

# **BDT INVEST FUNDS PLC**

Newsletter

Month of July 2009





## Market Review

A six week long consolidation, during which time most regional markets retreated by 5-10%, ended abruptly in mid July with the MSCI Asia ex Japan Index rising 17.7% in the last fourteen trading days. For the month as a whole the MSCI World Index rose 8.5%, the MSCI Asia ex Japan Index leapt 13.0% and the MSCI Japan Index managed a 4.3% advance. By country Indonesia (+24.2%) and by sector Information Technology (+17.1%) and Consumer Discretionary (+16.0%) were the places to be. Thailand (+3.9%) was the weak link while Energy (+5.8%) and Real Estate (+5.3%) were the worst performing sectors.

The Japanese Focus Fund struggled in July, rising just 0.6%, reflecting limited exposure to the auto sector. The Japanese Smaller Companies Fund rallied 5.0%, far better than the sub 2% improvements in both the TSE Second Section and JASDAQ indices. The liquidity position of circa 20% proved to be something of a drag on relative performance but the Asian Focus Fund advanced 8.0% while the Oriental Focus Fund rose 11.3% during the month.

All returns refer to the US Dollar B share class, all indices are in US\$ with dividends reinvested. Please refer to the fund factsheets for individual performance details and manager commentaries.



## Releveraging

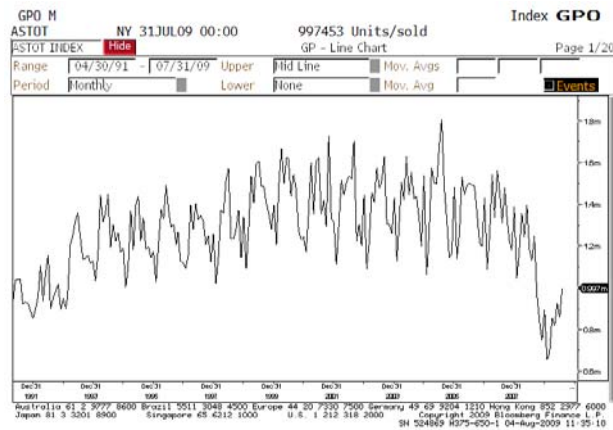
Following last month's rant on deleveraging we append an old chestnut above - the Dollar Index over the last five years. Equity markets love a weak Dollar and the ability of the S&P500 Index to hold, and then advance from, the 875 level in mid July appears to have more than comforted investors. Indeed movements in equity, currency and commodity markets since that time suggest that participants are searching for additional risk and, presumably, leverage. The outperformance of Emerging market equities is consistent with this higher risk appetite.

This would, in normal times, make us nervous but the "hot money" appears to be competing with stickier, longer term institutional asset allocation to Asian and Emerging Market equities. We certainly cannot fault the logic of placing the maximum percentage of a portfolio as far away as possible from the damaged Western financial system. Throw in the bonus of extraordinarily low interest rates and the potential for a melt-up in Asian and Emerging market asset prices is clear.

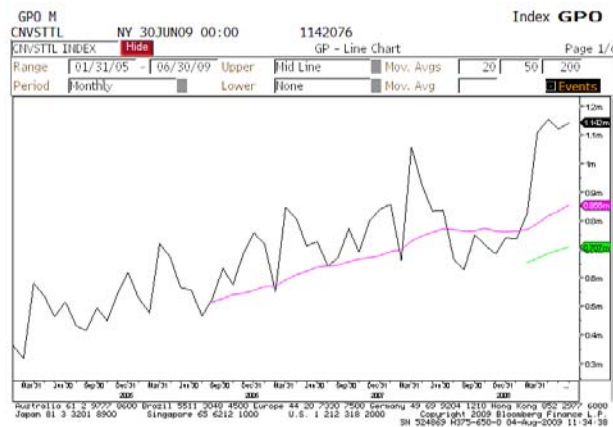
## Silly Season

The "silly season" is here again. We were most interested to see the Chancellor quoted in the Financial Times last week as saying "I want to make sure that we have a competitive banking system in this country."

