

# CABEI Central American Fund plc CABEI Central American Portfolio

## Unaudited Financial Statements

For the six months ended 30 June 2005



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## **CABEI Central American Fund plc CABEI Central American Portfolio**

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# Organisation

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<b>Registered Office of the Company</b>	25/28 North Wall Quay Dublin 1 Ireland
<b>Directors of the Company</b>	Walter Dostmann (German) (Chairman)  Directors from Deutsche Asset Management Americas: Paul Schubert (American)  Directors from Central American Bank for Economic Integration: Jaime Chavez (Honduran) Alejandro Rodriguez (Costa Rican) Nick Rischbieth Gloe (Honduran)  Directors from DWS Finanz-Service GmbH: Markus Kohlenbach (German)  Other Directors: Michael Greene (Irish) Per Åke Rydberg (Swedish)
<b>Investment Manager</b>	DWS Finanz - Service GmbH Mainzer Landstrasse 178-190 60327 Frankfurt am Main Germany
<b>Administrator</b>	Bank of Ireland Securities Services Limited New Century House International Financial Services Centre Mayor Street Lower Dublin 1 Ireland
<b>Custodian</b>	The Governor and Company of the Bank of Ireland Lower Baggot Street Dublin 2 Ireland

## Organisation (continued)

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**Independent Auditors** KPMG  
1 Harbourmaster Place  
International Financial Services Centre  
Dublin 1

**Legal Advisor** A&L Goodbody  
International Financial Services Centre  
North Wall Quay  
Dublin 1  
Ireland

**Secretary** Goodbody Secretarial Limited  
International Financial Services Centre  
North Wall Quay  
Dublin 1  
Ireland

**Registered No: 303448**

# Background to the Fund

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*This report should be read in conjunction with the full text and definitions section of the Offering Circular of the Company.*

*The CABEI Central American Fund plc (the 'Company') is not a recognised collective investment scheme for the purposes of Section 76 of the Financial Services Act 1986 (the 'Act') of the United Kingdom and this document has not been approved for the purposes of Section 57 of the Act by a person authorised under the Act (an 'authorised person'). Accordingly, this document may only be issued or passed onto any person in the United Kingdom if that person is of a kind described in Article 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995 (the 'Order') or otherwise pursuant to an exemption to Section 57 of the Act. In addition, no person who is an authorised person may issue or pass on this document or otherwise promote the Company, to any person in the United Kingdom unless such person is both:*

- (i) of a kind described in Article 11 (3) of the Order or within any such exemption; and*
- (ii) a person to whom such authorised person is permitted to promote the Company under Section 76 (2) of the Act and by the rules of a self-regulating organisation or the Securities and Investments Board applicable to such authorised person.*

*No action has been taken to permit an offering of participating shares in the Company ('Shares') or the distribution of this document in any jurisdiction where action would be required for such purposes. Accordingly, this document does not constitute an offer or solicitation in any jurisdiction or in any circumstances in which such offer of solicitation is not authorised. In particular,*

- (a) the Shares have not been registered under the United States Securities Act of 1933 (as amended) and are not being offered in the United States of America, nor may they be directly or indirectly offered or sold in the United States of America or in its territories or possessions or areas subject to its jurisdiction or for the benefit of nationals, citizens or residents thereof or persons who are normally resident therein (including the estate of any such person and corporations or partnerships created or organised therein) ('United States Persons'), except pursuant to an exemption; and*
- (b) the Shares may not be offered or sold directly or indirectly in Japan or to residents of Japan except pursuant to applicable Japanese laws.*

