

# **BDT INVEST FUNDS PLC**

Newsletter

Month of July 2008





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## Review

The depressing trading conditions of the first half rolled smoothly into July. The MSCI World Index declined 2.4% in July, MSCI Japan fell 3.4% and MSCI Asia ex Japan fell 0.9%. All four sub funds in our range suffered declines ranging from 3.2% to 7.4%. Please refer to the individual factsheets for performance details and commentaries.

## iMperill Lynch

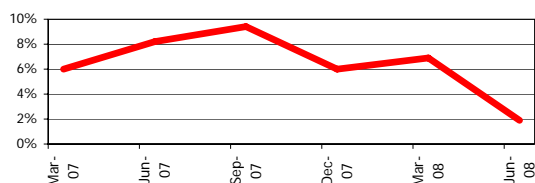
The dash to shore up balance sheets continues. Merrill Lynch's disposal of paper with a face value of \$30.6bn to Lone Star for just \$6.7bn (a discount of 78%) sounds bad enough but Merrill are also providing 75% of the financing on a non recourse basis. Actual cash received and banked is just \$1.7bn or 5.5% of face value. The fact that the \$8.5bn capital raising exercise has allowed Singapore's Temasek Holdings, the largest shareholder, to reset the price of their investment last December from \$48 to \$22.5 per share is a further illustration of the desperate times.

The contrast with Asia could not be sharper. Yesterday the Bank of East Asia announced that first half profits halved due to write downs on CDO holdings while in round numbers Merrill Lynch has posted losses equal to half its equity base in the past nine months. The CDO exposure of the Bank of East Asia, run by the flamboyant yet somewhat tarnished David Li, does not look clever but it neither derails the bank's balance sheet nor impacts longer term growth prospects. Japanese and Asian banks have already announced the degree of exposure to "toxic waste" and in all cases it has proven little more than a "blip" to short term earnings.

Deleveraging continues apace, the Federal Reserve is now officially on hold at 2% and growth prospects across the developed economies remain bleak. The energy and commodity markets appear to have finally got the message, as has the shipping market. Spot bulk shipping rates have fallen by a third since May and our understanding is that container rates on the Asia-Europe route have fallen by something approaching two thirds since the start of the year. We will be surprised if oil does not fall significantly from current levels over the remainder of this year.

## Good News

A declining oil price is fundamentally good news for any industrialised country and especially resource starved Asia. It will reduce the pressure on trade accounts that are currently suffering from weaker export demand and in a number of economies it will quickly begin to undermine the recent surge in inflationary expectations. Falling oil prices, however, come at a price in so far as they reflect the deteriorating growth outlook. Japanese manufacturers are increasingly talking of weaker demand from both Europe and Asia while the very sharp deceleration in Singapore's 2Q GDP growth rate (see chart below) is likely to be a good lead indicator for the rest of the region.



## Mauling

As usual we enjoyed GMO's latest quarterly written by self confessed "perma bear" Jeremy Grantham. Grantham notes that American house prices remain 20% above their long term average of 2.8x median family income. In 1985 houses prices sold for 2.6x median family income so, in theory, a worst case scenario is for a further 25% decline. The news in the UK is rather worse. House prices are currently about 5.6x incomes and need to fall 38% to reach the average of 3.5x incomes. If they fall to the low of 2.8x incomes recorded in the mid 1990s they will halve in value from here which is pretty much what the MSCI Emerging Market Real Estate Index has done thus far this year, down 43.5%. We don't own any of the stocks listed below but felt the large discounts to asset value are a useful illustration of how poor sentiment is and how much of the economic downturn is already factored into equity prices.

Stock	Discount to NAV (est CLSA)
New World China Land (China)	70.0%
CC Land Holdings (China)	61.0%
Ayala Land (Philippines)	54.0%
SP Setia (Malaysia)	48.0%
Hysan (Hong Kong)	41.0%
NTT Urban (Japan)	39.0%
UOL (Singapore)	37.0%
DLF (India)	26.0%
Huaku (Taiwan)	25.0%

## Results

As we note in the fund commentaries a number of our holdings have suffered recently in the main because of their mid cap status and limited liquidity. A good proportion of these companies will report this month and, hopefully, confirmation of good execution and solid growth prospects will be rewarded. While always dangerous to single out an individual holding we have been encouraged by the persistent share purchases of Minth Group by Chairman Jong Hwa Chin over the past few months.

