

# CABEI Central American Fund plc CABEI Central American Portfolio

**Unaudited Financial Statements**

For the period ended 30 June 2007



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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 Central American Bank for Economic Integr: 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 (Irish) Jaime Chavez (Honduran)
<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 Mayor Street Lower International Financial Services Centre Dublin 1 Ireland
<b>Custodian</b>	The Governor and Company of the Bank of Ireland Lower Baggot Street Dublin 2 Ireland
<b>Independent Auditor</b>	KPMG 1 Harbourmaster Place International Financial Services Centre Dublin 1 Ireland
<b>Legal Advisor</b>	A&L Goodbody North Wall Quay International Financial Services Centre Dublin 1 Ireland

## Organisation (continued)

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**Secretary**

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

**Consultant**

PCS Global Advisory Services Associates LLC  
614 King Avenue  
City Island  
New York  
NY 10464 - 1111  
USA

**Registered No: 303448**

# Background to the Fund

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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 an 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 'Portfolio'), which is the only current portfolio. 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 Portfolio is denominated in US Dollars.

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.

## 2. Investment Objective and Policy

The Portfolio's investment objective is to generate a high real rate of return. The Portfolio 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 privatisation, 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 the 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 the 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 the Offering Circular dated 1 January 2005, and subsequent supplements to the Offering Circular, for information on investment restrictions.

## 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

The Net Asset Value of the Portfolio is calculated daily. The Net Asset Value of the Portfolio is calculated by dividing the value of the Portfolio's Net Assets (the value of its assets less its liabilities) by the total number of Shares outstanding. All securities held by the Portfolio, 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 ask 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 Portfolio. 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. The Portfolio's Net Asset Value per Share is published five times per week in the Financial Times.

## Background to the Fund (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 revised Offering Circular dated 1 January 2005, and subsequent supplements to the Offering Circular. The Portfolio's Dealing Day is every day that is a business day in Dublin and New York.

#### Issue of Shares

Allotments of Shares are normally made with effect from a Dealing Day against applications received in Dublin by the Administrator by 9:00pm Dublin time on the preceding Business Day.

#### Repurchase of Shares

Requests for the repurchase of Shares must be received by the Administrator by 9.00pm Dublin time on a Business Day which is at least two Business Days prior to the relevant Dealing Day and will then normally be dealt with on that Dealing Day. Requests for the repurchase of Shares may be made by facsimile, by email or in writing to the Administrator.

### 6. Published Information

Shareholders will receive audited annual and unaudited semi-annual Reports of the Company on request. 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 period 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.

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 and subsequent supplements to the Offering Circular.

# Income Statement

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	Notes	Period ended 30 June 2007 USD	Period ended 30 June 2006 USD
Net Investment Income	2	2,140,397	734,851
Operating Expenses	3	(608,328)	(557,686)
<b>Net Operating Income</b>		<u>1,532,069</u>	<u>177,165</u>
<b>Increase in Net Assets resulting from Operations</b>		<u>1,532,069</u>	<u>177,165</u>
<b>Increase in Net Assets transferred to Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders</b>		<u>1,532,069</u>	<u>177,165</u>

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

The accompanying notes form an integral part of the Financial Statements.

ON BEHALF OF THE BOARD DIRECTORS

Michael Greene  
Director

Per Åke Rydberg  
Director

28 August 2007

# Balance Sheet

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	Notes	As at 30 June 2007 USD	As at 31 December 2006 USD
<b>ASSETS</b>			
Cash Deposits		860,220	4,635,052
Debtors	4	132,045	81,566
Financial assets at fair value through profit or loss		82,705,206	80,413,272
<b>Total Assets</b>		<b>83,697,471</b>	<b>85,129,890</b>
<b>LIABILITIES</b>			
Accrued Expenses	5	(123,151)	(638,753)
<b>Net Assets Attributable to holders of Redeemable Participating Shares</b>	7	<b>83,574,320</b>	<b>84,491,137</b>

The accompanying notes form an integral part of the Financial Statements.