## Background to the Fund (continued)

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### Description of the Fund

The Company is a designated limited liability, open-ended investment company with variable capital. It is a so-called umbrella company entitled to issue several classes of shares, the proceeds of which are to be invested in several portfolios. CABEI CENTRAL AMERICAN PORTFOLIO Shares are shares in the first portfolio of the Company, called the CABEI CENTRAL AMERICAN PORTFOLIO (the 'Fund'). The Company is domiciled in the Republic of Ireland, and investment will generally be limited to debt and related instruments (including but not limited to bonds, loan participations, notes, deposits, credit linked deposits, certificates of deposit and debentures) and equity and related instruments (including but not limited to warrants and convertible securities) issued by sovereign issuers, their agents and instrumentalities, corporate issuers, supranational issuers, quasi-governmental issuers and any other issuers deemed fit for investment by the Directors, or a committee thereof. Countries for investment will include Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Mexico, Colombia, Argentina, Panama, the Dominican Republic, Belize, Spain and the Republic of China, and any other countries which become members of the Central American Bank for Economic Integration ('CABEI') and which are deemed fit for investment by the Directors or a committee thereof. There will be no limit to the amount or proportion invested in the issuers of any one country. It is the goal of the Fund to invest the majority of its assets in Central American countries that are members of CABEI (Guatemala, Honduras, Nicaragua, El Salvador, Spain and Costa Rica), as market conditions warrant and with the risk/return profile of the Fund. There will be no restriction with respect to the currency of denomination of any of the securities mentioned above.

Fund objective: to generate a high real rate of return.

The Company is administered by Bank of Ireland Securities Services Limited. DWS Finanz-Service GmbH serve as Investment Manager to the Company pursuant to an investment management agreement dated 31 December 2004. The Investment Manager DWS Finanz-Service GmbH, is an indirect subsidiary of Deutsche Bank AG. The Fund is denominated in US Dollars. The Funds Dealing Day is the first Dealing Day of each month.

The Company is domiciled in Ireland. It is authorised in Ireland as an investment company and is a designated investment company pursuant to Section 256 of the Companies Act 1990 of Ireland and is supervised by the Financial Regulator.

The Fund's Net Asset Value per Share is published five times per week in the Financial Times.

Enquiries to: Bank of Ireland Securities Services Limited  
New Century House  
Mayor Street Lower  
International Financial Services Centre  
Dublin 1, Ireland  
Tel. 353 1 670 0300  
Fax. 353 1 829 0144

The above details are in summary form only and must be read in conjunction with the detailed information contained in the Offering Circular of the Fund.

# Information for Shareholders

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## 1. Description

CABEI Central American Fund plc, incorporated on 12 March 1999 in Dublin, Ireland with registered number 303448 is a designated, limited liability, open-ended investment company with variable capital. It is a so-called umbrella company entitled to issue several classes of shares to be invested in several portfolios. The Company has issued shares in the CABEI CENTRAL AMERICAN PORTFOLIO (the 'Fund').

## 2. Investment Objective and Policy

The Fund's investment objective is to generate a high real rate of return. The Fund seeks to achieve this objective by investing primarily in debt and related instruments and equity and related instruments issued by sovereign issuers, their agents and instrumentalities, state-owned issuers slated for privatization, corporate issuers, supranational issuers, quasi-governmental issuers, and any other issuer deemed fit for investment by the Directors, or a committee thereof. Countries for investment will include Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Mexico, Colombia, Argentina, Panama, the Dominican Republic, Belize, Spain, and the Republic of China, and any other countries which become members of the Central American Bank for Economic Integration ("CABEI") and which are deemed fit for investment by the Directors or a committee thereof.

There will be no limit to the amount or proportion invested in the issuers of any one country. It is the goal of the Portfolio to invest the majority of its assets in Central American countries that are members of CABEI, as market conditions warrant and within the risk/return profile of the Portfolio. There will be no restriction with respect to the currency of denomination of any of the securities mentioned above. The Portfolio may invest up to 100 per cent of its assets in securities issued or guaranteed by CABEI. The Portfolio may invest in securities which are below investment grade and accordingly investment in the Portfolio should not constitute a substantial portion of an investor's investment portfolio and may not be appropriate for all investors. Please see Offering Circular for more information.

## 3. Investment Management

DWS Finanz-Service GmbH serves as Investment Manager pursuant to an investment management agreement dated 31 December 2004.