Another area of recent disappointment has been exposure to Taiwanese property and financial stocks. While activity in the residential market appears to have slowed, the commercial real estate market remains buoyant. Banks do have exposure to SME's, and one would expect provisions to rise in a slowdown, but given loan growth across the system of just 3% over the past two years we believe the market is overreacting. As in the rest of Asia, leverage has been, and remains, a dirty word. For example the net debt to equity ratio of the local market stands at just 22% - half the level of a decade ago. More importantly the charter flights to the Mainland are up and running. The direct links story remains a huge long term structural positive.

## Outlook

The drip, drip of bad news from the US and Europe continues and global growth is grinding to a halt. However, the positive impact of a declining oil price should not be underestimated and we believe Japanese and Asian equities have discounted much of the bad news. Liquidity levels across the three absolute return funds range are approximately 20-25%. We remain reluctant to raise cash levels much further after a 30% correction in regional indices.

BDT Invest LLP  
6th August 2008

# Asian Focus Fund



## 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. Since early 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 Net Asset Value of the US Dollar B shares declined by 5.8% last month. MSCI Japan and Asia ex Japan fell 3.4% and 0.9% respectively. Exposure to Japanese manufacturing concerns and Taiwanese financials hurt the portfolio considerably last month. Elsewhere our proclivity for high growth mid cap stocks proved unhelpful in an environment where one aggressive seller is capable of taking a stock down 10-20% with ease. The global macro outlook remains grim but this appears to us to be increasingly priced into Japan and other regional markets. Almost devoid of holdings in the energy, commodity and other cyclical sectors, and retaining a useful liquidity position, we believe the portfolio is well positioned to ride out the storm.

Compound Annual Growth Rate since Inception

**Class A\$ Share 11.6%**

**Class B\$ Share 12.3%**

5th March 2001 - 31st July 2008

	A class	B Class
<b>Net Asset Value</b>		
Dollar Class	\$ 21.51	\$ 22.30
Sterling Class	£ 19.16	£ 20.04
Euro Class	€ 17.89	€ 17.85
Fund Size (million)	\$126.7	
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 \$3,000,000
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%

*(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.

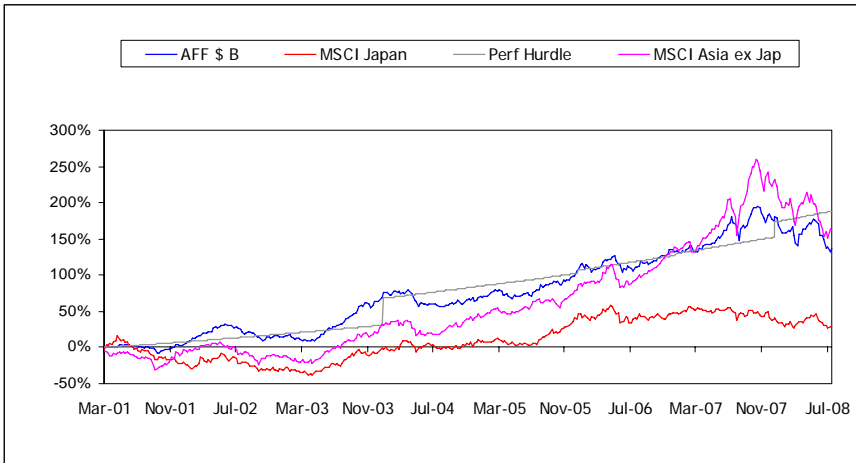
**Activity**  
Activity is not "targeted" and will depend upon market conditions. Since launch turnover (an average of purchases and sales divided by the fund size and expressed as an annualised percentage) has been 116%.

