

CABEI Central American Fund Investment Policy for the Third Quarter of 2007

July 2007

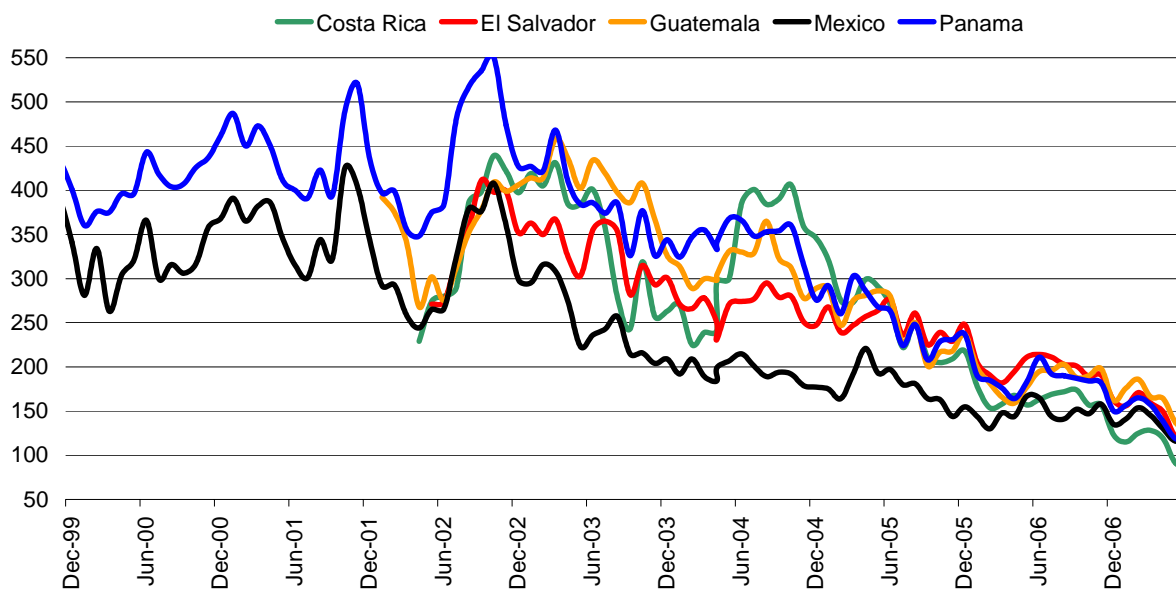


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Relative Value Analysis





Source: JP Morgan

Note:

Central American countries experienced a successful first quarter, and economic indicators already point to continued economic strength in Q2. A number of countries exceeded fiscal targets during the period January-March, as revenues surprised to the upside on the back of improved tax collection strategies. Inflation figures and inflows of workers' remittances kept supporting domestic demand. Prudent monetary policy managed to control inflation. Concerning the outlook for the region, economic growth is likely to remain strong, with the expansion becoming more broad-based. However, it is important to consider the upcoming hurricane season. Although 2007 is expected to be marked by above-normal activity, Central American and Caribbean countries are now more able to deal with tropical storms. Considerable progress has been made in terms of infrastructure development, building codes and disaster preparedness. Another issue is the current immigration debate in US Congress. Substantial fines aimed at illegal immigrants could severely affect remittance flows.

Spreads of Central American sovereign debt have tightened further in the second quarter, thereby partially offsetting the negative impact of rising yields in the US. Bonds of Costa Rica, El Salvador and Guatemala held up extremely well, the country spread of each country narrowed by around 40 basis points. External debt of Mexico and Panama was also well supported, but they lagged the other issuers' impressive performance, as their spreads "only" tightened by 20 basis points each in the respective period.

