

CABEI Central American Fund plc CABEI Central American Portfolio

Audited Financial Statements

For the Year Ended 31 December 2005



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Organisation

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

Organisation (continued)

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
Consultant	PCS & Associates 614 King Avenue City Island New York NY 10464 - 1111 USA

Registered No: 303448

Background to the Fund

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)

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 week.

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

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)

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.

A statement of changes in the composition of the portfolio during the year will be made available to shareholders on receipt of a written request.

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.

Investment Advisor's Report for the Year Ended 31 December, 2005

The net asset value of the CABEI Central American Fund was up 7.27% for the 12 months ended 31 December, 2005. At the end of the annual period, the Fund had net assets of US\$80.56 million and a net asset value of US\$1,415.49 per share.

Investment Environment

The debt markets in the United States, the Caribbean, Central America and South America generally had a strong year. The US Federal Reserve Board (the Fed) continued to raise short-term interest rates during the annual period, maintaining its measured approach. Indeed, the Fed tightened eight additional times in 2005, bringing the targeted federal funds rate from 2.25% at the end of December 2004 to 4.25% by the end of December 2005. Despite these rate hikes, yields of long-term bonds remained relatively stable.

In close correlation with its northern counterparts, yields on the Mexican 20-year local bond actually declined by about 180 basis points over the annual period. The Mexican peso was strong versus the US dollar during the 12 months, due mainly to foreign portfolio investments in the Mexican bond market, although the interest rate difference between Mexico and the U.S. narrowed. On the macro front, political turbulence dominated. During the first quarter of 2005, the lower house of the nation's parliament lifted political immunity of Mexico City's mayor, Andres Manuel Lopez Obrador, seemingly because the major political parties wanted to get rid of the leading candidate for the July 2006 presidential elections. During the second quarter, President Fox brought the legal affair surrounding Obrador to an end, with the judicial case resolved to allow Obrador to run for president. Obrador remained the leading contender, but by the end of the year, he had lost most of his lead in the polls. Despite this political backdrop, Mexico's economy grew at a healthy pace, boosted by windfall profits from high oil prices. Mexico's central bank stopped tightening its monetary policy in late June and began to cut interest rates in late August. Headline inflation and core inflation fell during the second half of 2005 for the first time since the end of 2003. Standard & Poor's raised the country's rating to BBB from BBB- on January 31, 2005, and the rating of state-owned petroleum company Pemex was raised as well. Overall, spreads in Mexico's sovereign bond market declined by approximately 36 basis points, or 20%, over the annual period.¹

Central American sovereign debt followed a similar positive trend. The region's sovereign bond spreads tightened during 2005, declining by an average of 62 basis points, or just under 20%. Interestingly, spread differentiation between the four main Central American issuers also came down, with Costa Rica, El Salvador, Guatemala and Panama each trading at around 250 basis points at the end of the year. In part, the strength of the markets was due to the prevalence of ample liquidity. Also, the fundamental and technical factors serving as a backdrop to Central America's debt markets generally improved over the annual period.

- In Costa Rica, portfolio investments allowed the central bank to increase international reserves. Still, rating agencies remained concerned about fiscal dynamics, especially inflation running at close to 15% and a high total debt to Gross Domestic Product (GDP) ratio. Also, high oil prices, stagnant domestic demand and restrictive monetary policy slowed economic growth. President Pacheco remained reluctant to send the controversial Central American Free Trade Agreement (CAFTA) to congress for ratification in spite of growing support from the private sector. Fiscal reform did not pass congress in 2005 either. With all this, the technical situation in Costa Rica's sovereign debt market remained positive, and high liquidity in its banking sector supported its bond prices.

- In the Dominican Republic, the economy began to recover from its 2003 banking crisis. Inflation declined, interest rates fell, domestic demand strengthened and net international reserves rose. In spite of several delays in the review of the International Monetary Fund (IMF) agreement with the government, the IMF pointed to outperformance of quantitative economic targets. Restructuring of the nation's external debt was completed in May 2005. Generous restructuring conditions led to a

Investment Advisor's Report for the Year Ended 31 December, 2005

(continued)

Investment Environment (Continued)

participation rate of over 90%, and prices of the new bonds rose by about 6% after the exchange. All three major rating agencies upgraded the Dominican Republic to B after completion of the debt restructuring. Bond spreads fell dramatically during the year, bringing debt to fair value.