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

**Investment Manager (for enquiries)**  
BDT Invest LLP  
4th Floor, 52 Jermyn Street  
London Telephone  
SW1Y 6LX +44 (020) 7659 1300

**Administrator (for dealing and admin)**  
HSBC Securities Services (Ireland) Limited  
HSBC House  
Harcourt Centre  
Harcourt Street Telephone  
Dublin 2, Ireland +353 (01) 407 2000

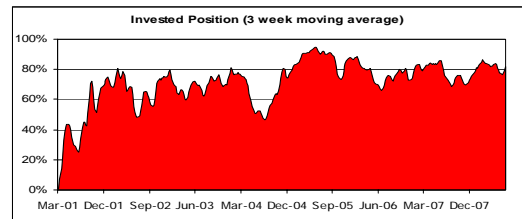
**Regulatory Status**  
Listed on the Irish Stock Exchange, approved by the IFSRA, Authorised and Regulated by the FSA



Top Twenty Holdings		Country Weights		Sector Weights	
China Insurance	5.9%	Japan	26.6%	Financials	31.6%
China Power New Energy	2.9%			Information Technology	11.9%
SCB	2.8%	China	16.5%	Industrial	10.0%
Farglory Land Development	2.7%	Hong Kong	2.1%	Consumer Discretionary	5.7%
HDFC	2.7%	Indonesia	0.0%	Energy	4.9%
NTT Docomo	2.6%	India	4.7%	Property	4.8%
Takeda Pharmaceutical Co Ltd	2.5%	Korea	4.0%	Health Care	4.7%
Ezra Holdings Pte Ltd	2.5%	Malaysia	4.7%	Telecoms	2.6%
Lafarge Cement	2.5%	Philippines	0.0%	Materials	2.5%
Stanley Electric Co Ltd	2.4%	Singapore	5.9%	Utilities	2.1%
Petrochina ADR	2.4%	Thailand	4.7%	Consumer Staple	1.3%
Sony Financial Holdings	2.4%	Taiwan	12.8%		
Taiwan Semi	2.4%			<b>Portfolio Concentration</b>	
Nintendo Co Ltd	2.3%			Top Twenty	51.8%
Fanuc	2.3%			"5 & 40 rule"	5.9%
Top Glove	2.2%			Number of Holdings	38
Cheung Kong	2.1%	% Invested	82.0%		
Samsung F & M Ins	2.1%	Cash	10.1%		
First Financial Holdings	2.1%	T-bills	8.0%		
Sino-Environment Tech	2.1%				

31st July 2008	1 month	3 month	6 month	1 year	3 years	5 years
Asian Focus Fund A \$	-5.9%	-12.9%	-8.4%	-15.6%	28.0%	73.9%
Asian Focus Fund B \$	-5.8%	-12.7%	-8.1%	-15.1%	30.2%	78.6%
Asian Focus Fund A £	-5.2%	-13.2%	-8.1%	-15.7%	26.3%	77.7%
Asian Focus Fund B £	-5.2%	-13.0%	-7.7%	-15.1%	28.4%	83.4%
Asian Focus Fund A €	-5.6%	-12.4%	-8.0%	-16.0%	22.8%	67.0%
Asian Focus Fund B €	-5.6%	-12.4%	-7.9%	-15.7%	23.2%	68.7%
MSCI Asia ex Japan	-0.9%	-15.6%	-9.4%	-12.8%	59.0%	158.9%
MSCI Japan	-3.4%	-7.7%	-4.4%	-14.9%	22.5%	71.3%

*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%	4.4%	-4.1%	5.1%	2.1%	-9.2%	-5.8%						-17.1%

# Oriental Focus Fund

*previously the Emerging Markets Focus Fund*



## 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 early 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 Net Asset Value of the US Dollar B shares declined by 4.6% last month compared to the 0.9% decline in the MSCI Asia ex Japan Index. A disappointing result considering the fact that liquidity was maintained at 20-25% during the month and we have virtually no exposure to the cyclical areas of energy and commodities. Taiwan was weak (-6.7%) and our positions in property and finance were slammed. In general the mid cap / growth bias of the portfolio hurt us with just one indiscriminate seller required to push a stock down 10-20%. The global macro outlook is bleak and investors are, quite naturally, depressed but from a bottom up perspective we are having little difficulty identifying real investment opportunities. Over time this must prove bullish.