External bonds of Central American issuers have outperformed their South American peers in the second quarter of 2007, although they could also not fully decouple from the negative market environment. Bonds of less stable South American countries got hammered, as political headlines turned negative in Argentina, Ecuador and Venezuela. Only the most stable South American countries in the universe of "non-investment grade" (Brazil, Peru) were able to track market performance. The last months have again highlighted the attractiveness of Central American debt as asset class: on the one hand, it has defensive character (low beta),

as most investors are familiar in the region. On the other hand, it still offers a reasonable risk premium over US-Treasuries, which is supported by steadily improving fundamentals.

2007 year-to-date performance of Latin external debt

Argentina	Brazil	Colombia	Costa Rica	Dom-Rep	El Salvador	Guatemala	Mexico	Panama	Venezuela
1.82%	3.74%	4.68%	3.16%	3.36%	3.18%	2.94%	2.30%	2.14%	-9.15%

As at 03 July 2007; Sources: JP Morgan, DWS

Performance of “CABEI Central American Fund”

	2007 ytd	2006	2005	2004
Performance	2.11 %	9.02 %	7.30 %	2.20 %

Sources: Bank of Ireland, DWS

Talking about the return outlook for the investment universe of the fund, one clearly has to pay attention to US economic development, even more than regional issues (which hardly will have as widespread impact on the asset class). As the latest US-Treasury moves in June have shown, everything is about inflation expectations in the US, at least in the short term. To make things more complicated, economic growth also has to be monitored closely, as problems in the sub-prime market remain. The latter could adversely affect domestic consumption, which would not bode well for US growth. Overall, we expect the Federal Reserve Bank to remain on hold for the time being, and we even see a moderate bias to cut rates if necessary. This view is based on the fact that we regard inflation fears as overdone and still see a higher risk for US growth to moderate.

Our overall outlook will influence our forthcoming investment policy in several ways. We will primarily continue to invest in Central American external debt, which offers reasonable premium over US bonds and also has low correlation with emerging debt. In addition, we will raise our exposure into local markets of the eligible investment universe, thereby increasing diversification and benefiting from specific country stories and cycles (like Mexico, Colombia, Costa Rica). The latter will also include further efforts to invest in a broader range of local Central American markets in the medium term.

Key indicators for US economy

	2005	2006	2007f	2008f
Real GDP, change in %	3.2	3.3	2.5	2.8
Inflation rate (year-end), in %	3.4	3.2	2.7	2.7

Source: DWS

Country Views



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Argentina (B3/B+/B)

Schlotthauer

Economic Indicators	2005	2006	2007f	2008f
Real change in GDP, in percent	9.2	8.5	7.0	5.1
Nominal GDP, in USD billion	183	208	241	269
Inflation rate (year-end), in percent	12.3	9.9	9.1	10.7
Budget balance, in percent of GDP	1.7	1.9	1.6	1.4
Foreign debt, in percent of GDP	62.1	49.2	41.9	37.0
Current account balance, in percent of GDP	3.6	2.1	2.4	1.5
Foreign direct investment, in percent of GDP	2.0	1.4	1.0	0.7

Economic and political developments

- Two elections delivered surprising results, affecting the political landscape. President Kirchner's party lost both elections, for mayor in Buenos Aires (won by Macri, a center-right candidate) and governmental election in Tierra del Fuego. The current administration is thereby facing increasing headwinds, which will influence Presidential elections in October, too. We regard it as positive if more reliable politicians are able to gain ground.
- Impact of bad economic policy is spreading throughout the economy now. After authorities were successful in faking CPI numbers (see last report), their ongoing intervention in sectors like power generation is affecting GDP growth. Supply bottlenecks (due to underinvestment in energy generation) are forcing energy companies to cut supply for industry. As construction is weakening, too, GDP growth is moderating at fast pace.
- Exchange rate stabilization remains the major target of monetary policy. As a consequence, foreign reserves are on the rise: they have more than doubled within 18 months and now amount to USD 43 billion. This would be a positive factor for bond valuation, if Argentina would have other politicians and a better track record in debt repayment.
- In the past months, our positioning in shorter dated USD bonds (Bonars) was successful, they have not been affected by the sell-off in the longer end (which was mostly caused by market distortions, as one investor had to liquidate a reasonable amount of holdings, by far exceeding USD 1.5 billion). After the sharp correction, we now focus on political developments in the near future, as this will determine whether they are cheap (which they would be from a macroeconomic perspective) or whether more turmoil might be ahead.