## 4. Net Asset Value

Net Asset Value of the Fund is calculated weekly. The Net Asset Value of the Fund is calculated by dividing the value of the Fund's net assets (the value of its assets less its liabilities) by the total number of Shares outstanding. All securities held by the Fund for which market quotations are readily available are valued at the closing price on the primary exchange quoted for the securities (but if bid and asked quotations are available, at the last current bid price, rather than the quoted closing price). Debt securities are valued by independent pricing services approved by the Trustees of the Fund. If the pricing services are unable to provide valuations, the securities are valued at the most recent bid quotation or evaluated price as applicable, obtained from a broker-dealer. Such service may use various pricing techniques, which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. All other securities and assets for which market quotations are not readily available are taken at probable realisation value as determined in good faith by the Directors (or by a pricing committee of Directors established for the purpose), with the approval of the Custodian, although the actual calculation may be done by other competent and responsible persons. Any assets or liabilities initially expressed in currencies other than US Dollars are translated into US Dollars at the closing rate of exchange quoted by a recognised pricing service.

## Information for Shareholders (continued)

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### 5. Issue and Repurchase of Shares

The procedures for the issue and repurchase of shares are described in detail in the Offering Circular dated 1 January 2005, revised offering circular.

#### Issue of Shares

Allotment of Shares are normally made with effect from a Dealing Day against applications received in Dublin by the Administrator by 5:00 pm Dublin time on the preceding Business Day.

#### Repurchase of Shares

Requests for the repurchase of Shares must be received by the Administrator by 5:00 pm Dublin time on a Business Day which is at least ten Business Days prior to the relevant Dealing Day and will then normally be dealt on that Dealing Day. Requests for the repurchase of Shares may be made either by facsimile, telex or in writing to the Administrator.

### 6. Published Information

Shareholders will receive audited annual and unaudited semi-annual Reports of the Company. Notices of general meetings will be sent to shareholders at least twenty-one days prior to meetings. The Net Asset Value per Share and dividend announcements, if any, are published in the Financial Times. The subscription and redemption prices may be obtained from the registered office of the Company.

Past performance is not necessarily a guide to future performance. Income from the investment may fluctuate in value and in money terms. Changes in rates of exchange between currencies may cause the value of the shares to diminish or increase.

# Statement of Operations

		<b>HALF YEAR ENDED 30 JUNE 2005 USD</b>	<b>HALF YEAR ENDED 30 JUNE 2004 USD</b>
Operating income	2	2,818,818	2,707,806
Operating expenses	3	(988,534)	(851,251)
<b>Net operating income</b>		<b>1,830,284</b>	<b>1,856,555</b>
Realised gain on sale of investments		540,818	271,975
Realised loss on futures		(513,590)	(99,153)
Net currency gain/(loss)	1(c)	440	(8,474)
Net movement in unrealised appreciation/ (depreciation) on investments		1,377,387	(4,100,342)
Unrealised gain/(loss) on futures		-	(98,047)
<b>Total return for the period</b>		<b>3,235,339</b>	<b>(2,177,486)</b>
<b>Net increase/(decrease) in shareholders funds</b>		<b>3,235,339</b>	<b>(2,177,486)</b>

There are no recognised gains or losses arising in the period other than the increase/(decrease) in Net Assets attributable to Shareholders of the Fund. In arriving at the results of the financial period, all amounts above relate to continuing operations.

## Statement of Net Assets

	Notes	30 JUNE 2005 USD	30 JUNE 2004 USD
<b>CURRENT ASSETS</b>			
Investments	4	72,166,460	59,947,522
Debtors	5	2,327,961	6,271,266
Cash at Bank		11,199,187	1,924,362
		<u>85,693,608</u>	<u>68,143,150</u>
<b>CREDITORS</b> <b>(amounts falling due within one period)</b>	6	(9,175,639)	(762,111)
		<u>76,517,970</u>	<u>67,381,039</u>
<b>NET ASSETS</b>		<u><u>76,517,970</u></u>	<u><u>67,381,039</u></u>
<b>SHAREHOLDERS' FUNDS</b>	8	<u><u>76,517,970</u></u>	<u><u>67,381,039</u></u>