Compound Annual Growth Rate since Inception

**Class A\$ Share 17.0%**

**Class B\$ Share 17.9%**

5th March 2001 - 31st July 2008

	A class	B Class
<b>Net Asset Value</b>		
Dollar Class	\$ 17.53	\$ 18.07
Sterling Class	£ 17.55	£ 18.01
Euro Class	€ 16.62	€ 16.97
Fund Size (million)	\$19.4	
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	\$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 119%.

## Distributor Status

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

## Investment Manager (for enquiries)

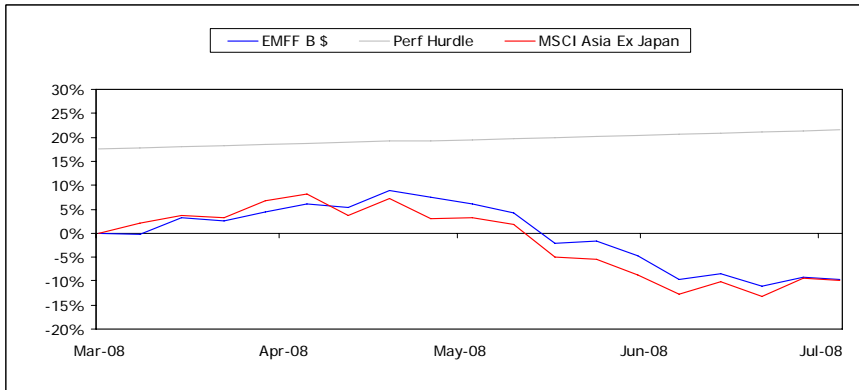
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## Administrator (for dealing and admin)

HSBC Securities Services (Ireland) Limited  
HSBC House  
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## Regulatory Status

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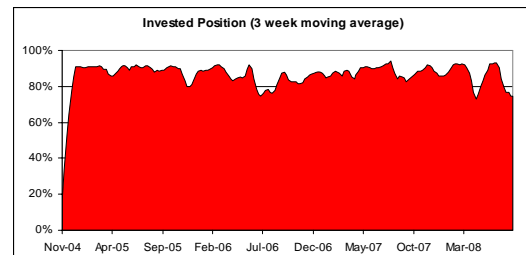


Top Twenty Holdings		Country Weights		Sector Weights	
China Insurance	8.1%	Asia	77.9%	Financials	36.5%
First Ship Lease	4.4%	China	22.3%	Consumer Discretionary	10.5%
Rexcapital Financial Hldgs Ltd	3.3%	Hong Kong	4.1%	Energy	7.9%
Farglory Land	3.3%	Indonesia	0.0%	Information Technology	5.6%
China Power New Energy	3.2%	India	6.8%	Property	5.5%
Top Glove Corp	3.2%	Korea	6.3%	Industrial	4.4%
Mermaid Maritime Plc	3.0%	Malaysia	5.5%	Health Care	3.2%
Somboon Advance Tech	2.9%	Philippines	0.0%	Materials	2.4%
TMB Bank	2.8%	Singapore	12.0%	Utilities	1.9%
Ezra Holdings Pte Ltd	2.7%	Thailand	8.0%	Telecoms	0.0%
Housing & Development	2.6%	Taiwan	12.9%	Consumer Staple	0.0%
Lafarge Cement	2.4%				
Taiwan Semi	2.4%				
SCB	2.3%				
Petrochina ADR	2.2%				
Bharat Heavy Electricals	2.2%				
Sk Holdings Co Ltd	2.2%	% Invested	77.9%		
Cheung Kong	2.2%				
Woongjin Thinkbig Co Ltd	2.1%	Cash	11.8%		
First Financial Hold	2.0%	T-Bill	10.4%		

Portfolio Concentration	
Top Twenty	59.4%
"5 & 40 rule"	8.2%
Number of Holdings	30