Is this the same Government that just 11 months forced two of the largest banks in the country, with a combined 28% share of the mortgage market, to merge? We recently came across a House of Commons Paper dated 15th December 2008 (The Lloyds-TSB and HBOS Merger: Competition Issues) which included this lovely quote - the Office of Fair Trading found that the creation of that merger situation may be expected to result in a "substantial lessening of competition within a market or markets in the United Kingdom for goods or services, including personal current accounts, banking services to small and medium enterprises (SMEs), and mortgages."



The chart above shows US monthly auto sales since 1991. A recovery of sorts is clearly underway. The chart below depicts monthly Chinese auto sales since 2005. Chinese auto sales have exceeded US auto sales every month thus far in 2009.



## Outlook

The correction proved shorter and shallower than expected. We continue to watch the progress of the US Dollar closely.

BDT Invest LLP  
 4th August 2009

**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 and Asian 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. In May 2008 the Sterling share classes hedged was removed and on 12th July 2009 the Euro share classes hedge was removed.

**Commentary**

The Net Asset Value of the US Dollar B shares rose by 8.0% during July. This compares to the returns of 13.0%, 6.6% and 4.3% posted by the MSCI Asia ex Japan, Pacific and Japan indices respectively. We added to existing positions in Mermaid Maritime, Johnson Electric and Daiichi Sankyo, trimmed the holding in China Insurance slightly, sold the holding in Sony Financial and initiated a position in SMFG.

China Insurance (+43%) and Mermaid (+35%) were our best performers but a number of our holdings, such as HDFC, Chunghwa Telecom and Inspur, marked time during July. Liquidity remains broadly unchanged at 17.8%.

Compound Annual Growth Rate since Inception

Class A \$ Share 10.0%

Class B \$ Share 10.6%

5th March 2001 - 31st July 2009

	A Class	B Class
<b>Net Asset Value</b>		
Dollar Class	\$ 20.96	\$ 21.89
Sterling Class	£ 22.42	£ 23.58
Euro Class	€ 16.36	€ 16.50
Fund Size (million)	\$66.4	
Historic Yield	1.0%	1.0%

**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)	2.03%	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 112%.

**Distributor Status**

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

**Investment Manager (for enquiries)**

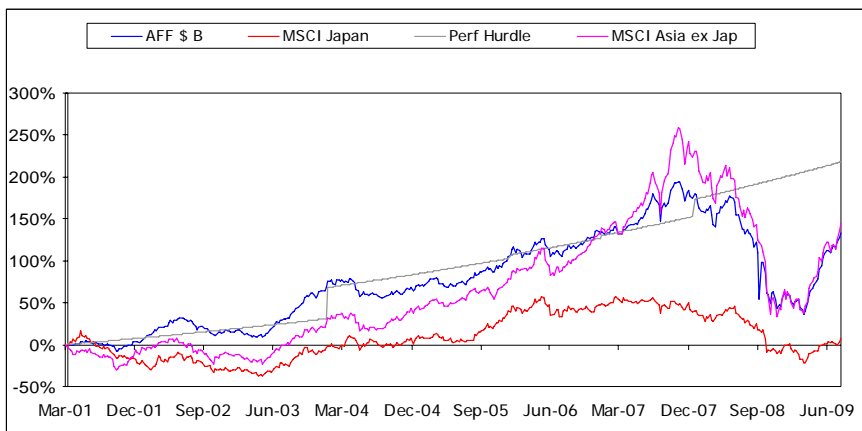
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**Administrator (for dealing and admin)**

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**Regulatory Status**

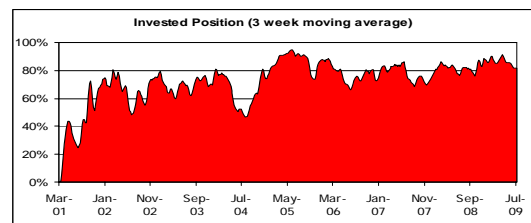
Listed on the Irish Stock Exchange, approved by the IFSRA, Authorised and Regulated by the FSA