## Statement of Changes in Net Assets

	<b>HALF YEAR ENDED</b> <b>30 JUNE 2005</b> <b>USD</b>	<b>HALF YEAR ENDED</b> <b>30 JUNE 2004</b> <b>USD</b>
<b>Net Assets at beginning of period</b>	70,542,124	68,115,809
Amounts received on creation of shares	7,002,870	2,575,999
Amounts paid on cancellation of shares	(4,262,363)	(1,133,283)
Increase in net assets resulting from share transactions	2,740,507	1,442,716
Increase in net assets resulting from operations (page 7)	3,235,339	(2,177,486)
<b>Net increase in shareholders' funds</b>	5,975,846	(734,770)
<b>Net Assets at end of period</b>	76,517,970	67,381,039

# Notes to the Financial Statements as at 30 June 2005

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## 1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and under the historical cost convention as modified by the inclusion of securities at valuation and comply with financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in Ireland.

The format and certain wordings of the financial statements have been adopted from those contained in the Companies (Amendment) Act, 1986 so that in the opinion of the Directors, they more appropriately reflect the nature of the Company's investment business.

The profit and loss account is referred to as the statement of operations. Unrealised gains are shown in the statement of operations. This represents a departure from the Companies Amendment Act, 1986. In the opinion of the Directors, this treatment is necessary to fairly present the results of operations.

The Company is exempt from the requirements of Financial Reporting Standard (FRS) No. 1 to include a cash flow statement as part of the financial statements because it is an open ended investment fund investing in liquid investments.

The information required by Financial Reporting Standard (FRS) No. 3 'Reporting Financial Performance' to be included in a statement of total recognised Gains and Losses and a Reconciliation of Movements in Shareholders Funds is, in the opinion of the Directors, contained in the statement of operations and statement of movement in shareholders' funds on pages 7 and 9.

In arriving at the results for the period all amounts in the statement of operations relate to continuing activities. In the opinion of the directors, the financial statements give, in all other respects, the information required by the Company Acts, 1963 to 2003.

On 2nd December 2004 the ASB, the Accounting Standards Board, issued a number of new accounting standards particularly FRS 23, 25 and 26, to converge UK Generally Accepted Accounting Principles ("UK GAAP") with International Financial Reporting Standards ("IFRS") i.e. FRS 23 introduces the provisions of IAS 21, FRS 25 introduces IAS 32 and FRS 26 introduces IAS 39. As Irish Generally Accepted Accounting Principles ("Irish GAAP") follows UK GAAP these new standards are applicable to the accounts of listed entities for accounting periods beginning 1st January 2005. However due to the short period which has elapsed since the introduction new accounting standards and the uncertainty which surrounds the application of some of the requirements of these standards the directors have decided that these interim financial statements should be prepared using the Irish GAAP which was used in the preparation of the last annual financial statements.

The financial statements are prepared in US Dollars

Significant accounting policies adopted by the Fund are as follows;

### a) Investments

#### i) Valuation of Investments

Investments in securities are valued at the closing bid price on the date on which the net assets are being valued or if this is not available, at the last traded price. Investments in interest bearing securities, including deep discounts and zero coupon bonds are valued net of accrued interest which is taken to income and accrued income receivable. Debt securities are valued by independent pricing services approved by the Trustees of the Fund. If the pricing services are unable to provide valuations, the securities are valued at the most recent bid quotation or evaluated price as applicable, obtained from a broker-dealer. Such service may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. All other securities and assets for which market quotations are not readily available are taken at fair value as determined

# Notes to the Financial Statements as at 30 June 2005 (continued)

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## 1. BASIS OF PRESENTATION (Continued)

### a) Investments (Continued)

#### i) Valuation of Investments (Continued)

in good faith by the Investment Advisor, with the approval of the Custodian although the actual calculation may be done by other competent and responsible persons.

Futures contracts are valued at close of business or, if deemed to be representative of fair market value, last quoted trade price at the period end.

The security Aes Clesa is valued by a pricing committee that uses broad methodologies in arriving at a valuation for the security. This value is used for the purposes of calculating the Net Asset Value of the fund and for financial statements purposes also.

#### ii) Accounting for Investments

Purchases and sales of investments are accounted for on the day the transaction takes place, i.e., the trade date.

#### iii) Realised Profits and Losses on Sales of Investments

The computation of realised profits and losses on sales of investments is made on the basis of average cost.

