

## CABEI Central American Fund P.L.C.

**Meeting No:** 01-07

**Financial Information:** As at December 31, 2006

**Risk Rating:**

Fund	Previous Rating	Current Rating
CABEI Central American Fund P.L.C.	scrAAAf 3	scrAAAf 3

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### 1. Executive Summary

- The increasing trend in the amount of assets continues, closing in Dec.06 with US \$84,35 million.
- The portfolio of investments does not show significant variations, remaining with a stable composition by risk rating.
- With relation to the yield a positive trend continues, reaching a 9.02%, being the highest yield of the last four years. Hand to hand with this a decrease in the volatileness is registered, which improves the position of the Fund, as much annual as quarterly.

### 2. Description of the CABEI Central American Fund P.L.C.

The CABEI Central American Fund P.L.C. is a Fund of open investment and non-seriated, which was approved for public offering by the General Super Intendancy of Securities (SUGEVAL) in Costa Rica since July 31, 2003, by means of resolution SGV-R-672. This Fund was approved since March 1999 as an Investment Company in the Republic of Ireland, under the regulations established in that country and those of the European Union

The Fund is oriented to invest mainly in securities issued by organizations pertaining to the partners countries regional and extra regional of the Central American Bank of Economic Integration (CABEI), in addition to Panama, Dominican Republic and Belize.

On the matter, the group of regional member countries is conformed by Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador, as extra regional members are Argentina, Colombia, Mexico, Taiwan (Republic of China) and Spain. Up to date there are other countries that have shown their interest to form part of the partners member of the CABEI.

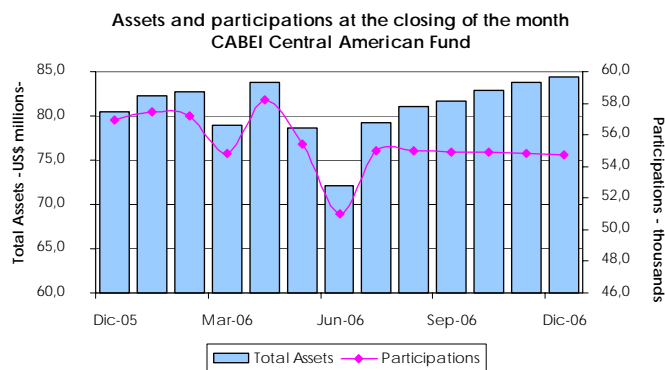
The main handling of the Fund is carried out by the Deutsche Asset Management subsidiary of the Deutsche Bank, as well as by the Central American Bank of Economic Integration (CABEI).

### 3. Administered Assets

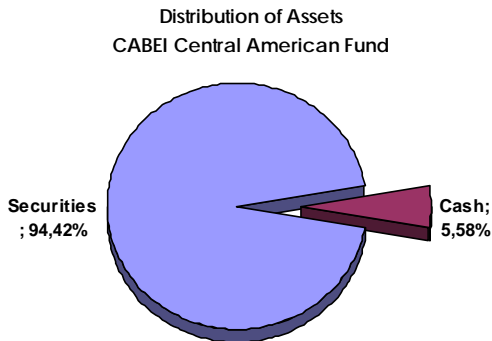
Up to the closing of 2006 the assets of the Fund reached the amount of US \$84,35 million, maintaining the increasing trend shown during the previous quarter, accumulating as a consequence a quarterly growth of a 3,19% and a 4,85% with respect to the previous period. On the matter it is possible to remember that during the first semester of the year, an important drop in the level of assets was registered, being these up to June.06 of US \$72,13 million.

On the other hand, with relation to the number of participations, during the quarter a continuous but slight decrease is observed, closing the year with 54,734.62, shares, which means a diminution of 141 shares in a quarterly basis (0,26%) and 2,177 (3,83%) annually.

In the following graph the evolution of the assets as well as the participations of the Fund between Dec.05 and Dec.06 is detailed.



With relation to the distribution of the assets, quarterly the proportion of the cash increased in 0,71 percentage points, reaching a participation of a 5,58%; being this the highest position during the year, however it stayed lower than the observed in the closing of Dec.05, when it represented an 8,33%.



As far as the Investment Portfolio, it represents a 94.42% of the assets, continuing mainly in three issuers: El Salvador, Costa Rica and Guatemala. With relation to the previous quarter, it is important to emphasize the increase in the participation of Costa Rica, passing from an 18.8% to a 21.2%, which meant to pass from the third to the second place by importance within the portfolio. In this form the Guatemalan proportion decreased from a 19.1% to a 16.5%, being placed in the third position.