- In El Salvador, President Saca enjoyed strong approval ratings. However, economic growth disappointed, and inflation ran high due to soaring oil prices. The nation lost some competitiveness in its maquila (or assembly) and garment industries. On the positive side, prices for coffee and sugar moved higher. Also, interest rates remained low, its banking system was notably liquid and its congress ratified the CAFTA agreement. El Salvador issued a 30-year, \$375 million Eurobond in early June at 345 basis points over US Treasuries. Together with \$140 million in loans from multilateral institutions, including the World Bank and the Inter-American Development Bank, this issue covered the government's financing requirements for 2005. That said, the country was much affected by Hurricane Stan during the fourth quarter, and the government planned a rebuilding of affected infrastructure for 2006.

- In Guatemala, economic growth gained momentum, driven in part by rising exports. The country enjoyed strong solvency, with low debt levels compared to GDP and with its central bank accumulating international reserves. The Guatemalan congress ratified the CAFTA agreement, and the government managed to expand the preferential access to the European markets for another year. At the same time, fiscal policy remained restrictive, and tax revenues compared to GDP were low. Consumer price inflation remained high, due to higher oil prices and increased domestic liquidity from portfolio inflows into the banking system.

- In Panama, new president Torrijos used his majority in parliament to move forward important structural reforms. For example, tax reform was passed in the first quarter of 2005, with a view to increase government revenues. In December, social security reform was passed to take effect on January 1, 2006. The nation's external financial requirement was already met by the end of the second quarter, and the economy grew at a strong pace, driven mainly by the Colón Free Zone and the Panama Canal. Standard & Poor's changed the country outlook to stable. Panamanian sovereign bonds had been trading at a spread of about 130 basis points over Mexico over the past couple of years. This yield difference narrowed significantly since Torrijos took office, as his agenda of higher taxes, lower expenditures, reformed social security and large public investment projects is expected to improve the government's capacity to pay over the medium term.

Elsewhere, Argentina completed its debt restructuring in early June. Standard & Poor's and Moody's each raised Argentina's rating to B after completion of the debt exchange. Argentina's economy continued to grow at a solid pace, driven by strong investment demand and fiscal stimulus. President Kirchner surprised the markets in December by announcing that Argentina would repay the remaining \$10 billion of IMF debt in advance, using about one-third of its central bank's stock of reserves. In Colombia, bond spreads remained well supported by robust external accounts and strong economic growth in spite of high government and public social security system deficits.

Investment Strategy

Overall, the Fund's absolute returns for the annual period were strong. We began the year with a Fund duration dramatically shorter than that of its benchmark, a modified Bear Stearns Central America/Caribbean Bond Index (BSCAX)², in anticipation of ongoing increases in US interest rates. During the first months of the year, this strategy helped to mitigate losses resulting from the rise in US interest rates. Then, during the middle of the year, we still kept duration slightly short but moved closer to a neutral position to the

Investment Advisor's Report for the Year Ended 31 December, 2005 (continued)

Investment Strategy (Continued)

BSCAX. This strategy proved beneficial during the second quarter, as US interest rates fell sharply, but detracted during the third quarter when US rates rose materially. During the fourth quarter, we reduced the Fund's duration somewhat again in order to shelter the Fund from losses that could occur from a sharp upturn in US long-term rates. For this same reason, we also selectively hedged the exposure to the US bond market, using US Treasury futures contracts.³

Throughout the year, the Fund maintained a significant position in Guatemalan debt. Guatemala benefited during 2005 from one of the lowest debt burdens in Latin America and from relative political stability. The Fund also had a sizable weighting in Panama, which continued to benefit from improved solvency after tax reform was passed by the Torrijos administration in March.

We established a Fund position in Argentina during 2005, investing in Boden 2012 bonds, which performed quite well. We also initiated a modest Fund position in the Dominican Republic and held on to it through the market-friendly restructuring of the nation's external debt in May. With this restructuring, the bonds' maturity got extended from 2006 to 2011 without any cut in principal, and these bonds' performance benefited the Fund's annual results. The Fund also held positions in Mexican external debt, specifically in Mexico's state-owned petroleum company Pemex, and in Colombian and El Salvadoran sovereign bonds.

Through much of the year, we actively traded in the Mexican local market. We then eliminated this position, taking profits in autumn, after a significant rally in both the Mexican currency and its bond yields. We scaled down the Fund's position in Costa Rican debt due primarily to uncertainty regarding both CAFTA implementation and the nation's upcoming elections and also because of its lawmakers' inability to pass important fiscal reform. To date, we have not invested in Belize.