ON BEHALF OF THE BOARD DIRECTORS

Michael Greene  
Director

Per Åke Rydberg  
Director

28 August 2007

## Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders

	Period ended 30 June 2007 USD	Period ended 30 June 2006 USD
<b>Net Assets Attributable to Redeemable Participating Shareholders at beginning of period</b>	84,491,137	80,558,342
Amounts received on issue of Shares	3,402,513	8,048,923
Amounts paid on redemption of Shares	(5,851,399)	(16,416,713)
Decrease in Net Assets resulting from Share transactions	(2,448,886)	(8,367,790)
Increase in Net Assets resulting from operations (page 5)	1,532,069	177,165
<b>Net decrease in shareholders' funds</b>	(916,817)	(8,190,625)
<b>Net Assets Attributable to Redeemable Participating Shareholders at end of period</b>	83,574,320	72,367,717

The difference between the net assets at the start of the period and the comparative net assets at the end of the period is the movement in the second half of the year.

The accompanying notes form an integral part of the Financial Statements.

# Notes to the Financial Statements as at 30 June 2007

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## 1. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

These Financial Statements have been prepared 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 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 expenses. 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 year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

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 Attributable to Redeemable Participating Shareholders on pages 5 and 7.

All references to Net Assets throughout this document refer to Net Assets Attributable to Holders of Redeemable Participating Shares, unless otherwise stated.

The Financial Statements are prepared in US Dollars.

### b) Investments

#### (i) Classification and Recognition

The Financial assets that are classified as loans and receivables include deposits and accounts receivable. Financial liabilities that are not at fair value through profit or loss include accounts payable and financial liabilities arising on Redeemable Shares.

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.

# Notes to the Financial Statements as at 30 June 2007 (continued)

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b) Investments (Continued)

#### (i) Classification and Recognition (Continued)

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.

#### (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 Income Statement.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment, if any.

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.

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.

#### **Guatemala Electrical Trust Note**

The Guatemala Electrical Trust Notes should trade at a reasonable spread above the Republic of Guatemala, given current liquidity conditions for Emerging Markets corporate debt and the bond's relatively small issue size. This yield is steadily monitored and set by the fund's pricing committee. The price for Guatemala Electrical Trust Notes is derived using a yield-to-price calculation based on the bond's premium over the Republic of Guatemala 2013 bond. Pricing and yield information for the Guatemala Electrical Trust Notes is updated on each valuation date of the Fund.

#### **Nicaragua Bonds for the Payment of Indemnification (BPI)**

The bond is valued at spread over Libor due to lack of market liquidity. This procedure incorporates both the average country risk of Latin American sovereign issuers and the lower rating and lower liquidity of Nicaraguan BPIs. The yield of the security is derived as the sum of four elements, thereby taking into account all important valuation factors.

# Notes to the Financial Statements as at 30 June 2007 (continued)

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## I. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b) Investments (Continued)

#### (iii) 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 Income Statement 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 Income Statement.

### f) Redeemable Participating Shares

Redeemable Participating Shares are redeemable at the Shareholder's option and are classified as financial liabilities. Any distributions on these preference shares are recognized in the Income Statement as finance costs.

### g) Foreign Exchange

The functional currency of the Fund is US Dollar. The Directors have determined that this reflects the Fund's primary economic environment as the majority of the Fund's Net Assets Attributable to Holders of Redeemable Participating 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 Income Statement line item, Net Foreign Exchange Gain/Loss, are net foreign exchange gains and losses on monetary financial assets and liabilities other than those classified at fair value through profit or 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 30 June 2007. 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 period.

## Notes to the Financial Statements as at 30 June 2007 (continued)

### g) Foreign Exchange (Continued)

The following exchange rates were used to convert investments, assets and liabilities to the base currency of the Fund (USD):

	<b>30 June 2007</b>	<b>31 December 2006</b>
COP/USD	1,958.0003	2,239.7502
EUR/USD	0.7404	0.7583
MXN/USD	10.7919	10.8269
	<b>Period ended</b>	<b>Period ended</b>
	<b>30 June 2007</b>	<b>30 June 2006</b>
	<b>USD</b>	<b>USD</b>
<b>2. NET INVESTMENT INCOME</b>		
Bank Interest	40,097	111,336
Gain on Investments	2,116,379	624,814
Loss on Futures	-	(570)
Net Currency Loss	(16,079)	(729)
	<u>2,140,397</u>	<u>734,851</u>
<b>3. OPERATING EXPENSES</b>		
Investment Management Fees	352,874	313,222
Admin/Custody/Transfer Agency Fees	65,300	54,527
Distribution Fees	-	(90,532)
Auditors' Fees	20,812	13,269
Directors' Expenses	17,268	16,751
Directors' Fees	50,957	54,163
Directors' Liability Insurance	11,388	38,035
Legal - Fund Organisation & Related Business	42,836	19,029
Legal - Administrative & General Legal Support	5,535	8,738
Other Legal Expenses	12,342	15,780
Printing/Publishing	4,197	9,973
Marketing Expenses	14,316	26,121
Consultancy Fees	30,842	76,810
Other Sundry Expenses	5,225	1,800
Over Accrual of VAT Rebate	(25,564)	-
	<u>608,328</u>	<u>557,686</u>

