

BDT INVEST FUNDS PLC

Newsletter

Month of January 2009





Review

A tough start to what will undoubtedly be another tough year. The MSCI World Index declined 8.8% and the MSCI Japan (-6.8%) and MSCI Asia ex Japan (-5.5%) fared little better. The failure of equity markets to build on the December rally is mildly disconcerting but all the MSCI indices mentioned above continue to meander within the reasonably tight trading range established since late October as the chart below depicts.



In broad terms the same applies to most of our portfolio holdings. Rexcapital rose 42% in January and now sits at the top of its trading range while others such as China Insurance International and Lafarge Malayan Cement fell 16.1% and 19.8% respectively and sit at the bottom of their trading range. We believe this range bound trading will remain a feature during 2009. The four sub funds also recorded declines although less substantial than the MSCI Indices. The Asian Focus Fund (\$0.22) and the Oriental Focus Fund (\$0.20) went ex modest annual dividends on 2nd January 2009. Please refer to the individual factsheets for performance details and commentaries.

Down and Out?

The five year chart of the Baltic Dry Index above tells a familiar story boom and bust. The index rose six fold between mid 2005 and mid 2008 and was then decimated so perhaps we can all agree that the trend of this particular index has tracked the course of the global economy pretty well over the past few years.



The Baltic Dry Index has risen 70% already this year (the weekly chart does not show the move from 1070 to 1316 since last Friday - not that you would see it on the chart!) but we would not be charging into dry bulk "plays" this calendar year on anything other than a trading view nor do we feel a desperate need to own container "plays" despite seemingly cheap valuations (i.e. below half book value). A lengthy global recession will continue to crimp demand for both consumer goods and commodities and a slew of new ship deliveries in both sectors will continue to weigh on freight rates. Some other marine areas, with radically different supply and demand dynamics, remain of more interest to us.

Consumer Retrenchment

Economic data releases remain dire with Western consumers continuing their rapid expenditure adjustment which, in turn, is impacting corporate cashflow as evidenced by the wave of retail bankruptcies and widespread retrenchments announced over the past month. We believe it highly unlikely that any effort to revive these consumers will succeed - a prolonged period of deleveraging lies ahead. The collapse in industrial production across every economy in the Asian region neatly illustrates the global nature of the slowdown. The 31st January edition of the Economist contains a good synopsis of the troubles and opportunities facing the region (page 73 - "Troubled tigers"). Having hurriedly revised their October 2008 forecasts last November, the IMF has again slashed the numbers - Asia is now forecast to grow 2.7%, not 4.9%, in 2009. We prefer to follow the economics team of CLSA who are now forecasting double digit contractions in Singapore and Taiwan and 5-7% contractions in Hong Kong, Korea, Malaysia and Thailand. The key remains China where the leadership is clearly concerned by the collapse of output and employment in the manufacturing sector. Early signs that the (underleveraged) Chinese banking sector has reacted to calls from on high to increase lending with alacrity are encouraging. This, coupled with the massive fiscal stimulus from the (underleveraged) public sector, should see the economy stabilise and then grow as the year progresses.

Liberal Europeans worried by growing unrest in China (Economist, same edition, page 27) should perhaps look closer to home. They should certainly read Andrew Hunt's latest research on Eastern Europe and the Euro "project". This, like the majority of his output, is required reading. In short he reiterates that the events unfolding across Eastern Europe are a simple re-run of Thailand in 1997 and that the fault lines developing across the Eurozone are widening rapidly. His neat solution of removing Germany from the Euro and inserting Turkey in its place is a wonderful piece of lateral thinking and might work but, as they say, pigs might fly.

Outlook

The economic outlook is pretty grim to extremely grim but with the faintest whiff of hope starting to emanate from Beijing. Our forecast that regional markets will remain range bound may prove optimistic in the short term given the likelihood of a swathe of shocking fourth quarter results. However, as Citigroup's Markus Rosgen notes "at the current 1.4x P/BV, the probability of Asian markets going higher is 84%. Based on trailing P/E, P/CE or dividend yield, the upside risk is 87-99%". Odds worth betting on.