31st July 2008	1 month	3 month	6 month	1 year	2 years	3 years
EM Focus Fund A \$	-4.7%	-13.8%	-9.5%	-14.0%	29.2%	62.8%
EM Focus Fund B \$	-4.6%	-13.6%	-9.1%	-13.4%	31.4%	66.4%
EM Focus Fund A £	-4.1%	-14.1%	-9.0%	-14.3%	27.7%	60.0%
EM Focus Fund B £	-4.0%	-13.9%	-8.8%	-13.8%	29.4%	63.0%
EM Focus Fund A €	-4.5%	-13.4%	-9.3%	-15.2%	25.2%	54.3%
EM Focus Fund B €	-4.5%	-13.3%	-9.0%	-14.6%	26.5%	56.8%
MSCI Asia ex Japan	-0.9%	-15.6%	-9.4%	-12.8%	35.5%	59.0%
MSCI EMF Asia	-0.9%	-16.8%	-9.8%	-14.7%	35.2%	62.1%

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				5.3%	1.2%	-10.5%	-4.6%						-8.4%

Monthly performance data from 1st April 2008 is shown (since conversion to Asia ex Japan mandate). Historical performance data for the fund from October 2004 to 31st March 2004 (while operating under an Emerging Market mandate) is available on request \* from 1st April

# Japanese Focus Fund



## 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 3.2% in July, outperforming the TOPIX decline of 3.8% in US Dollar terms. In local currency terms, the Topix index fell 1.2%. The market's correction continued this month amidst evidence of a weaker economy and disappointing first quarter earnings reports from the corporate sector.

After a poor performance in June our defensive holdings in pharmaceuticals, tobacco and telecom performed much better this month, contributing a positive return in a weak market. On the other hand, some of our holdings in the manufacturing sector announced results that were deemed marginally disappointing and the stocks were punished brutally. Fanuc, Toshiba Machine and Stanley Electric all reported some signs of a slowdown in demand and immediately fell 15-20% in price. Nintendo and Nippon Electric Glass both reported very good first quarter numbers but fell sharply nonetheless as the market fretted that future growth was bound to decelerate. Such skittish market reactions can be frustrating but the key is being disciplined enough to take advantage of the opportunities that arise as a result. With 20% liquidity we are reasonably well placed to do so.

Recent economic data has provided further evidence that the economy is decelerating. Exports, so long a bright spot, have started to decelerate in a marked fashion. Exports to the U.S. have been declining for some time but more recently, exports to Europe and Asia began to slow as well. Wage growth has not kept up with the surging CPI so consumers have seen real incomes fall. Their reaction has been to cut spending on most items except food and fuel. The corporate sector has also suffered from rising raw material prices and a strong Yen. According to a Nikkei roll-up of this fiscal year's 1st quarter results, pre-tax earnings are down 15% yoy. Although the short term outlook is bleak, it is important to remember that stock market valuations have been discounting a cyclical downturn for some time. Strong balance sheets, both personal and corporate, mean that Japan will weather this storm relatively well.

Compound Annual Growth Rate since Inception	
Class A\$ Share	-0.1%
Class B\$ Share	0.4%
5th March 2001 - 31st July 2008	

	A class	B Class
<b>Net Asset Value</b>		
Dollar Class	\$ 9.96	\$ 10.13
Sterling Class	£ 11.05	£ 11.25
Euro Class	€ 10.49	€ 10.61
Fund Size (million)	\$14.4	
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 \$3,000,000
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 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 141%

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

**Investment Manager (for enquiries)**  
BDT Invest LLP  
4th Floor, 52 Jermyn Street  
London Telephone  
SW1Y 6LX +44 (020) 7659 1300

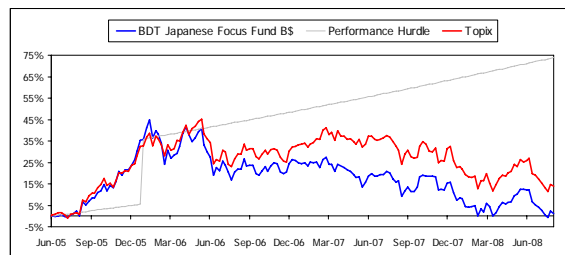
**Administrator (for dealing and admin)**  
HSBC Securities Services (Ireland) Limited  
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Harcourt Centre  
Harcourt Street Telephone  
Dublin 2, Ireland +353 (01) 407 2000