## Notes to the Financial Statements as at 30 June 2007 (continued)

	As at 30 June 2007 USD	As at 31 December 2006 USD
<b>4. DEBTORS</b>		
Accrued Deposit Interest	531	2,377
Subscriptions of Units awaiting Settlement	67,229	29,080
Prepaid Insurance	14,301	25,689
VAT Rebate Receivable	49,984	24,420
	132,045	81,566
	132,045	81,566
<b>5. CREDITORS (amounts falling due within one year)</b>		
Investment Management Fees Payable	58,198	55,257
Performance Fee Payable	-	356,742
Legal - Fund Organisation & Related Business Payable	8,164	33,412
Legal - Administrative & General Legal Support Payable	(1,069)	28,111
Other Expenses Payable	57,858	165,231
	123,151	638,753
	123,151	638,753

### 6. SHARE CAPITAL

#### Subscriber 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. The Holders of Subscriber Shares are entitled to one vote only in respect of all their Subscriber Shares.

#### Redeemable Participating Shares - Liabilities

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

The Participating Shares are classified as liabilities, in accordance with Financial Reporting Standard 25 (FRS 25), as they are redeemable at the request of the Holders. The Shares are available as fully paid Redeemable Participating Shares of the Company. They carry voting rights. The Share 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.

## Notes to the Financial Statements as at 30 June 2007 (continued)

### 6. SHARE CAPITAL (Continued)

Shares in Issue	As at 30 June 2007	As at 30 June 2006
<b>NUMBER OF SHARES</b>		
<b>Issued and Fully Paid</b>		
Balance at beginning of period	54,735	56,912
Issued during period	2,171	5,593
Redeemed during period	(3,736)	(11,519)
Total number of Shares in issue at period end	53,170	50,986

7. NET ASSET VALUE	USD
As at 30 June 2007	83,574,320
As at 30 June 2006	72,367,717
As at 30 June 2005	76,517,970
<b>NET ASSET VALUE PER UNIT</b>	
As at 30 June 2007	1,571.83
As at 30 June 2006	1,419.36
As at 30 June 2005	1,377.96

### 8. FEES

The Investment Manager shall be entitled to receive an Investment Management fee from the Company, payable monthly in arrears of 0.824 per cent (2006: 0.824 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 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.

The Custodian shall be entitled to a fee which is accrued daily and paid monthly in arrears at an annual rate 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 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 did not invest in any futures. Please see Offering Circular dated 1 January 2005, and subsequent supplements to the Offering Circular, for more information on investment restrictions.

# Notes to the Financial Statements as at 30 June 2007 (continued)

## 10. RELATED PARTY TRANSACTIONS

Financial Reporting Standard 8 "Related Party Transactions" (FRS 8) 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 11.

The Central American Bank for Economic Integration (CABEI) is the majority Shareholder with a 91.03% (2006: 91.35%) holding in the Fund at period end. It is also the Placement Agent. Alejandro Rodriguez and Nick Rischbieth Gloe, Directors of the Fund, are also Officers of CABEI. Walter Dostmann (Company Chairman) holds one subscriber share.

## 11. TAXATION

The Company will not be liable for 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 Redeemable Participating Shares held in a recognised clearing system as designated by order of the Revenue Commissioners of Ireland; or
- ii) An exchange of Redeemable Participating Shares representing one Sub-fund for another Sub-fund of the Company; or
- iii) An exchange of Redeemable Participating Shares arising on a qualifying amalgamation or reconstruction of the Company with another fund.

A chargeable event will not occur in respect of Redeemable Participating 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 for 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 period.

## 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 Offering Circular 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 9 to provide a degree of protection against market price falls. The Investment Manager 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 Schedule of Investments.