### b) Income from Investments

#### i) Interest Income

Income from interest bearing securities is accrued for on a basis that reflects the coupon rate on the security. Bank deposit interest is accounted for on an accruals basis. Discount, original issue discount and premiums on bonds are amortised over the remaining life of the bond.

#### c) Foreign Exchange

Assets and liabilities denominated in foreign currencies other than the currency of the Fund have been translated at the rate of exchange ruling at 30 June 2005. Transactions in foreign currencies are translated into US Dollars at the exchange rate ruling at the date of the transaction. Gains and losses on foreign exchange transactions are recognised in the Statement of Operations in determining the result for the period.

The following exchange rates, at 30 June 2005, were used to convert investments, assets and liabilities to the base currency of the Fund:

EUR/USD	0.8260
MXN/USD	10.7804

#### d) Distribution Policy

Dividends, where payable, will be paid out of net investment income (being the net revenue from dividends and interest, less expenses) together with the realised and unrealised capital gains less realised and unrealised capital losses after charging expenses.

## Notes to the Financial Statements as at 30 June 2005 (continued)

	HALF YEAR ENDED 30 JUNE 2005 USD	HALF YEAR ENDED 30 JUNE 2004 USD
<b>2. OPERATING INCOME</b>		
Interest income from investments	2,758,879	2,699,932
Bank Interest	59,939	7,874
	<u>2,818,818</u>	<u>2,707,806</u>
<b>3. OPERATING EXPENSES</b>		
Investment management fees	297,653	624,878
Admin/Custody/Transfer Agency fees	49,853	-
Distribution Fees	115,455	-
Performance fees	250,260	-
Auditor's fees	11,484	13,968
Directors' fees	14,528	19,714
Directors' expenses	37,515	12,642
Legal expenses	135,610	129,276
Printing/publishing	567	1,066
Marketing	16,819	3,554
Consultancy	52,153	-
Over accrual of VAT rebate	6,637	46,153
	<u>988,534</u>	<u>851,251</u>
	<b>30 JUNE 2005</b> USD	<b>30 JUNE 2004</b> USD
<b>4. INVESTMENTS</b>		
Opening Cost	64,230,032	58,767,745
Additions	17,956,056	20,933,334
Disposals	(14,665,505)	(20,562,936)
	<u>67,520,583</u>	<u>59,138,143</u>
Closing Cost	67,520,583	59,138,143
	<u>72,166,460</u>	<u>59,947,522</u>
Closing Market Value	72,166,460	59,947,522

## Notes to the Financial Statements as at 30 June 2005 (continued)

	30 JUNE 2005 USD	30 JUNE 2005 USD
<b>5. DEBTORS</b>		
Interest Receivable	2,018,344	1,863,812
Sale of Securities awaiting Settlement	285,867	4,155,360
Prepaid Insurance	23,750	-
Futures Margin Balance	-	252,094
	2,327,961	6,271,266
	2,327,961	6,271,266
<b>6. CREDITORS (amounts falling due within one period)</b>		
Accrued investment management fees	103,754	99,691
Accrued performance fee	250,260	562,690
Accrued other expenses	143,713	99,730
Acquisition of Securities Awaiting Settlement	8,659,578	-
Accrued organisational expenses	18,334	-
	9,175,639	762,111
	9,175,639	762,111
<b>7. SHARE CAPITAL</b>		

### Participating Shares - Equity

The Company has equity share capital of EUR40,000 divided into 40,000 Subscriber Shares of EUR1 each (of which EUR10,005.25 has been paid up and which are beneficially owned by the Investment Manager). The Subscriber Shares do not form part of the Net Asset Value of the Company. They are thus disclosed in the Financial Statements by way of this note only. In the opinion of the Directors, this disclosure reflects the nature of the Company's investment business.

### Participating Shares - Non Equity

The Company has 500,000,000,000 Shares of no par value initially designated as unclassified Shares.