Other of the portfolio's flows that occurred this quarter was again the incorporation of investments in Argentina, for an amount of US \$ 1.77 million, representing as a consequence a 2.2% of the portfolio; and the reduction in 2 percentage points of the participation of Panama, closing in a 6,7% for Dec.06.

In the following chart the distribution of the investments in securities of the Fund can be appreciated according to issuer.

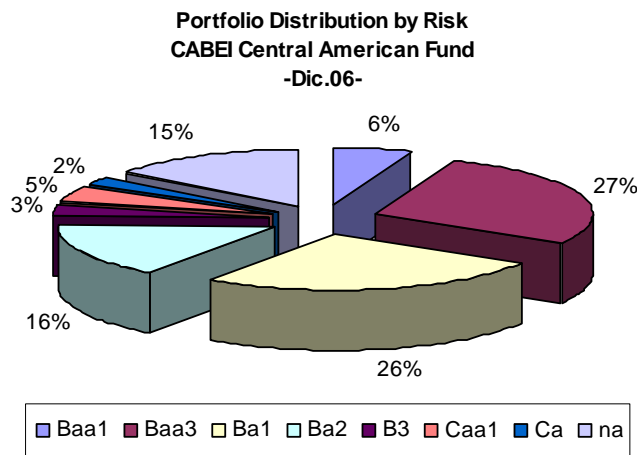
**CABEI Central American Fund  
Distribution of the Portfolio**

	Dec. 05	Mar.06	Jun.06	Sept. 06	Dec. 06
CR	16,42%	17,55%	18,4%	18,8%	21,2%
Col	5,44%	1,77%	1,8%	0,0%	0,0%
DR	1,53%	2,41%	2,7%	1,5%	3,0%
Gua	25,67%	19,92%	18,9%	19,1%	16,6%
Esal	23,34%	24,87%	27,6%	29,6%	29,2%
AES	5,90%	0,00%	0,0%	0,0%	0,0%
Mx	1,47%	0,79%	0,9%	2,7%	2,7%
Pemex	4,87%	4,60%	3,6%	4,7%	3,6%
Pan	8,63%	8,03%	7,2%	8,7%	6,7%
Citco Trustees	3,57%	3,45%	3,7%	3,4%	3,4%
Argentina	3,17%	5,24%	2,4%	0,0%	2,2%
MMG Fiduc. El Salvador		6,48%	7,2%	6,4%	6,4%
Nicaragua		4,90%	5,7%	5,0%	5,1%

With respect to the structure of the portfolio according to risk rating, an 85.24% of the securities have a rating, where the main categories <sup>1</sup> are Baa3, with a 27.57%, and Ba1, with a participation of a 26,31%.

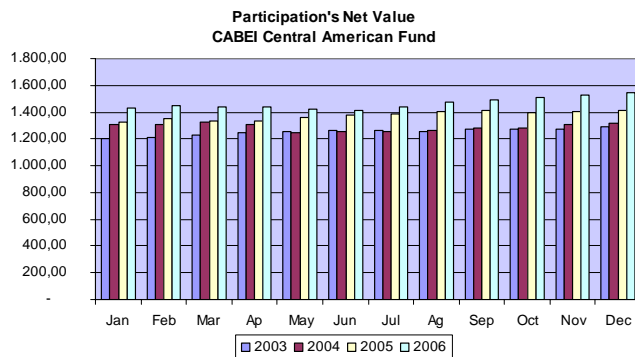
On the other hand, a group equivalent to a 33.51% of the Fund has investment degree ratings, and a 51.72% are ratings below investment degree, where the securities from Argentina (Ca), Nicaragua (Caa1) and Dominican Republic (B3) are those of smaller ranking.

The distribution by risk category can be appreciated in the following graph.



#### 4. Performance of the Fund

Up to the closing of Dec.06 the participations of the Fund reached a value of US \$1,541.12, being the highest result of the year, accumulating in this way a quarterly growth of US \$51.56 (3,46%) and US \$127.47 (9,02%) annually. In the following graph the behavior of the net value of the participation up to the closing of the month from Jan.03 to Dec.06 can be appreciated.