BDT Invest LLP
6th January 2009



Investment Objective

The BDT Invest Oriental Focus Fund aims to achieve absolute returns. The Fund is not managed against, nor constrained by, any index; comparisons are for illustrative purposes only. From 1st April 2008 the investment universe has been refined to Asian Equity markets excluding Japan. This change was approved by shareholders at the AGM on 16th May 2008. The Manager intends to run a focused portfolio with a target of twenty five to thirty individual holdings. US Dollar, Sterling and Euro denominated share classes are available. Since May 2008 the Sterling share classes are NO LONGER hedged back into the base currency. The Euro share classes are hedged back into their base currency.

Commentary

The NAV of the US Dollar B shares fell by 3.8% (after adjusting for the US\$0.20 dividend). MSCI Asia ex-Japan index declined by 5.4%. Top Glove reacted positively to results announced early in the month and Rexcapital was boosted by strong lottery sales in the fourth quarter. A return to the bottom of the trading range for China Insurance and soft pre-Chinese New Year trading for the Taiwanese financials detracted from returns. We added to our position in Mermaid Marine following an encouraging conference call with management and among our financial sector holdings we have cut a couple of the weaker holdings in view of the increasingly difficult environment across regional economies. We trimmed the position in Lafarge in early January but are now tempted to repurchase following a 20% decline.

Compound Annual Growth Rate since Inception	
Class A\$ Share	1.6%
Class B\$ Share	2.4%
11th Oct 2004 - 30th January 2009	

	A class	B Class
Net Asset Value		
Dollar Class	\$ 10.14	\$ 10.48
Sterling Class	£ 14.15	£ 14.56
Euro Class	€ 9.09	€ 9.35
Fund Size (million)	\$9.0	
Historic Yield	2.0%	1.9%

Dealing	
Dealing Frequency	Daily
Dealing cut off point	5pm (Dublin time)
Valuation point	9am (following day)
Min Investment	\$ 10,000 \$3,000,000
Subsequent	\$ 2,500 \$ 100,000

Fee and Charges		
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 commission sharing arrangements.

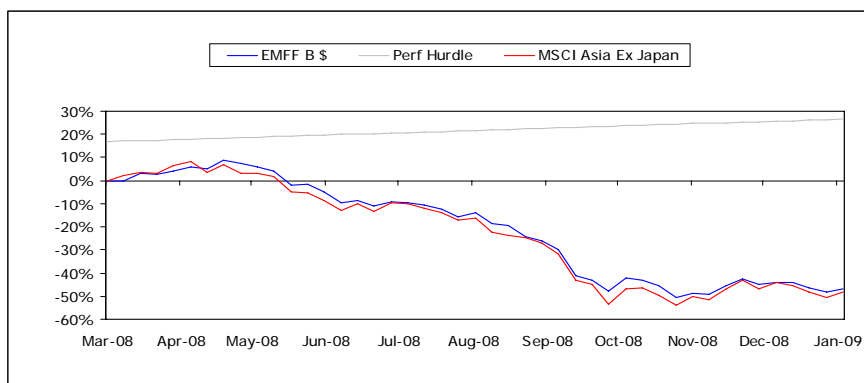
Activity
Activity is not "targeted" and will depend upon market conditions. Since launch turnover (an average of purchases and sales divided by the fund size and expressed as an annualised percentage) has been 125%.

Distributor Status
The Fund has received distributing fund status for the year ended Dec 31, 2007

Investment Manager (for enquiries)
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Administrator (for dealing and admin)
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Ireland +353 (01) 635 6000