The Participating Shares are classified as non-equity in accordance with Financial Reporting Standard No. 4 'Capital Instruments' as they are redeemable at the request of the holders. The Shares are available as either fully paid or partly paid Participating Shares of the Company. They carry voting rights. The Shares issued by the Company are freely transferable and entitled to participate equally in the profits and dividends of the Company and in its net assets upon liquidation. The Shares carry no preferential or pre-emptive rights and are entitled to one vote each at all meetings of the relevant class of Shareholders. All Shares rank pari-passu. The holders of Subscriber Shares are entitled to one vote only in respect of all their Subscriber Shares.

## Notes to the Financial Statements as at 30 June 2005 (continued)

### 7. SHARE CAPITAL (Continued)

#### Shares in Issue

	30 JUNE 2005	30 JUNE 2004
<b>NUMBER OF SHARES</b>		
<b>Issued and Fully Paid</b>		
Balance at beginning of period	53,459	52,753
Issued during period	5,221	1,968
Redeemed during period	(3,150)	(880)
	55,530	53,841
	55,530	53,841

### 8. NET ASSET VALUE

**USD**

As at 30 June 2005	76,517,970
As at 30 June 2004	67,381,039
As at 30 June 2003	66,818,589
<b>NET ASSET VALUE PER UNIT</b>	
As at 30 June 2005	1,377.96
As at 30 June 2004	1,251.48
As at 30 June 2003	1,265.10

### 9. INVESTMENT MANAGEMENT FEES

The Fund pays to the Investment Manager a fee at an annual rate of 1.80% of the Net Asset Value of the Fund accrued and payable monthly in arrears. The Investment Manager discharges out of its fee, the fees and expenses of the Investment Advisor, the Trustee and the Administrator.

The Investment Manager may also collect a Performance Fee of 20% of the Net Asset Value's percentage out-performance of the Hurdle Rate during the Relevant Period. The 'Hurdle Rate' is a 12 month Libor plus 200 basis points per annum return of the Net Asset Value at the beginning of the relevant period, adjusted for subscriptions and redemptions on a time apportioned basis.

### 10. EFFICIENT PORTFOLIO MANAGEMENT

The Investment Manager may utilise derivatives and other techniques and instruments (including but not limited to options, swaps, futures and forwards) whether the intention of providing protection against risks of gaining exposure to certain markets, sectors or securities, or otherwise of increasing the return on the assets of the Portfolio. Such derivatives and other techniques and instruments will only be used for efficient portfolio management purposes in accordance with the conditions and limits laid down by the Financial Services Regulator. The Investment Manager may also, when facilities become available in the relevant markets, lend the Portfolio securities and/or purchase securities subject to repurchase agreements.

During the period the fund has used futures to hedge against market price movement. The counterparty for the futures is Deutsche Bank Securities Inc. However, there were no open future contracts at 30 June 2005.

## 11. RELATED PARTY TRANSACTIONS

Financial Reporting Standard 8 "Related Party Transactions" (FRS8) requires the disclosure of information relating to material transactions with parties who are deemed to be related to the reporting entity.

Related parties include the Investment Manager who is listed on page 1. Amounts earned by the Investment Manager are disclosed in Note 3 on page 12.

The Central American Bank for Economic Integration (CABEI) is the majority shareholder with a 90.04% holding in the Fund at period end. It is also the Placement Agent. Jaime Chavez, Alejandro Rodriguez and Nick Rischbieth Gloe, directors of the fund are also directors of CABEI.

## 12. TAXATION

The Company will not be liable to tax in respect of its income and gains, other than on the occurrence of a chargeable event. A chargeable event includes any distribution or any redemption or transfer of Shares.

A chargeable event does not include:

- i) Any transactions in relation to Shares held in a recognised clearing system as designated by order of the Revenue Commissioners of Ireland; or
- ii) An exchange of Shares representing one Sub-fund for another Sub-fund of the Company; or
- iii) An exchange of Shares arising on a qualifying amalgamation or reconstruction of the Company with another fund.

A chargeable event will not occur in respect of shareholders who are neither resident nor ordinarily resident in Ireland and who have provided the Company with a relevant declaration to that effect.

In the absence of an appropriate declaration, the Company will be liable to Irish tax on the occurrence of a chargeable event.