As of 31 December, 2005, the Fund had an average modified duration of 5.92 years.⁴ The Fund's average maturity stood at 13.7 years. The Fund held a total of 20 securities, and the average rating of the securities in the Fund was BB, as rated by Standard & Poor's. At the end of the annual period, approximately 69% of the Fund's total assets were invested in securities from founding members of CABEI, namely in Costa Rica, El Salvador, and Guatemala. Approximately 11% of the portfolio's assets were invested in securities from CABEI extra-regional members, namely Colombia and Mexico. Approximately 8% was invested in securities from Panama, 3% in securities from Argentina and just over 1% in securities from the Dominican Republic. At the end of December, the Fund also held a relatively high 8% of net assets in cash.

Investment Outlook

We believe much of 2006 will likely be dominated by political events in the region, as elections are scheduled to be held in a number of countries.

- In Colombia, presidential and legislative elections are scheduled. Its Constitutional Court has ruled in favour of the constitutional reform to allow a re-election of the acting president. With 65% vote intentions, President Uribe now seems likely to win the election in the first round in late May. The outcome of the March congressional elections will indicate whether Uribe can count on a strong majority in congress during his second term.
- In Costa Rica, presidential elections are scheduled for February 5, with former president and Nobel laureate Oscar Arias likely to win. We believe his victory would be positive, as greater political clarity might speed up CAFTA ratification and tax reform, both of which are currently stalled in its congress.
- In the Dominican Republic, congressional elections will be held on May 16. With some luck, this could allow President Fernandez to strengthen his grip on the legislature.

Investment Advisor's Report for the Year Ended 31 December, 2005 (continued)

Investment Outlook (Continued)

- In El Salvador, mid-term congressional elections have been set for March 12. Despite widespread public discontent with the current economic situation there, the ruling Arena party could do well, as factions within the FMLN party have been weakening the opposition.

- In Mexico, presidential and legislative elections will be held on July 2. The election outcome remains unclear, but the current gridlock between President Fox and congress will most likely persist until then.

Even with this backdrop, we see little political risk to the economies or financial markets of these countries, as there does not appear to be significant changes in the overall political direction or macroeconomic policies of any of the front-runners. At the same time, however, outcomes of other elections need to be monitored closely, such as in Brazil, as a change in policies there might have some contagion effect. That said, we believe any politically-driven volatility should be short-lived.

Overall, we maintain a generally constructive view for the Central American and Latin American bond markets, especially given that US Fed tightening could come to an end during the first half of 2006, thereby easing pressure on US rates.

We intend to closely monitor fiscal, macroeconomic and political factors impacting the credit quality of the Fund's countries and to pursue an investment policy focused on relative value.

We remain convinced that active management of a diversified Central American debt portfolio offers attractive total return opportunities.

DWS Finanz-Service GmbH Investment Advisor

24 January 2006

NOTES

¹The sovereign bond spread is the difference in yield between dollar-denominated sovereign bonds and US Treasury bond with similar duration. The sovereign bond spread is measured by the Bear Stearns Central America/Caribbean Bond Index (BSCAX), which tracks total returns for dollar-denominated sovereign debt instruments of ten countries in Central America and the Caribbean.

²The modified Bear Stearns BSCAX index used as the Fund's benchmark is composed 73.31% for the founding member countries of the Central American Bank for Economic Integration (CABEI), 22.72% for non-regional CABEI members and 3.97% for regional non-member countries.

³A futures contract is an agreement to buy or sell a specific amount of a financial instrument at a particular price in a stipulated future month. The price is established between buyer and seller. A futures contract obligates the buyer to purchase the underlying security and the seller to sell it, unless the contract is sold to another before settlement date which may happen if a trader waits to take a profit or cut a loss.

⁴Modified duration is the percentage price change of a security or portfolio for a given change in yield: The higher the modified duration of a security or portfolio, the higher its sensitivity to yield changes

Director's Report

The Directors present herewith the Annual Report and audited Financial Statements for the year ended 31 December 2005.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The company's financial statements are required by law to give a true and fair view of the state of affairs of the company and of its profit or loss for that period.

In preparing each of the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2005. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts 1963 to 2005.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal Activities

The Company has been approved by the Irish Financial Services Regulatory Authority as an investment company pursuant to Part XIII of the Companies Act, 1990. Please refer to the Investment Objective and Policy section on page 5.

Review of Business and Future Developments

The Investment Manager's report on pages 7 to 10 contain a review of the factors which contributed to the performance for the period. The Directors do not anticipate any changes in the structure or investment objective of the Company.

Results

The results for the year and the appropriation thereof are set out in the Income Statement on page 16. A detailed review of the business and future developments is contained in the Investment Managers Report on pages 7 to 10.

Events since the year end

During the year-ended 31 December 2005, Scudders Distributors Inc. (SDI) charged distribution fees of US\$174,318. Post year-end SDI have offered to repay US\$95,000 of this amount to the Company due to a breach in their contract. At the date on which these financial statements were approved the Company has not accepted this offer, this repayment is not reflected in these financial statements.