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



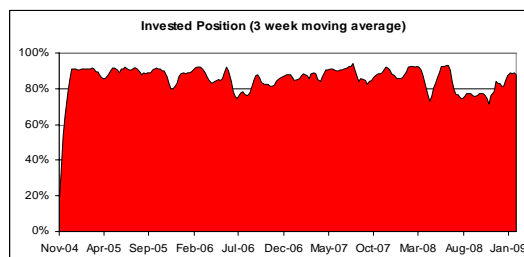
Top Twenty Holdings		Country Weights		Sector Weights	
China Insurance	8.6%	China	21.4%	Financials	39.2%
Top Glove corp	7.4%	Hong Kong	15.0%	Consumer Discretionary	10.0%
Rexcapital Financial Hldgs Ltd	6.4%	Indonesia	1.0%	Health Care	7.4%
Mermaid Maritime Pcl	4.7%	India	8.9%	Energy	6.5%
HDFC	3.7%	Korea	0.0%	Industrial	5.9%
SCB	3.6%	Malaysia	10.4%	Property	5.4%
Cheung Kong	3.4%	Philippines	0.0%	Information Technology	4.4%
First Ship Lease	3.3%	Singapore	13.7%	Materials	3.0%
Standard Chartered Plc	3.1%	Thailand	6.8%	Consumer Staple	2.6%
Lafarge Cement	3.0%	Taiwan	9.0%	Utilities	1.7%
Mintch Group	2.9%			Telecoms	0.0%
Morgan Stanley China	2.9%				
Bharat Heavy Electricals	2.7%				
Somboon Advance Tech	2.6%				
Want Want China Holdings	2.6%				
Taiwan Semi	2.5%				
Ping An Insurance Group	2.4%				
Educomp Solutions Ltd	2.4%				
First Financial Hold	2.4%				
Jardine Matherson	2.2%				

Portfolio Concentration	
Top Twenty	72.9%
"5 & 40 rule"	22.5%
Number of Holdings	28

Country Weights	
% Invested	86.0%
Cash	14.0%
T-Bill	0.0%

30th January 2009	1 month	3 month	6 month	1 year	2 years	3 years
EM Focus Fund A \$	-3.8%	-7.7%	-41.1%	-46.7%	-36.3%	-21.2%
EM Focus Fund B \$	-3.8%	-7.6%	-41.0%	-46.4%	-35.4%	-19.4%
EM Focus Fund A £	-2.3%	5.2%	-18.0%	-25.4%	-11.9%	8.1%
EM Focus Fund B £	-2.3%	5.4%	-17.8%	-25.0%	-10.8%	10.3%
EM Focus Fund A €	-3.3%	-8.5%	-44.4%	-49.6%	-41.2%	-28.6%
EM Focus Fund B €	-3.4%	-8.2%	-44.0%	-49.0%	-40.2%	-27.0%
MSCI Asia ex Japan	-5.4%	-2.2%	-42.3%	-47.7%	-36.2%	-21.6%
MSCI EMF Asia	-6.4%	-3.2%	-43.0%	-48.6%	-36.5%	-23.5%

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



Oriental Focus Fund B \$	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
2008 (from 1st April)				5.3%	1.2%	-10.5%	-4.6%	-4.8%	-17.4%	-18.8%	-11.0%	8.0%	-43.8%
2009	-3.8%												-3.8%



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 by 6.1% in January, slightly outperforming the TOPIX decline of 6.6% in US Dollar terms. In local currency terms, the TOPIX fell 7.6%. The December rally quickly peaked out in early January but the outperformance of cyclical shares continued throughout the month. Electronics, auto and commodity stocks were amongst the best performers over the month. Financials, real estate and a selection of shares previously considered 'defensive' were at the bottom of the performance table.

The market has been keen to identify and anticipate the low point in the cycle for economically sensitive shares and frequently a dreadful set of earnings numbers or forecasts has been met with an "it's all in the price" stock surge. We fear that the market's willingness to look over the valley may be tested by the length of time that it takes to cross it. As a result we have remained sceptical of the commodity cyclical areas of the market where the excess capacity built up during the boom times will take a long time to be absorbed by final demand. On the other hand, certain areas of the technology universe are well into their downturn and an improvement in the balance of supply and demand is a not too distant possibility. Our strategy has been to identify a number of core holdings in the auto and electronics sectors where a company's niche specialisation or its scale will ensure its short term survival and long term prosperity. We have been accumulating such companies on weakness and they now account for around 25% of the Fund.

The rest of the portfolio is split between the financial sector, which we still expect to be the main beneficiary of Government efforts to deal with the global financial crisis, and stocks whose earnings should prove resilient in the face of severe weakness in the economy. And there is no doubt that the current state of the economy is dire. Hardly a day goes by without an economic statistic highlighting the speed and severity of the downturn. By the end of this month, industrial production is expected to be at levels last seen in 1983. The consensus estimate for 4th quarter GDP growth is -9%. Although this might mark the statistical low, the prospects for a recovery are clouded by a large inventory overhang.