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

Top Twenty Holdings		Sector Weights	
Takeda Pharmaceutical	5.7%	Industrials	16.1%
Japan Tobacco Inc	4.7%	Information Technology	15.4%
NTT Docomo Inc	4.1%	Health Care	8.0%
East Japan Rail	3.9%	Consumer Staple	4.7%
Sony Financial Holdings Inc	3.8%	Property	4.2%
T & D Holdings Inc	3.6%	Consumer Discretionary	7.0%
Mitsubishi Estate Co	3.3%	Materials	0.0%
TDK Corp	3.2%	Utilities	0.0%
Nidec Corp	3.1%	Energy	0.0%
Stanley Electric Co Ltd	3.0%	Financials	21.1%
Fanuc Ltd	2.9%	Telecoms	4.1%
Nintendo Co Ltd	2.8%	Liquidity	19.5%
Nippon Electric Glass	2.6%	Portfolio Concentration	
Tokyu Corp	2.4%	Top Twenty	62.3%
Toshiba Machine Co Ltd	2.4%	"5 & 40 rule"	5.7%
Mitsubishi Tanabe Pharma Co Ltd	2.3%	Number of Holdings	31
Jafco Co Ltd	2.2%		
ORIX Corp	2.2%		
Isuzu Motors	2.2%		
Nomura Holdings Inc	2.1%		

31st July 2008	1 month	3 month	6 month	1 year	2 years	3 years
Japan Focus Fund A \$	-3.3%	-7.1%	-3.9%	-14.9%	-18.6%	-2.4%
Japan Focus Fund B \$	-3.2%	-7.0%	-3.5%	-14.4%	-17.5%	-0.8%
Japan Focus Fund A £	-0.3%	-2.3%	-0.4%	-19.9%	-18.0%	3.8%
Japan Focus Fund B £	-0.4%	-2.3%	-0.4%	-19.4%	-16.7%	5.7%
Japan Focus Fund A €	-0.4%	-2.6%	-1.3%	-20.8%	-19.7%	-0.7%
Japan Focus Fund B €	-0.4%	-2.6%	-1.1%	-20.4%	-19.4%	0.3%
Japan TPX	-3.8%	-7.7%	-4.5%	-15.9%	-12.2%	12.3%
MSCI Japan	-3.4%	-7.7%	-4.4%	-14.9%	-8.4%	22.5%

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%						-7.5%

# Japanese Smaller Companies Fund



## 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 5.0% in July, underperforming both the 3.7% decline in the TSE 2nd Section Index and the 1.9% fall in the JASDAQ Index. Some of the Fund's holding in the healthcare and medical sectors performed quite well in the unfavourable market environment but several of the holdings in the manufacturing sector fell sharply as the market reacted mercilessly to first quarter earnings results.

## Stock Highlights

### Hogy Medical (3.6% of NAV, TSE1):

A specialist manufacturer of disposable hospital supplies, mainly for surgical operations. A new product named 'Opera Master', which are full sets of disposable supplies for use in operating theatres, is proving very popular to their combination of safety and economy. So far 96 hospitals have signed up for the new product but the company targets the top 1,000 hospitals in Japan. No competitor exists in this market yet. The company projects compound NP growth of 16% over next 3 years. The share sells at 18x for FY3/09.

### Tsumura (3.2 % of NAV, TSE1):

The only listed company that concentrates purely on Chinese herbal medicines. There are 129 approved Chinese medicines which are particularly popular with elderly and female patients. In comparison to conventional drugs, side effects are low. Growth has been steady as herbal remedies gain popularity but this segment still only takes 1.2% of total prescription drugs. The share sells at a P/E of 19x for FY3/09.

### ABC Mart (3.0 % of NAV, TSE1):

A top-rank shoe maker involved in design and marketing. It owns the well-known 'Hawkins' brand. Manufacturing is wholly subcontracted out to partners in China and Vietnam, enabling the operating profit margin to stay above 20%. Sports shoes account for more than 50% of total sales. As shown by recent sales numbers, this is one of the segments least affected by slower consumer spending. The share sells at a P/E of 17x for FY2/09.