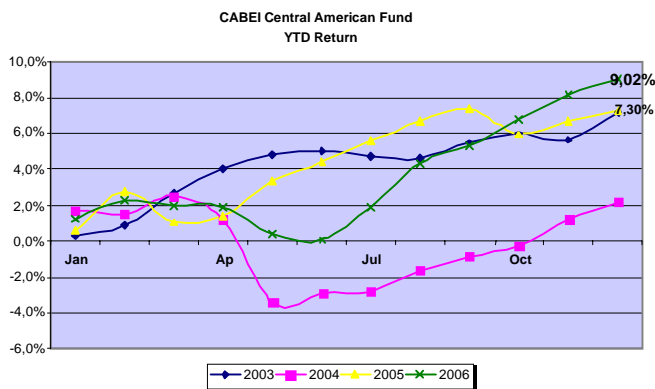


On the matter, it is possible to emphasize the good performance of the Fund during this last quarter, maintaining the positive trend observed the previous

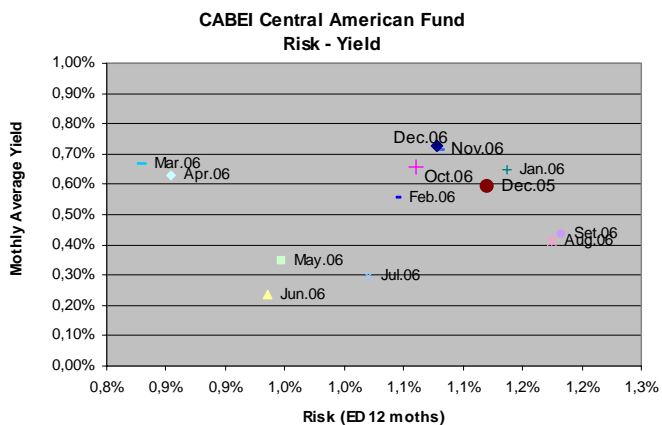
<sup>1</sup> Risk ratings granted by Moodys up to December 2006.

quarter, and surpassing in a significant way the results of 2005, passing from an annual yield of a 7.30% to a 9,02%. In addition, it is important to mention that this year they obtained the best results of last the four years.

In the following graph the behavior of the accumulated yield that the Fund has shown for 2003, 2004, 2005 and 2006 can be appreciated.



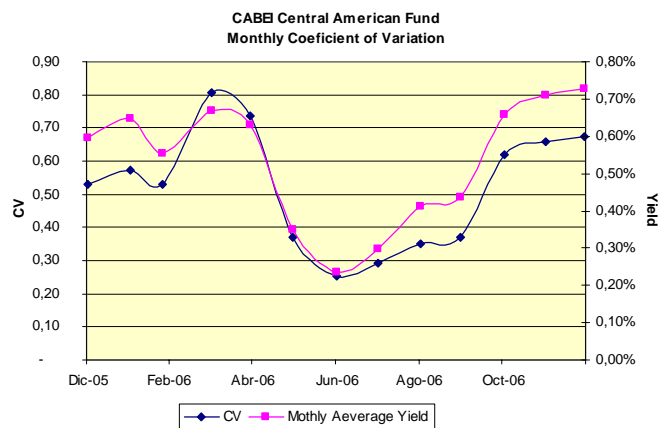
Hand to hand with the improvement in the returns, during this quarter a decrease in the volatileness was registered, passing from a standard deviation of the yields of a 1.18% in Sept.06 to a 1.08% in Dec.06. This at the same time is reflected in a better position of the Fund, as much with respect to Dec.05 as to Sept.06, obtaining a better return with a smaller risk.



The above is reaffirmed with the increase of the Coefficient of Variation (CV), weighted by the ratio of Monthly Average Return divided by the Standard Deviation of the last twelve monthly returns, which closed up to Dec.06 in 0,67 yield units by additional risk unit, versus 0.37 units in Sept.06 and 0.53 units in Dec.05.

Hand to hand with this, it is observed that the yield and the CV follow a similar trend, but in the last quarter an increase in the breach between the monthly average Yield and the CV is registered, which indicates that the investor is assuming smaller risk levels in spite of the increase in the yield.

In the following graph it is possible to appreciate the behavior of the Coefficient of Variation as well as the monthly average Yield of the Fund for the last 12 months.



## 5. Risk Rating

Fund	Previous Rating	Current Rating
CABEI Central American Fund P.L.C.	scrAAAf 3	scrAAAf 3

**scr-AAAf:** The quality and diversification of the Fund's assets, strengths and weakness of the management provide the highest security against losses coming from non-fulfillments of payment. Excellent Level.

**Category 3:** High sensibility to changing conditions in the Market.