Capital gains, dividends and interest received may be subject to withholding taxes imposed by the country of origin and such taxes may not be recoverable by the Company or its shareholders.

## 13. SOFT COMMISSION ARRANGEMENTS

There are no soft commission arrangements affecting this Fund during the period.

## 14. FINANCIAL INSTRUMENTS

The Fund's investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The following summary is not intended to be a comprehensive summary of all risks and Investors should refer to the Prospectus for a more detailed discussion of the risks inherent in investing in the Fund.

### (a) Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund may employ efficient portfolio management techniques as described in note 10 to provide a degree of protection against market price falls. The Investment Advisor considers the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the Fund's investment objective.

# Notes to the Financial Statements as at 30 June 2005 (continued)

## 14. FINANCIAL INSTRUMENTS (Continued)

### (b) Credit risk

Financial assets which potentially expose the Fund to credit risk consist principally of the credit risk of the underlying investments and to a lesser extent in cash balances and deposits with and receivables from brokers. The extent of the Fund's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the Fund's balance sheet. The Fund will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default.

The Fund minimises concentration of credit risk by undertaking transactions with a large number of counterparties on recognised and reputable exchanges.

### (c) Foreign currency risk

The Fund may invest in securities denominated in currencies other than its reporting currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner which has an adverse affect on the value of that portion of the Fund assets which are denominated in currencies other than its own currency. The following sets out the fund's exposure to foreign currency risk at 30 June 2005 and comparatives for June 2004. exposure to foreign currency risk.

Currency	30 June 2005	30 June 2004
	Total USD	Total USD
Mexican Peso	84,822	465,454

### (d) Interest rate risk

The fund invests in fixed interest securities that earn interest. Any change to the interest rates relevant for particular securities may result in the Investment Manager being unable to secure similar returns on the expiry of contract or the sale of securities.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the value of the fixed interest securities will decline along with certain expenses calculated by reference to assets of the Fund. A decline in interest rates will in general have the opposite effect.

### Securities held

#### 30 June 2005

	Fixed Rate Interest USD	Floating Rate Interest USD	Total USD
US Dollar	69,456,804	2,709,656	72,166,460

#### 30 June 2004

	Fixed Rate Interest USD	Floating Rate Interest USD	Total USD
US Dollar	60,135,804	-	60,135,804

# Notes to the Financial Statements as at 30 June 2005 (continued)

## 14. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk (Continued)

	<b>Fixed Rate Financial Assets Weighed Average Interest Rate (%)</b>	<b>Fixed Rate Financial Assets Weighted Average Period for which rate is Fixed</b>
<b>30 June 2005</b>	8.22	10.23
<b>30 June 2004</b>	8.82	11.08

(e) Liquidity risk

The Fund's assets comprise mainly realisable securities, which can be readily sold. The main liability of the Fund is the redemption of any shares that investors wish to sell.

(f) Fair values of financial assets and financial liabilities.

All of the financial assets of the Fund are held at fair value. Realised gains and losses on financial assets are disclosed in the Statement of Operations on page 7.

## 15. PORTFOLIO CHANGES

A full listing of the Portfolio Changes for the period is available, upon request, at no cost from the Investment Manager. A list of the largest purchases and sales for the Fund is shown on page 20.

## 17. COMPARATIVE FIGURES

The comparative figures are for the 6 months period to 30 June 2004.