Dividends

The directors do not recommend the payment of a dividend.

Substantial Shareholdings

Central American Bank for Economic Integration had an interest of 87.86% (2004:93.21%) in the shares of the Company at 31 December 2005.

Risk Management objectives and policies

The main risks arising from the Company's financial instruments are market, currency, interest rate, price, liquidity and counterparty credit risks as given in note 13 on pages 26 to 28.

Director's Report (Continued)

Directors and Secretary

The Directors who held office during the year under review were:

Walter Dostmann	(Chairman)
Paul Schubert	
Jaime Chavez	
Alejandro Rodriguez	
Nick Rischbieth Glöe	
Markus Kohlenbach	
Michael Greene (Ireland)	
Per Åke Rydberg (Ireland)	

Directors' Interests in Shares and Contracts

Walter Dostmann holds one subscriber share. None of the Directors other than those listed above who held office at 31 December, 2005 had any interests in the Shares of the Company at that date or at any time during the financial year.

Transactions Involving Directors

There are no contracts or arrangements of any significance in relation to the business of the Company in which the Directors or Company Secretary had any interest as defined in the Companies Act, 1990 at any time during the year.

Accounting Records

The Directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to the books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The Books of Account of the Company are maintained at New Century House, IFSC, Mayor Street Lower, Dublin 1.

Auditors

In accordance with Section 160(2) of the Companies act 1963, KPMG, Chartered Accountants will continue in office.

ON BEHALF OF THE BOARD OF DIRECTORS

Michael Greene
Director

Per Åke Rydberg
Director

25 April 2006

Statement of Custodians Responsibilities

The Companies Act, 1990 (“the Act”) requires the custodian to take reasonable care so as to ensure that the Company is managed by the Directors in accordance with the Act and the Memorandum and Articles of Association. In particular the Custodian must:

- satisfy itself on a continuing basis on reasonable grounds and report that the Company has been managed in accordance with the limitations imposed on the investment and borrowing powers of the Company and custodian by the Memorandum and Articles of Association and the Act;
- take into its custody or under its control, the assets of the Company and hold them in trust for the shareholders in accordance with the Memorandum and Articles of Association and the Act; and
- satisfy itself that the valuation of the shares of the Company and that the sale, issue, repurchase and redemption of shares of the Company are being carried out in accordance with the Memorandum and Articles of Association and the Act.

To enable the Custodian to fulfil its responsibilities under the Act and the Memorandum and Articles of Association, the custodian is required to keep proper financial records.

Custodian's Report

The Governor and Company of the Bank of Ireland, as custodian to the CABEI Central American Fund plc has enquired into the conduct of the Company for the year ended 31 December 2005.

In our opinion, the Company was managed, in all material respects, throughout the year in accordance with the provisions of Part XIII of the Companies Act, 1990 and the Memorandum and the Articles of Association.

In particular, the Company was managed, in all material respects, in accordance with the limitations imposed on the investment and borrowing powers of the Company, by the Memorandum and the Articles of Association and the Act.

The Governor & Company of the Bank of Ireland
25 April 2006

Independent Auditors Report to the Shareholders of CABEI Central American Fund plc

We have audited the financial statements of the CABEI Central American Fund plc for the year ended 31 December 2005 which comprise the Income Statement, Balance Sheet, the Statement of changes in net assets attributable to holders of redeemable participating shares and the related notes on pages 16 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 11.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2005. We also report to you whether, in our opinion: proper books of account have been kept by the company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the company's financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Custodian's Report, and the Investment Advisor's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Independent Auditors Report to the Shareholders of CABEI Central American Fund plc (Continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practices in Ireland, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2005.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

KPMG

Chartered Accountants and Registered Auditors

1 Harbourmaster Place

Dublin

25 April 2006

Income Statement

	Notes	Year ended 31 December 2005 USD	Year ended 31 December 2004 USD
Net investment income	2	6,778,867	3,005,726
Operating expenses	3	(1,542,569)	(1,544,431)
Net operating income		5,236,298	1,461,295
Increase in Net Assets resulting from Operation		5,236,298	1,461,295
Increase in Net Assets transferred to Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders		5,236,298	1,461,295

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

ON BEHALF OF THE BOARD OF DIRECTORS

Michael Greene
Director

Per Åke Rydberg
Director

25 April 2006

Balance Sheet

	Notes	as at 31 December 2005 USD	as at 31 December 2004 USD
ASSETS			
Cash Deposits		6,730,796	1,635,154
Debtors	4	357,758	1,766,611
Financial assets at fair value through profit or loss		73,996,322	67,477,820
Total Assets		81,084,876	70,879,585
LIABILITIES			
Accrued expenses	5	(526,534)	(337,461)
Total liabilities		80,558,342	70,542,124
Net assets attributable to holders of redeemable participating shares	7	80,558,342	70,542,124