# Notes to the Financial Statements as at 30 June 2007 (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 (as per the Composite Rating) is as follows:

	%		%
B	6.53	BBB	7.11
B+	-	BBB-	6.15
BB	31.68	BBB+	7.01
BB+	34.94	Not Rated	6.58

### (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 30 June 2007 and comparatives for 31 December 2006.

Currency	30 June 2007	31 December 2006
	Total USD	Total USD
Colombian Peso	2,164,390	-
Euro	(16,109)	(77,776)
Mexican Peso	6,180,518	68,966
	<u>8,328,799</u>	<u>(8,810)</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

30 June 2007	Fixed Rate Interest USD	Floating Rate Interest USD	Total USD
US Dollar	72,242,846	2,502,955	74,745,801
Colombian Peso	2,164,390	-	2,164,390
Mexican Peso	5,795,015	-	5,795,015
	<u>80,202,251</u>	<u>2,502,955</u>	<u>82,705,206</u>
31 December 2006	Fixed Rate Interest USD	Floating Rate Interest USD	Total USD
US Dollar	76,340,902	4,072,370	80,413,272

## Notes to the Financial Statements as at 30 June 2007 (continued)

### 13. FINANCIAL INSTRUMENTS (Continued)

#### (d) Interest Rate Risk (Continued)

	Fixed Rate Financial Assets Weighed Average Interest Rate (%)	Floating Rate Financial Assets Weighted Average Period for which rate is Floating (Years)	Fixed Rate Financial Assets Weighted Average Period for which rate is Fixed (Years)
<b>30 June 2007</b>			
<b>US Dollar</b>	8.05	2.73	12.73
<b>Colombian Peso</b>	9.85	-	20.01
<b>Mexican Peso</b>	9.63	-	12.64
<b>31 December 2006</b>			
<b>US Dollar</b>	8.24	-	13.71

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 30 June 2007 and 31 December 2006 was:

	Within one year	One to five years	Over five years
<b>30 June 2007</b>	-	23,685,246	59,019,960
<b>31 December 2006</b>	-	18,174,403	62,238,869

#### (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. Please refer to Note 1(b) on pages 8 to 10 for the definition of Fair Value. Realised gains and losses on financial assets are disclosed in the Income Statement on page 5.

### 14. 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 19.

### 15. COMPARATIVE FIGURES

The comparative figures for the Income Statement and the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares are for the six month period to the 30 June 2006. The comparative figures for the Balance Sheet are as at 31 December 2006.

### 16. POST BALANCE SHEET EVENTS

There have been no events subsequent to the period end, which, in the opinion of the Directors of the Company, may have had an impact on the financial statements for the period ended 30 June 2007.

### 17. APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the board on 28 August 2007.

# Schedule of Investments as at 30 June 2007

The percentage in brackets show the equivalent sector holdings at 31 December 2006.

Holding	Investment	Value USD	% of Fund
<b>COP - DENOMINATED SECURITIES</b>			
<b>Government Fixed - 2.59% (2006 - 0.00%)</b>			
4,000,000,000	9.85% Colombia (Republic of) 28/06/2027	2,164,390	2.59
<b>COP - DENOMINATED SECURITIES - TOTAL</b>		<b>2,164,390</b>	<b>2.59</b>
<b>MXN - DENOMINATED SECURITIES</b>			
<b>Government Fixed - 6.94% (2006 - 0.00%)</b>			
20,000,000	9.00% Mexico (United Mexican States) 22/12/2011	1,947,197	2.33
34,000,000	10.00% Mexico (United Mexican States) 05/12/2024	3,847,818	4.61
<b>MXN - DENOMINATED SECURITIES - TOTAL</b>		<b>5,795,015</b>	<b>6.94</b>
<b>USD - DENOMINATED SECURITIES</b>			
<b>Government Fixed - 75.09% (2006 - 77.59%)</b>			
1,800,000	7.00% Argentina (Republic of) 12/09/2013	1,711,922	2.05
4,000,000	8.11% Costa Rica (Republic of) 01/02/2012	4,437,500	5.31
4,800,000	8.05% Costa Rica (Republic of) 31/01/2013	5,358,673	6.41
4,300,000	9.995% Costa Rica (Republic of) 01/08/2020	5,790,577	6.93
2,000,000	9.50% Dominican (Republic of) 27/09/2011	2,153,592	2.58
1,200,000	9.04% Dominican (Republic of) 23/01/2018	1,535,885	1.84
6,000,000	8.50% El Salvador (Republic of) 25/07/2011	6,788,000	8.12
1,000,000	7.75% El Salvador (Republic of) 24/01/2023	1,173,132	1.40
6,600,000	7.65% El Salvador (Republic of) 15/06/2035	7,624,815	9.12
2,500,000	10.25% Guatemala (Republic of) 08/11/2011	2,921,059	3.50
3,200,000	9.25% Guatemala (Republic of) 01/08/2013	3,779,333	4.52
6,000,000	8.125% Guatemala (Republic of) 06/10/2034	7,092,604	8.49
1,500,000	6.75% Mexico (United Mexican States) 27/09/2034	1,625,153	1.94
2,500,000	5.625% Mexico (United Mexican States) 15/01/2017	2,511,094	3.01
4,000,000	5.00% Nicaragua (Republic of) 01/02/2011	2,934,943	3.51
750,000	7.25% Panama (Republic of) 15/03/2015	818,700	0.98
3,400,000	9.375% Panama (Republic of) 16/01/2023	4,493,813	5.38
		<b>62,750,795</b>	<b>75.09</b>
<b>Corporate Fixed - 11.34% (2006 - 12.76%)</b>			
2,500,000	8.50% Citco Trustees Cayman (Guatemala) 21/12/2014 (i)	2,656,251	3.17
5,000,000	6.75% MMG Fiduciary (El Salvador) 01/02/2016	5,087,579	6.08
1,700,000	7.75% Pemex Project Funding 29/09/2049	1,748,221	2.09
		<b>9,492,051</b>	<b>11.34</b>