Top Twenty Holdings		Sector Weights	
Sony Financial Holdings	6.4%	Industrials	11.2%
Mitsubishi UFJ Financial Group	4.9%	Information Technology	8.3%
East Japan Rail	4.6%	Health Care	12.1%
Takeda Pharmaceutical	4.5%	Consumer Staple	4.4%
Japan Tobacco	4.4%	Property	4.7%
Daiichi Sankyo	3.9%	Consumer Discretionary	11.1%
Kuraray	3.8%	Materials	3.8%
T & D Holdings	3.8%	Utilities	0.0%
NTT DoCoMo	3.4%	Energy	0.0%
Mitsubishi Estate	3.3%	Financials	32.5%
Daiwa Securities Group Inc	3.2%	Telecoms	3.4%
Nippon Electric Glass	3.2%	Liquidity	8.6%
Mizuho Financial Group	3.1%	Portfolio Concentration	
Toyota Motor	3.1%	Top Twenty	71.2%
Nintendo	3.0%	"5 & 40 rule"	6.4%
Shimamura	2.7%	Number of Holdings	32
Aeon Credit	2.6%		
Nomura Holdings	2.5%		
Tokyu Corp	2.5%		
Santen Pharmaceutical	2.5%		

30th January 2009	1 month	3 month	6 month	1 year	2 years	3 years
Japan Focus Fund A \$	-6.1%	-6.0%	-27.2%	-30.0%	-41.0%	-48.1%
Japan Focus Fund B \$	-6.1%	-6.0%	-27.0%	-29.6%	-40.3%	-47.2%
Japan Focus Fund A £	-9.0%	-14.3%	-42.6%	-42.8%	-56.3%	-58.8%
Japan Focus Fund B £	-8.7%	-11.9%	-44.1%	-44.3%	-56.9%	-59.2%
Japan Focus Fund A €	-7.1%	-13.0%	-43.0%	-43.7%	-57.4%	-60.4%
Japan Focus Fund B €	-7.5%	-13.1%	-43.0%	-43.6%	-57.0%	-60.1%
Japan TPX	-6.6%	-0.8%	-26.3%	-29.6%	-37.4%	-39.1%
MSCI Japan	-6.8%	-0.5%	-27.7%	-30.9%	-37.3%	-36.1%

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%	35.9%
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%	-8.5%
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%	-11.3%
2008	-4.1%	0.9%	-1.9%	4.8%	2.8%	-6.5%	-3.3%	-4.4%	-6.5%	-13.1%	-5.4%	5.9%	-28.1%
2009	-6.1%												-6.1%

Compound Annual Growth Rate since Inception	
Class A \$ Share	-8.4%
Class B \$ Share	-7.9%
3rd June 2005 - 30th January 2009	

	A class	B Class
Net Asset Value		
Dollar Class	\$ 7.25	\$ 7.39
Sterling Class	£ 6.34	£ 6.29
Euro Class	€ 5.98	€ 6.05
Fund Size (million)	\$4.7	
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 \$3,000,000
Subsequent	\$ 2,500 \$ 100,000

Fee and Charges		
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%

(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 commission sharing arrangements.

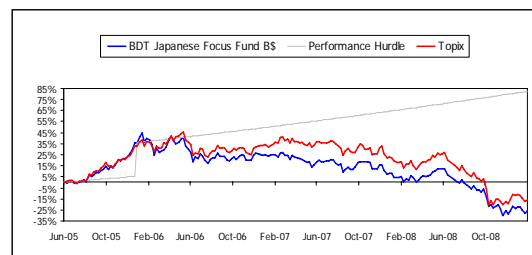
Activity
Activity is not "targeted" and will depend upon market conditions. Since launch turnover (an average of purchases and sales divided by the fund size and expressed as an annualised percentage) has been 131%

Distributor Status
The Fund has received distributing fund status for the year ended Dec 31, 2007

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



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Past performance is not a guide to future returns. The value of investments and the income from them can go down as well as up and an investor may not get back the original amount invested. The difference at any one time between the Net Asset Value of Shares for the purposes of purchases and redemptions means that investment in the Company should be viewed as medium to long term.

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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