ON BEHALF OF THE BOARD OF DIRECTORS

Michael Greene
Director

Per Åke Rydberg
Director

25 April 2006

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares

	Year ended 31 December 2005 USD	Year ended 31 December 2004 USD
Net assets attributable to redeemable participating shareholders at beginning of year	70,542,124	68,115,809
Amounts received on issue of shares	23,223,749	2,576,000
Amounts paid on redemption of shares	(18,443,829)	(1,610,980)
Increase in net assets resulting from share transactions	4,779,920	965,020
Increase in net assets resulting from operations (page 16)	5,236,298	1,461,295
Net increase in shareholders' funds	10,016,218	2,426,315
Net assets attributable to redeemable participating shareholders at end of year	80,558,342	70,542,124

ON BEHALF OF THE BOARD OF DIRECTORS

Michael Greene
Director

Per Åke Rydberg
Director

25 April 2006

Notes to the Financial Statements as at 31 December 2005

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with Irish generally accepted accounting principles (Irish GAAP) using the historical cost convention, adjusted to take account of the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been applied consistently by the Fund and are consistent with those used in the previous year, except for the changes resulting from the adoption of FRS 23 "The effects of changes on foreign exchange rates", FRS 25 "Financial Instruments: Disclosure and Presentation" and FRS 26 "Financial Instruments Measurement". The comparative figures for 2004 are not required to be adjusted or extended to conform to changes in presentation in the 2005 financial statements as permitted by the transitional provisions of FRS 26. However, the directors have decided to amend the balance sheet presentation of prior year liabilities payable and assets receivable to redeemable shareholders to reflect the presentation under FRS 25. Presentation of prior year net investment income has also been amended to reflect these changes.

The Fund adopted FRS 23 "The effect of changes in foreign exchange rates", FRS 25 "Financial Instruments: Disclosure and Presentation" and FRS 26 "Financial Instruments Measurement" that were effective at 1 January 2005.

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.

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 income statement and statement of changes in net assets on pages 16 and 18.

In arriving at the results for the year all amounts in the income statement 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 2005.

Notes to the Financial Statements as at 31 December 2005 (continued)

a) Basis of preparation (Continued)

All references to net assets throughout this document refer to net assets attributable to holders of redeemable preference shares unless otherwise stated.

The financial statements are prepared in US Dollars.

b) Investments

(i) Classification and recognition

At 1 January 2005, the Fund adopted FRS 25 and FRS 26 (as amended for the fair value option) and designated its bond investments into the financial assets at fair value through profit or loss category and futures are held for trading. Deposits are classified as loans and receivables.

The category of financial assets and financial liabilities at fair value through profit or loss comprises:

- Financial instruments held for trading. These include futures and liabilities from short sales of financial instruments included as financial derivative instruments on the balance sheet. All derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as financial assets held-for-trading. All derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities held-for-trading.
- Financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold.

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument, and all significant rights and access to the benefits from the assets and the exposure to the risks inherent in those benefits are transferred to the fund. The fund derecognises financial assets and financial liabilities when all such benefits and risks are transferred from the fund.

A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of FRS 26.

(ii) Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the profit and loss account.

Financial liabilities arising from the redeemable shares issued by the Fund are carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

Notes to the Financial Statements as at 31 December 2005 (continued)

b) Investments (Continued)

If a quoted market price is not available on a recognised stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Fair values for unquoted equity investments are estimated, if possible, using applicable price / earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties. Realised gains and losses on investment disposals are calculated using the average cost method.

(iii) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the profit and loss account as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write down is reversed through the profit and loss account.

(iv) Specific Instruments

Cash comprises current deposits with banks. The measurement of deposits are amortised cost. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

c) Cash Flow Statement

The Company has availed of the exemption available to open ended investment funds under FRS 1 not to prepare a cash flow statement.

d) Income and operating expenses

All income and expenses are recognised in the profit and loss account on an accruals basis.

The Company is responsible for all normal operating expenses including audit fees, stamp and other duties and charges incurred on the acquisition and realisation of investments.

e) Derivative Instruments

Changes in the value of the derivatives are recognised as gains and losses by marking to market on a daily basis to reflect the value of the derivative at the end of each day's trading. They are valued at the settlement price established each day on which they are traded and the Company's investment therein, representing unrealised gain or loss on the contracts, is included in the Profit and Loss.