## Schedule of Investments as at 30 June 2007 (continued)

The percentage in brackets show the equivalent sector holdings at 31 December 2006.

<b>Holding</b>	<b>Investment</b>	<b>Value USD</b>	<b>% of Fund</b>
	<b>Corporate Variable - 2.99% (2006 - 0.00%)</b>		
2,500,000	Citigroup Funding Incorporated FRN 24/03/2010	2,502,955	2.99
		<u>2,502,955</u>	<u>2.99</u>
	<b>Government Variable -0.00% (2006 - 5.17%)</b>		
	<b>USD - DENOMINATED SECURITIES - TOTAL</b>	<b>74,745,801</b>	<b>89.42</b>
(i) Securities are priced using pricing methods described in Note 1 (b) (ii)			
	<b>TOTAL VALUE OF INVESTMENTS (Cost: USD 78,806,443)</b>	<b>82,705,206</b>	<b>98.95</b>
	<b>CASH*</b>	<b>860,220</b>	<b>1.03</b>
	<b>OTHER NET ASSETS**</b>	<b>8,894</b>	<b>0.02</b>
	<b>TOTAL VALUE OF FUND</b>	<b>83,574,320</b>	<b>100.00</b>

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

\*\*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 6.

### Analysis of Transferable Securities

	<b>% of Total Assets</b>
Transferable securities	98.95
Other Net Assets	1.05
	<u>100.00</u>

## Schedule of Portfolio Changes for the year ended 30 June 2007

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### Largest Purchases

		<b>Cost USD</b>
34,000,000	10.00% Mexico (United Mexican States) 05/12/2024	3,797,984
2,800,000	8.05% Costa Rica (Republic of) 31/01/2013	3,074,600
2,500,000	Citigroup Funding Incorporated FRN (Costa Rica) 24/03/2010	2,502,955
2,000,000	8.125% Guatemala (Republic of) 06/10/2034	2,320,000
4,000,000,000	9.85% Colombia (Republic of) 28/06/2027	2,193,953
20,000,000	9.00% Mexico (United Mexican States) 22/12/2011	1,922,795
1,500,000	6.75% Mexico (United Mexican States) 27/09/2034	1,642,500
1,200,000	9.04% Dominican (Republic of) 23/01/2018	1,524,703
1,000,000	5.625% Mexico (United Mexican States) 15/01/2017	1,002,000
1,000,000	7.00% Argentina (Republic of) 17/04/2017	903,000

### Largest Sales

		<b>Proceeds USD</b>
4,000,000	8.11% Costa Rica (Republic of) 01/02/2012	4,355,000
2,700,000	7.625% El Salvador (Republic of) 21/09/2034	3,100,000
2,000,000	7.65% El Salvador (Republic of) 15/06/2035	2,303,000
2,000,000	7.75% El Salvador (Republic of) 24/01/2023	2,283,000
1,500,000	10.25% Guatemala (Republic of) 08/11/2011	1,751,250
1,000,000	7.375% Pemex Project Funding 15/12/2014	1,108,000
1,000,000	7.00% Argentina (Republic of) 17/04/2017	917,100
590,000	6.375% Mexico (United Mexican States) 16/01/2013	607,700

## NOTES



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**For more information please visit our website [www.cabei-ca-fund.com](http://www.cabei-ca-fund.com)**