Top Twenty Holdings		Country Weights		Sector Weights	
China Insurance	9.6%	Japan	17.7%	Financials	26.7%
Rexlot Holdings Ltd	8.2%			Consumer Discretionary	15.2%
Top Glove	4.5%	China	16.0%	Industrial	12.0%
Minth Group	4.3%	Hong Kong	13.8%	Information Technology	9.2%
Jardine Matheson	3.5%	Indonesia	2.0%	Health Care	6.4%
Lafarge Cement	3.2%	India	5.1%	Materials	3.2%
Bharat Heavy Electricals	2.7%	Korea	2.1%	Property	3.1%
Taiwan Semi	2.5%	Malaysia	7.7%	Telecoms	3.0%
Mermaid Maritime	2.4%	Philippines	1.1%	Energy	2.4%
HDFC	2.4%	Singapore	5.9%	Consumer Staple	1.0%
Toyko Electron	2.3%	Thailand	2.0%	Utilities	0.0%
Yuanta Financial Holdings	2.3%	Taiwan	8.8%		
Ping An Insurance Group	2.1%			Portfolio Concentration	
Samsung F & M Ins	2.1%			Top Twenty	64.1%
Cheung Kong	2.1%			"5 & 40 rule"	17.8%
SCB	2.0%	% Invested	82.2%	Number of Holdings	35
Jasa Marga	2.0%	Cash	11.7%		
Chunghwa Telecom	1.9%	T-bills	6.1%		
First Financial Holdings	1.9%				
Nippon Electric Glass	1.9%				

31st July 2009	1 month	3 month	6 month	1 year	3 years	5 years
Asian Focus Fund A \$	7.9%	30.2%	53.4%	-1.1%	7.7%	43.5%
Asian Focus Fund B \$	8.0%	30.4%	53.9%	-0.5%	9.7%	48.0%
Asian Focus Fund A £	8.8%	17.5%	32.0%	18.4%	28.1%	73.1%
Asian Focus Fund B £	8.9%	17.7%	32.4%	18.9%	30.2%	78.0%
Asian Focus Fund A €	7.1%	28.5%	49.5%	-7.3%	-1.0%	29.0%
Asian Focus Fund B €	7.2%	28.9%	51.1%	-6.3%	0.1%	31.4%
MSCI Asia ex Japan	13.0%	30.6%	62.2%	-6.5%	26.7%	105.8%
MSCI Japan	4.3%	17.0%	14.8%	-17.0%	-24.0%	7.6%

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
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%	-5.0%	-14.4%	-15.3%	-8.5%	7.7%	-43.8%
2009	-4.6%	-6.5%	7.4%	17.6%	16.2%	3.9%	8.0%						47.0%





## 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 rose by 0.6% in July, underperforming the TOPIX rise of 4.0% in US Dollar terms. In local currency terms, the TOPIX rose 2.2%. Large exporters - in the main auto and electronics makers - led the market this month. A near 10% correction early in the month gave way to a much more positive tone as signs of strong growth in China were followed by better than expected earnings results from several leading technology and auto companies. The Fund has plenty of exposure to the electronics sector where LCD-TVs, netbook PCs and the latest smartphones are driving demand growth, but it is a little light in the auto sector where companies have been surprisingly successful at cutting costs. For the car companies to continue to impress, there needs to be some evidence of demand growth and we have not seen that yet, but the earnings upgrades that followed the 1st quarter figures led to a pop in the auto stocks and this was the reason for the Fund's underperformance of the index.

Although very valid concerns remain for the domestic economy as unemployment rises and consumption weakens, industrial production and exports are clearly recovering from their lows. Several companies have reported strong demand from China and Japan's semiconductor equipment book-to-bill ratio leapt sharply to well over 1. These trends have kept the manufacturing sector in the limelight.

Japan faces elections for the more powerful lower House of Representatives in August and it is likely that the opposition Democratic Party of Japan will win control for the first time. There is a faintly socialist hue to many of the DPJ's policies but its pro-consumer and pro-child stance may stimulate domestic consumption from what are very depressed levels. In any case, any change from the policy sclerosis of the post Koizumi era must be an improvement.