Notes to the Financial Statements as at 31 December 2005 (continued)

f) Redeemable Participating Shares

Redeemable participating shares are redeemable at the Shareholder's option and are classified as financial liabilities. The distribution on these preference shares is recognized in the Profit and Loss Account as finance costs. This is a change in accounting policy from the previous accounting period, where dividends paid to Shareholders were accounted for as equity dividends.

g) Foreign Exchange

The functional currency is US Dollar as the directors have determined that this reflects the fund's primary economic environment as the majority of the funds net assets attributable to holders of redeemable preference shares are in US Dollar.

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit and loss are recognised together with other changes in the fair value. Included in the profit or loss line item Net Foreign Exchange Loss are net foreign exchange gains and losses on monetary financial assets and liabilities other than those classified at fair value through profit and loss.

Assets and liabilities denominated in foreign currencies other than the currency of the Fund have been translated at the rate of exchange ruling at 31 December 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 income statement in determining the result for the year.

Transactions which occurred during the period are translated into US Dollars at the exchange rate prevailing on the transaction date. Assets and liabilities in foreign currencies are translated into US Dollars at exchange rates prevailing at the balance sheet date. Resulting gains or losses are reported in the Profit and Loss Account.

The following exchange rates, at 31 December 2005, were used to convert investments, assets and liabilities to the base currency of the Fund:

EUR/USD	0.8478
MXN/USD	10.6372

Notes to the Financial Statements as at 31 December 2005 (continued)

	Year ended 31 December 2005 USD	Year ended 31 December 2004 USD
2. NET INVESTMENT INCOME		
Bank Interest	116,373	17,532
Gain on investments	7,241,421	4,176,938
Loss on futures	(560,708)	(1,184,058)
Realised gain on forwards	-	2,166
Net currency (loss)	(18,219)	(6,852)
	<u>6,778,867</u>	<u>3,005,726</u>
3. OPERATING EXPENSES		
Investment management fees*	(608,082)	(1,244,772)
Admin/Custody/Transfer Agency fees*	(101,884)	-
Distribution Fees*	(174,318)	-
Performance fees	(235,940)	-
Auditor's fees	(26,932)	(30,718)
Directors' fees	(16,149)	(35,568)
Directors' expenses	(28,963)	(30,991)
Other Legal expenses	(15,113)	(41,885)
Legal - Fund Organisation & Related Business	(106,000)	(120,671)
Legal - Administrative & General Legal Support	(58,008)	(109,179)
Printing/publishing	(27,177)	(3,983)
Marketing	(31,821)	(6,010)
Consultancy	(109,401)	(44,591)
Directors' Liability Insurance	(28,481)	(31,725)
Other Sundry	2,583	(15,336)
VAT Rebate	23,117	170,998
	<u>(1,542,569)</u>	<u>(1,544,431)</u>

* For the year ended 31 December 2005 Admin/Custody/Transfer Agency and Distribution fees were paid by the fund out of the fund's assets. For the year ended 31 December 2004 these fees were payable by the Investment Manager out of the Investment Manager fee.

Notes to the Financial Statements as at 31 December 2005 (continued)

	31 December 2005 USD	31 December 2004 USD
4. DEBTORS		
Accrued deposit interest	1,930	1,571,863
Sale of Securities awaiting Settlement	302,419	-
Prepaid Insurance	23,655	23,750
VAT Rebate receivable	29,754	170,998
	<hr/>	<hr/>
	357,758	1,766,611
	<hr/> <hr/>	<hr/> <hr/>
5. CREDITORS (amounts falling due within one year)		
Accrued investment management fees	(55,000)	(209,627)
Accrued performance fee	(235,940)	-
Accrued other expenses	(134,344)	(109,500)
Accrued organisational expenses	-	(18,334)
Amount due to broker	(101,250)	-
	<hr/>	<hr/>
	(526,534)	(337,461)
	<hr/> <hr/>	<hr/> <hr/>

6. SHARE CAPITAL

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 31 December 2005 (continued)

6. SHARE CAPITAL (Continued)

Shares in Issue

	31 December 2005	31 December 2004
NUMBER OF SHARES		
Issued and Fully Paid		
Balance at beginning of year	53,459	52,753
Issued during year	16,752	1,968
Redeemed during year	(13,299)	(1,262)
Total number of shares in issue at year end	56,912	53,459

7. NET ASSET VALUE

USD

As at 31 December 2005	80,558,342
As at 31 December 2004	70,542,124
As at 31 December 2003	68,115,809
NET ASSET VALUE PER UNIT	
As at 31 December 2005	1,415.49
As at 31 December 2004	1,319.56
As at 31 December 2003	1,291.22

8. FEES

The Investment Manager shall be entitled to receive an investment management fee from the Company, payable monthly in arrears of 0.825 per cent (2004: 1.80 per cent), per annum, of the average daily net asset value of the Portfolio.