Risk factors

- Ongoing fiscal expansion and intervention from government authorities in all markets, or other populist policy measure by President Kirchner, to achieve re-election.
- Strong fall in commodity prices, especially in soy and oil.

Spread forecast	07/02/07	A	B	C
EMBI Global Diversified Argentina	320 bps	250 bps	300 bps	450 bps



Colombia (Ba2/BB+/BB+)

Ebner / Schlotthauer

Economic Indicators	2005	2006	2007f	2008f
Real change in GDP, in percent	4.7	6.8	6.9	5.8
Nominal GDP, in USD billion	122.9	136.0	165.0	158.0
Inflation rate (year-end), in percent	4.9	4.5	5.1	4.0
Budget balance, in percent of GDP	-0.5	-0.7	-0.6	-1.4
Foreign debt, in percent of GDP	30.6	28.6	25.9	23.0
Current account balance, in percent of GDP	-1.5	-2.1	-2.6	-3.3
Foreign direct investment, in percent of GDP	4.6	3.8	3.3	3.1

Economic and political developments

- The Colombian economy grew a strong and higher than expected 8.1% yoy in the first quarter of 2007. Improved consumer confidence, favorable credit conditions and gains in wages drove the recovery in private consumption. However, domestic demand received even more support from investment spending, going up 31.8% yoy. Moving to the supply side, construction and industry manufacturing took the lead, increasing 28.3% yoy and 14.6% yoy, respectively. Looking at these figures, the question comes up if the economy is heading to an overheating problem. According to Central Bank estimates, growth potential is currently around 5%. Hence, the economy is definitely operating above potential, but the much more important point to evaluate in this respect is the "quality of growth". Basically, Colombia follows a broad-based expansion path. Only the external sector bears some risks given uncertainty about the inception of the FTA with the US. President Uribe strongly calls for the US congress to approve the agreement that would increase annual trade between the two countries to roughly USD 17.5 billion.
- In June, the central bank continued its tightening cycle, raising the overnight rate to 9%. Based on good June inflation numbers and stabilizing inflation expectations, BanRep has good reasons to stay pat for now and assess the impact of the measures taken so far. Besides, the fact that inflationary pressures were less the function of an overheating economy but more the result of supply shocks affecting food prices also strongly argue for unchanged rates.
- Colombia tendered around USD 950 million of fixed and floating rate bonds. In order to finance the buyback, the country sold USD 1 billion worth of global COP-denominated 2027 TES bonds. The attractive yield pickup and easy access offer a good opportunity to gain exposure in the Colombian local market.

Risk factors

- Structural deterioration in public finances, now over-shadowed by strong cycle.
- Further acceleration of inflation caused by domestic demand.

Spread forecast	07/02/07	A	B	C
BSCAX Colombia	108 bps	80 bps	90 bps	180 bps



Costa Rica (Ba1/BB+/BB)

Ebner

Economic Indicators	2005	2006	2007f	2008f
Real change in GDP, in percent	5.9	7.9	7.3	7.0
Nominal GDP, in USD billion	20.0	21.8	24.1	25.0
Inflation rate (year-end), in percent	14.1	9.4	8.2	7.9
Budget balance, in percent of GDP	-2.3	-0.5	-1.3	-1.8
Foreign debt, in percent of GDP	26.1	25.2	23.8	22.6
Current account balance, in percent of GDP	-4.8	-5.0	-4.9	-5.0
Foreign direct investment, in percent of GDP	4.5	6.1	4.1	3.8