Compound Annual Growth Rate since Inception	
Class A\$ Share	-6.0%
Class B\$ Share	-5.5%
3rd June 2005 - 31st July 2009	

	A Class	B Class
<b>Net Asset Value</b>		
Dollar Class	\$ 7.73	\$ 7.90
Sterling Class	£ 7.13	£ 7.10
Euro Class	€ 6.75	€ 6.83
Fund Size (million)	\$5.0	
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 131%

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

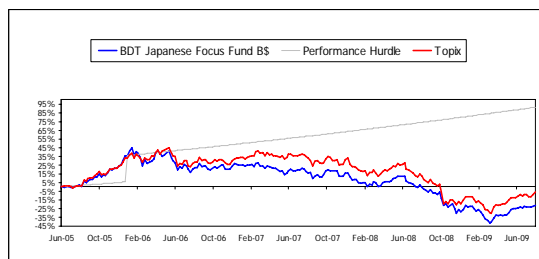
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**Regulatory Status**  
Listed on the Irish Stock Exchange, approved by the IFSRA, Authorised and Regulated by the FSA

Top Twenty Holdings		Sector Weights	
Mitsubishi Estate	4.4%	Financials	16.6%
East Japan Rail	4.0%	Information Technology	16.4%
Nippon Electric Glass	4.0%	Industrials	15.6%
Fuji Machine	3.7%	Materials	9.9%
JSR	3.6%	Health Care	9.0%
Mitsubishi UFJ Financial Group	3.6%	Consumer Discretionary	7.9%
Kuraray	3.4%	Property	4.4%
Sumco Corp	3.4%	Telecoms	2.9%
Nisssha Printing	3.3%	Consumer Staple	2.3%
Daiichi Sankyo	3.3%	Utilities	0.0%
Tokyo Electron	3.2%	Energy	0.0%
NTT DoCoMo	2.9%	Liquidity	15.1%
Sumitomo Mitsui Financial	2.9%		
Nikon Corp	2.8%	Portfolio Concentration	
Nintendo	2.7%		
Toyota Motor	2.5%	Top Twenty	63.6%
Santen Pharmaceutical	2.5%		
Stanley Electric	2.5%	"5 & 40 rule"	0.0%
Fanuc	2.5%		
Sony Financial Holdings	2.5%	Number of Holdings	32

31st July 2009	1 month	3 month	6 month	1 year	2 years	3 years
Japan Focus Fund A \$	0.7%	15.9%	6.6%	-22.4%	-33.9%	-36.8%
Japan Focus Fund B \$	0.6%	16.0%	6.9%	-22.0%	-33.2%	-35.7%
Japan Focus Fund A £	0.7%	12.3%	12.5%	-35.5%	-48.3%	-47.1%
Japan Focus Fund B £	0.7%	12.3%	12.9%	-36.9%	-49.1%	-47.4%
Japan Focus Fund A €	0.4%	12.7%	12.9%	-35.7%	-49.1%	-48.4%
Japan Focus Fund B €	0.7%	13.1%	12.9%	-35.6%	-48.8%	-48.1%
Japan TPX	2.1%	15.9%	11.9%	-17.6%	-30.7%	-27.6%
MSCI Japan	4.3%	17.0%	14.8%	-17.0%	-29.4%	-24.0%
<b>Indices</b>						



Japan Focus Fund B\$	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%	-17.4%	3.8%	7.4%	9.8%	4.9%	0.1%						0.4%



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There can be no assurance that the Fund's investment objective will be achieved and investment results may vary substantially over time. The yield from and capital value of an investment in the Fund may fluctuate and investors may get back less than their investment. Investment in emerging markets involves risks which may not be typically associated with investing in more developed markets. The fees of the Investment Manager and Administrator in respect of the Fund will be charged to its capital. Thus shareholders may get back less than they invested. Changes in rates of exchange may cause the value of an investment in the Fund to fluctuate. A comprehensive list of risk factors appear in the Prospectus.

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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