asset Reflation	3.8%	Industrial	22.9%
Japan Wind Development	3.0%	Other	8.5%	Health Care	9.8%
Disco Corp	2.9%	Domestic growth	52.1%	Financials	5.5%
NPC Inc	2.9%			Energy	5.9%
Works Application	2.8%	Electronics	19.4%	Consumer Staple	0.0%
Nihon M & A	2.8%	Autos	1.0%	Cons Disc	8.4%
Alpha Systems Inc	2.8%	Chemicals	5.9%		
CMIC Co Ltd	2.7%	Plant Engineering	4.0%	Portfolio Concentration	
Intec Holdings Ltd	2.7%	Climate change	9.0%	Top Twenty	57.7%
KK Davinci Advisors	2.7%	Shipbuilding	0.0%	"5 & 40 rule"	0.0%
K S Holdings Corp	2.6%	Others	0.0%	Number of Holdings	41
Union Tool Co	2.5%	Global growth	39.3%		
Message Co Ltd	2.5%	% Invested	91.4%		
Miraial Co Ltd	2.4%	Cash	8.6%		
Nipro Corp	2.3%	T-bills	0.0%		

31st January 2008	1 month	3 month	6 month	1 year	2 years	3 years
Japanese SC Fund A \$	-3.9%	-22.9%	-19.8%	-21.6%	-49.6%	-28.7%
Japanese SC Fund B \$	-3.8%	-22.3%	-19.1%	-20.8%	-48.9%	-27.4%
Japanese SC Fund A £	-8.6%	-28.0%	-26.8%	-28.8%	-50.7%	-18.6%
Japanese SC Fund B £	-8.7%	-28.1%	-26.8%	-28.5%	-50.2%	-17.5%
Japanese SC Fund A €	-8.4%	-28.1%	-27.4%	-29.8%	-52.0%	-22.2%
Japanese SC Fund B €	-8.2%	-27.5%	-26.8%	-29.3%	-51.5%	-20.8%
Japanese SC Fund A ¥	-8.4%	-28.1%	-27.7%	-30.7%	-53.9%	-26.5%
Japanese SC Fund B ¥	-8.4%	-28.0%	-27.6%	-30.4%	-53.5%	-25.3%
Japan TPX 2nd Section	-9.6%	-18.9%	-28.8%	-29.3%	-44.1%	-9.0%
Japan JASDAQ	-13.2%	-20.7%	-18.8%	-31.9%	-52.5%	-34.6%

*Indices stated in Yen. Fund returns stated in the class base currency.*



Japanese SC Fund B ¥	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
2004		0.1%	25.1%	18.3%	-13.5%	18.4%	-12.3%	1.7%	-8.4%	-4.3%	6.6%	4.9%	32.7%
2005	11.7%	0.2%	0.4%	6.1%	1.5%	5.2%	7.8%	-4.5%	-0.5%	7.6%	6.8%	18.6%	77.0%
2006	1.4%	-9.2%	5.1%	-5.3%	-11.4%	1.0%	-12.1%	2.9%	-5.0%	-2.7%	-7.3%	4.2%	-33.7%
2007	2.2%	-3.1%	-3.0%	-4.1%	-0.1%	7.0%	-0.3%	-7.3%	3.2%	5.2%	-14.5%	-8.1%	-22.3%
2008	-8.4%												-8.4%

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Prospective shareholders should familiarise themselves with and, where appropriate, take advice on the laws and regulations (such as those relating to taxation and exchange controls) applicable to the subscription for, and the holding and realisation of, shares in the places of their citizenship, residence and domicile. The tax consequences for each shareholder of acquiring, holding, converting, redeeming or disposing of shares in the Company will depend upon the relevant laws of any jurisdiction to which the shareholder is subject. Investors and prospective investors should seek their own professional advice as to this, as well as to any relevant exchange control or other laws and regulations. Taxation law and practice and the levels and basis of and release from taxation relating to the Company and to shareholders may change from time to time.

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