Compound Annual Growth Rate since Inception	
Class A\$ Share	-0.3%
Class B\$ Share	0.3%
5th March 2001 - 31st July 2008	

Net Asset Value	A class	B Class
Dollar Class	\$ 9.88	\$ 10.13
Sterling Class	£ 12.16	£ 12.42
Euro Class	€ 11.42	€ 11.62
Yen Class	JPY 1,012	JPY 1,036
Fund Size (million)	\$25.2	
Historic Yield	0.0%	0.0%

Dealing	Daily
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	A class	B class
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 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 188%.

### Distributor Status

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

### Investment Manager (for enquiries)

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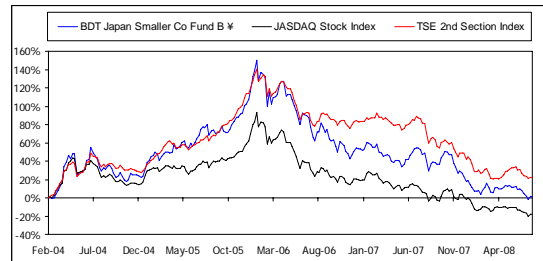
### Regulatory Status

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

Top Twenty Holdings		Portfolio Emphasis		Sector Weights	
Ishii Hyoki Co Ltd	4.7%	Internet Services	4.3%	Information Tech	30.4%
So-Net M3 Inc	4.4%	Discount Retailing	5.9%	Industrial	28.5%
Ferrotec Corp	4.1%	Corporate Outsourcing	7.4%	Health Care	18.6%
CMIC Co Ltd	3.8%	Lifestyle Change	3.8%	Utilities	3.4%
Message Co Ltd	3.8%	Recycling	7.1%	Consumer Disc	3.0%
Daiseki Co Ltd	3.6%	Other	11.3%	Consumer Staple	2.8%
Asahi Pretec Corp	3.5%	Domestic growth	39.8%	Materials	2.1%
NPC Inc	3.5%			Financials	1.4%
Hogy Medical Co Ltd	3.5%	Climate change	28.4%	Energy	0.0%
Produce Co Ltd	3.5%	Silicon Cycle	7.5%	Property	0.0%
Japan Wind Development	3.4%	Other Electronics	5.2%	Telecoms	0.0%
Works Application	3.3%	Others	9.4%		
Toyo Tanso Co Ltd	3.3%	Global growth	50.5%		
Disco Corp	3.2%				
Tsumura & Co	3.2%				
Nihon M & A	3.1%				
ABC - Mart Inc	3.0%	% Invested	90.3%	Portfolio Concentration	
GS Yuasa Corp	2.9%	Cash	9.7%	Top Twenty	69.4%
Sugi Pharmacy Co Ltd	2.8%	T-bills	0.0%	"5 & 40 rule"	0.0%
Micronics Japan Co Ltd	2.8%			Number of Holdings	32

31st July 2008	1 month	3 month	6 month	1 year	2 years	3 years
Japanese SC Fund A \$	-7.4%	-12.4%	-7.9%	-26.2%	-36.2%	-41.9%
Japanese SC Fund B \$	-7.4%	-12.3%	-7.7%	-25.4%	-35.2%	-40.9%
Japanese SC Fund A £	-4.6%	-7.9%	-4.7%	-30.3%	-35.6%	-37.8%
Japanese SC Fund B £	-4.5%	-7.7%	-4.5%	-30.1%	-35.0%	-37.0%
Japanese SC Fund A €	-4.5%	-8.1%	-5.5%	-31.4%	-37.4%	-40.9%
Japanese SC Fund B €	-4.4%	-8.2%	-5.1%	-30.6%	-36.6%	-39.4%
Japanese SC Fund A ¥	-5.0%	-9.0%	-6.7%	-32.6%	-39.4%	-43.8%
Japanese SC Fund B ¥	-5.0%	-8.9%	-6.5%	-32.3%	-38.8%	-43.0%
Japan TPX 2nd Section	-3.7%	-4.2%	-6.6%	-33.6%	-32.7%	-27.1%
Japan JASDAQ	-1.9%	-6.8%	-4.6%	-22.5%	-34.2%	-40.8%

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%	7.3%	-6.2%	2.0%	0.3%	-4.4%	-5.0%						-14.4%

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