Economic and political developments

- Costa Rica's positive momentum is still intact, with the economy continuously growing above trend. The economic base is well-diversified, main sectors include high-value-added manufacturing, tourism and agriculture. Exports as well as imports perform well, the country's trade deficit narrowed to USD 125 million in May compared to USD 1.16 billion one month earlier. However, Costa Rica faces the risk of suffering severe disadvantage concerning FDI and exports in case of failure to join DR-CAFTA. So far, no progress has been made in this respect. In any case, the issue is still atop of the Arias administration's legislative agenda, a referendum is held on October 7. At the moment, congress is quite fractious concerning the free trade agreement. The most controversial point in this respect is DR-CAFTA's required opening up of Costa Rica's longstanding state monopolies in key industries as telecommunications and financial some services.
- Inflation is on a firm downward trend, reaching 9.2% yoy in May. The latter advantageously compares to double-digit numbers seen in 2005/06. More flexible and effective monetary policy due to the recently implemented system of crawling exchange-rate bands brightens the outlook for inflation even more. Finally, the smoothly appreciating Colón is expected to turn into an efficient instrument to prevent prices from spiking again.
- Based on strong commitment to a prudent policy course, 2006 fiscal performance was favorable. However, in order to see additional potential regarding budget deficit and debt reduction, structural reforms such as broadening the tax base are indispensable. The latter also poses a key source of vulnerability to a possible upgrade to investment grade.
- Costa Rica's external debt is supported by current positive fundamentals. An impressive build-up process in FX reserves significantly reduces the country's vulnerability to external shocks. In addition, the local bond market becomes increasingly interesting due to the stronger currency and declining inflation.

Risk factors

- Delay or even failure of fiscal reform and DR-CAFTA ratification.

Spread forecast	07/02/07	A	B	C
BSCAX Costa Rica	124 bps	100 bps	115 bps	200 bps



Dominican Republic (B2/B/B)

Ebner

Economic Indicators	2005	2006	2007f	2008f
Real change in GDP, in percent	9.5	10.7	8.5	7.8
Nominal GDP, in USD billion	33.6	35.2	40.2	43.4
Inflation rate (year-end), in percent	7.4	5.0	5.0	4.8
Budget balance, in percent of GDP	-0.7	-0.8	-0.5	-0.7
Foreign debt, in percent of GDP	22.6	22.7	22.3	21.1
Current account balance, in percent of GDP	-1.4	-2.2	-2.0	-2.7
Foreign direct investment, in percent of GDP	2.9	3.1	2.9	3.0

Economic and political developments

- After putting the country on review for upgrade last October, Moody's lifted DomRep's rating from B3 to B2 in May. According to the agency, the decision was based on the economy's profound fundamentals. Growth numbers are solid, inflation remains in single-digit area, interest rates decline, the currency appreciates and fiscal accounts improve.
- DomRep not only experienced an outstanding rate of expansion (10.7% yoy) in 2006, but recently released Q1 GDP figures underpinned the picture of a constantly and favorably improving economy. Economic dynamism was primarily driven by communications, commerce, public utilities and financial services. However, sizeable credit growth to the private sector and a substantial upsurge in workers' remittances also supported the outcome. The outlook for 2007 remains promising, with the economy benefiting from healthy private consumption and exports backed by DomRep's recent accession to DR-CAFTA.
- Due to fiscal slippage, the government missed last year's deficit target by almost one percentage point. So far this year, DomRep has managed to put the program back on track. According to the IMF, the country comfortably met key fiscal targets in the first quarter, mainly due to higher than expected revenue collection levels. Public sector debt is on a firm downward trend, expected to dip below 43% this year. In addition, the IMF recently expressed satisfaction with the country's progress in improving health of the energy sector and hence reducing potential risks to economic stability. According to the government, subsidies are planned to be reduced to below USD 400 million.
- Based on the solid fundamental story and the positive rating dynamics, we still consider DomRep a nice credit that offers higher yields than other Central American countries.