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 Year. 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 year, adjusted for subscriptions and redemptions on a time apportioned basis.

The Custodian shall be entitled to a fee which is accrued daily and paid monthly in arrears at an annual rate of ranging from 0.02 per cent to 0.35 per cent of Net Asset Value for the assets held, subject to a minimum monthly fee of US\$1,500. The Administrator shall be entitled to a fee which is accrued daily and paid monthly in arrears at an annual rate of 0.1 per cent of net assets for the first US\$100 million of net assets and 0.07% of the Net Asset Value in excess thereof, subject to a minimum monthly fee of US\$5,000 as applicable.

9. 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 year 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 31 December 2005.

Notes to the Financial Statements as at 31 December 2005 (continued)

10. 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 23.

The Central American Bank for Economic Integration (CABEI) is the majority shareholder with a 87.86% holding in the Fund at year end. It is also the Placement Agent. Jaime Chavez (resigned 28th February 2005 from CABEI), Alejandro Rodriguez and Nick Rischbieth Gloe, directors of the fund, are also directors of CABEI. Walter Dostmann holds one subscriber share.

11. 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.

12. SOFT COMMISSION ARRANGEMENTS

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

13. 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.

Details of the fund's investment portfolio at the balance sheet date are disclosed in the portfolio of investments.

Notes to the Financial Statements as at 31 December 2005 (continued)

13. 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.

The total credit split is as follows:		%		%
	B-	4.71	BB+	23.37
	BB	35.08	BBB	6.36
	BB	24.72	Not Rated	5.76

(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's assets which are denominated in currencies other than its own currency. The following sets out the fund's exposure to foreign currency risk at 31 December 2005 and comparatives for December 2004.

Currency	31 December 2005	31 December 2004
	Total USD	Total USD
Mexican Peso	25,540	79,143
Euro	(662)	-
	<u>24,878</u>	<u>79,143</u>

(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.

The Fund invests in the currencies noted below at both fixed and floating rates of interest. All investments earn interest except Financial Futures.

Securities held

31 December 2005

	Fixed Rate Interest USD	Floating Rate Interest USD	Total USD
US Dollar	71,643,967	2,352,355	73,996,322

31 December 2004

	Fixed Rate Interest USD	Floating Rate Interest USD	Total USD
US Dollar	40,654,076	-	40,654,076

Notes to the Financial Statements as at 31 December 2005 (continued)

13. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk (Continued)

	Fixed Rate Financial Assets Weighed Average Interest Rate (%)	Fixed Rate Financial Assets Weighted Average Year for which rate is Fixed
31 December 2005	8.67	10.56
31 December 2004	8.22	10.25

The weighted average interest rate and the weighted average years to maturity is calculated by reference to the market value of the fixed rate financial assets.

The maturity profile of the Company's interest bearing financial assets and liabilities at 31 December 2005 was:

Within one year	One to five years	Over five years
-	12,815,614	61,180,708

(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 Income Statement on page 16.

14. PORTFOLIO CHANGES

A full listing of the Portfolio Changes for the year 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 31.

15. COMPARATIVE FIGURES

The comparative figures are for the twelve month period to 31 December 2004.

16. APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the board on 25 April 2006.

17. CHANGES TO THE PROSPECTUS

A new prospectus was issued on 1 January 2005. Administration, custody, transfer agency, distribution and performance fees are now paid out of the assets of the Fund. Previously these expenses were payable out of the Investment Manager's fees.

18. POST BALANCE SHEET EVENTS

During the year-ended 31 December 2005, Scudders Distributors Inc. (SDI) charged distribution fees of US\$174,318. Post year-end SDI have offered to repay US\$95,000 of this amount to the Company due to a breach in their contract. At the date on which these financial statements were approved the Company has not accepted this offer, this repayment is not reflected in these financial statements.