## 18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board on 26 August 2005.

## Schedule of Investments as at 30 June 2005

Per USD	Investment	Value USD	% of Fund
<b>USD - DENOMINATED SECURITIES</b>			
<b>Corporate Fixed</b>			
3,947,028	11.58% AES Clesa Series 28/06/2010 (A)	4,468,351	5.84
2,500,000	8.5% Citco Trustees 21/12/2014	2,616,221	3.42
3,500,000	7.75% Pemex Project Fund 28/09/2009	3,594,972	4.70
		<b>10,679,544</b>	<b>13.96</b>
<b>Government Fixed</b>			
4,000,000	8.625% Colombia (Republic of) 01/04/2008	4,402,090	5.75
5,000,000	8.11% Costa Rica (Republic of) 01/02/2012	5,382,250	7.03
4,000,000	8.05% Costa Rica (Republic of) 31/01/2013	4,288,750	5.60
1,000,000	9.5% Dominican (Republic of) 27/09/2011	1,100,049	1.45
3,000,000	7.75% El Salvador (Republic of) 24/01/2023	3,370,000	4.40
2,000,000	8.5% El Salvador (Republic of) 25/07/2011	2,300,000	3.01
5,500,000	8.25% El Salvador (Republic of) 10/04/2032	5,783,250	7.56
3,700,000	7.625% El Salvador (Republic of) 21/09/2034	4,024,921	5.26
3,060,000	8.125% Guatemala (Republic of) 06/10/2034	3,283,763	4.29
4,046,000	8.5% Guatemala (Republic of) 03/08/2007	4,329,220	5.66
4,000,000	10.25% Guatemala (Republic of) 08/11/2011	4,775,000	6.24
6,400,000	9.25% Guatemala (Republic of) 01/08/2013	7,416,000	9.69
2,000,000	6.375% Mexico (United Mexican States) 16/01/2013	2,144,834	2.80
3,900,000	9.375% Panama (Republic of) 16/01/2023	4,821,807	6.30
1,250,000	7.25% Panama (Republic of) 15/03/2015	1,355,326	1.77
		<b>58,777,260</b>	<b>76.81</b>
<b>Government Variable</b>			
3,000,000	Argentina (Republic of) FRN 03/08/2012	2,709,656	3.54
		<b>2,709,656</b>	<b>3.54</b>
<b>USD - DENOMINATED SECURITIES - TOTAL</b>		<b>72,166,460</b>	<b>94.31</b>

## Schedule of Investments as at 30 June 2005

Per USD	Investment	Value USD	% of Fund
	<b>TOTAL VALUE OF INVESTMENTS</b> (Cost: USD67,520,583)	<b>72,166,460</b>	<b>94.31</b>
	<b>CASH*</b>	<b>11,199,187</b>	<b>14.64</b>
	<b>NET LIABILITIES</b>	<b>(6,847,677)</b>	<b>(8.95)</b>
	<b>TOTAL VALUE OF FUND</b>	<b>76,517,970</b>	<b>100.00</b>

### Analysis of Total Assets

	% of Total Assets
Transferable securities admitted to an official stock exchange listing.	<b>88.47</b>
Transferable securities not listed on any stock exchange classified as (A) above.	<b>5.84</b>
Other Net Assets (Net).	<b>5.69</b>
	<b>100.00</b>

\*All cash holdings held with the Governor & Company of the Bank of Ireland.

\* Net Liabilities are made up of the Debtors figure (note 5) less the creditors figure (note 6).  
Also please refer to the Statement of Net Assets on page 8.

# Schedule of Portfolio Changes for the period ended 30 June 2005

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## Largest Purchases

500,000	8% Mexico (United Mexican States) 19/12/2013
3,000,000	8.25% El Salvador (Republic of) 10/04/2032
3,000,000	Argentina (Republic of) FRN 03/08/2012
2,000,000	8.125% Guatemala (Republic of) 06/10/2034
2,000,000	9.5% Dominican (Republic of) 27/09/2011
2,000,000	7.75% Pemex Project Fund 28/09/2009
1,000,000	8.05% Costa Rica (Republic of) 31/01/2013
750,000	6.375% Mexico (United Mexican States) 16/01/2013
480	US 10 year Note Future June 2005
240	US 10 year Note Future March 2005

## Largest Sales

50,000,000	8% Mexico (United Mexican States) 19/12/2013
4,000,000	0% El Salvador Trust CP 29/04/2005
3,000,000	9.25% Guatemala (Republic of) 01/08/2013
1,000,000	9.375% Panama (Republic of) 16/01/2023
1,000,000	8.5% Guatemala (Republic of) 03/08/2007
1,000,000	9.5% Dominican (Republic of) 27/09/2011
285,867	11.58% AES Clesa Series 28/06/2010
480	US 10 year Note Future Jun 2005

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**For more information please visit our website [www.deam-us.com](http://www.deam-us.com) under Offshore Funds (for Non-US Residents)**