Schedule of Investments as at 31 December 2005

Per USD	Investment	Value USD	% of Fund
USD - DENOMINATED SECURITIES			
Corporate Fixed			
3,644,609	11.58% Aes Clesa Series 28/06/2010	4,262,605	5.29
2,500,000	8.5% Citco Trustees 21/12/2014	2,641,807	3.28
3,500,000	7.75% Pemex Project Fund 28/09/2009	3,611,642	4.48
		10,516,054	13.05
Government Fixed			
2,500,000	8.625% Colombia (Republic of) 01/04/2008	2,733,392	3.39
1,200,000	8.125% Colombia (Republic of) 21/05/2024	1,297,842	1.61
7,000,000	8.11% Costa Rica (Republic of) 01/02/2012	7,740,778	9.61
4,000,000	8.05% Costa Rica (Republic of) 31/01/2013	4,426,183	5.49
1,000,000	9.5% Dominican (Republic of) 27/09/2011	1,131,439	1.40
3,000,000	7.75% El Salvador (Republic of) 24/01/2023	3,393,687	4.21
6,000,000	8.5% El Salvador (Republic of) 25/07/2011	6,943,833	8.62
3,500,000	8.25% El Salvador (Republic of) 10/04/2032	3,942,822	4.89
2,700,000	7.625% El Salvador (Republic of) 21/09/2034	3,012,833	3.74
2,046,000	8.5% Guatemala (Republic of) 03/08/2007	2,207,975	2.74
4,000,000	10.25% Guatemala (Republic of) 08/11/2011	4,802,638	5.96
7,200,000	9.25% Guatemala (Republic of) 01/08/2013	8,642,200	10.73
3,060,000	8.125% Guatemala (Republic of) 06/10/2034	3,366,159	4.18
1,000,000	6.375% Mexico (United Mexican States) 16/01/2013	1,090,972	1.35
1,250,000	7.25% Panama (Republic of) 15/03/2015	1,354,776	1.69
3,900,000	9.375% Panama (Republic of) 16/01/2023	5,040,384	6.27
		61,127,913	75.88
Government Variable			
3,000,000	Argentina (Republic of) FRN 03/08/2012	2,352,355	2.92
		2,352,355	2.92
USD - DENOMINATED SECURITIES - TOTAL		73,996,322	91.85
TOTAL VALUE OF INVESTMENTS (Cost: USD 68,434,528)		73,996,322	91.85
CASH*		6,730,796	8.36
OTHER NET ASSETS**		(168,776)	(0.21)
TOTAL VALUE OF FUND		80,558,342	100.00

Schedule of Investments as at 31 December 2005 (continued)

<u>Analysis of Total Assets</u>	<u>% of Total Assets</u>
Transferable securities admitted to an official stock exchange listing.	86.56
Transferable securities not listed on any stock exchange classified as (A) above.	5.29
Other Net Assets.	<u>8.15</u>
	<u><u>100.00</u></u>

*Cash to the value of USD6,615,866 is held with The Governor and Company of the Bank of Ireland and USD114,930 held with Deutsche Bank Securities Inc; as counterparty for the Future Contracts.

** Other net assets are made up of the Debtors figure (note 4) less the Creditors figure (note 5). Also please refer to the Balance Sheet on page 17.

Schedule of Portfolio Changes for the year ended 31 December 2005

Largest Purchases

50,000,000	9.5% Mexican Bonds 18/12/2014
4,000,000	8.5% El Salvador (Republic of) 25/07/2011
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	8.11% Costa Rica (Republic of) 01/02/2012
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
1,200,000	8.125% Colombia(Republic of) 21/05/2024
1,000,000	8.05% Costa Rica (Republic of)31/01/2013
800,000	9.25% Guatemala (Republic of) 01/08/2013
750,000	6.375% Mexico (United Mexican States) 16/01/2013
500,000	8% Mexico(United Mexican States) 19/12/2013
480	US 10Yr Note Fut Jun 2005 (Tym5)
120	US 10Yr Note Fut Mar 2006 (TYH6)
240	US 10Yr Note Fut Dec 2005 (TYZ5)
240	US 10Yr Note Fut Mar 2005 (Tyh5)
120	US 10Yr Note Fut Sep 2005 (TYU5)

Largest Sales

50,000,000	9.5% Mexican Bonds 18/12/2014
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
3,000,000	8.5% Guatemala (Republic of) 03/08/2007
2,000,000	8.25% El Salvador (Republic of) 10/04/2032
1,500,000	8.625% Colombia (Republic of) 01/04/2008
1,000,000	9.375% Panama (Republic of) 16/01/2023
1,000,000	7.625% El Salvador (Republic of) 21/09/2034
1,000,000	6.375% Mexico (United Mexican States) 16/01/2013
1,000,000	9.5% Dominican (Republic of)27/09/2011
588,286	11.58% Aes Clesa Series 28/06/2010
240	US 10Yr Note Fut Dec 2005 (TYZ5)
480	US 10Yr Note Fut Jun 2005 (Tym5)
120	US 10Yr Note Fut Mar 2006 (TYH6)
120	US 10Yr Note Fut Sep 2005 (TYU5)

For more information please visit our website www.deam-us.com under Offshore Funds (for Non-US Residents)