Risk factors

- Conflicts with the IMF combined with the fragile external liquidity for the country.
- Energy sector crisis (subsidies around USD 750 million).

Spread forecast	07/02/07	A	B	C
BSCAX Dominican Republic	203 bps	180 bps	190 bps	300 bps



El Salvador (Baa3/BB+/BB+)

Ebner

Economic Indicators	2005	2006	2007f	2008f
Real change in GDP, in percent	2.8	4.2	5.0	4.8
Nominal GDP, in USD billion	17.0	18.2	19.4	20.1
Inflation rate (year-end), in percent	4.5	4.9	4.2	3.8
Budget balance, in percent of GDP	-3.0	-2.9	-2.3	-2.0
Foreign debt, in percent of GDP	45.0	45.7	42.7	39.9
Current account balance, in percent of GDP	-4.6	-4.5	-4.6	-4.4
Foreign direct investment, in percent of GDP	1.8	3.1	2.7	2.8

Economic and political developments

- 2006 was marked by strong growth, mainly driven by double-digit expansion in construction activity and the financial services sector. The positive momentum is expected to continue this year. Economic expansion is set to hold up, with robust flows of workers' remittances providing boost to domestic consumption. Non-traditional exports benefit from DR-CAFTA that went into effect roughly one year ago. On the other side, maquiladora exports continuously suffer from increased competition coming from Chinese textiles.
- Massive earthquakes and the public pension system reform forced the government to increase debt issuance between 2002 and 2006, bringing public debt to 40% of GDP. On the back of strong economic performance, however, the country plans to steadily decrease the ratio starting this year. In general, El Salvador shows strong commitment to fiscal responsibility, underlined by successful efforts to improve tax-collection strategies such as broadening the tax base, removing loopholes and eliminating distortional subsidies. The authorities intend to increase the ratio of tax revenues to GDP to 15%, currently amounting to roughly 13.9%. Fiscal results through May 2007 look quite promising, clearly outperforming targets. Tax revenues, for instance, increased by 12.8% compared to the same period of 2006 and exceeded the target by 4.4%. Given that the government sticks to its fiscal blueprint, the country is likely to meet its 2.3% of GDP budget deficit target in 2007.
- According to government officials, El Salvador plans to tap bond markets in 2008 only, predominantly for financing infrastructure projects. Based on positive fundamentals, we still consider El Salvadoran bonds attractive and fairly priced.

Risk factors

- The dollarization could get under some pressure if the inflation differential accelerates and competitiveness on exports decreases.
- The growing crime problem could threaten investments in the medium to long term.

Spread forecast	07/02/07	A	B	C
BSCAX El Salvador	128 bps	105 bps	115 bps	200 bps



Guatemala (Ba2/BB/BB+)

Ebner

Economic Indicators	2005	2006	2007f	2008f
Real change in GDP, in percent	3.5	4.6	5.1	4.9
Nominal GDP, in USD billion	31.6	35.3	38.7	42.6
Inflation rate (year-end), in percent	8.6	4.9	5.3	5.4
Budget balance, in percent of GDP	-1.5	-1.7	-1.3	-1.5
Foreign debt, in percent of GDP	16.6	15.7	14.7	13.6
Current account balance, in percent of GDP	-4.4	-4.4	-4.3	-4.1
Foreign direct investment, in percent of GDP	0.7	0.7	0.5	0.5

Economic and political developments

- Concerning the upcoming elections in September, political tensions are not expected to heat up massively, as all four principle candidates appear likely to support conservative economic policies. In addition, they do not seem to have the intention to deviate from Guatemala's current successful policy course. The issue of political violence and the government's response to the problem remain major topics.
- Guatemala's economic performance significantly strengthened in 2006, growth reached 4.6% yoy. Consistently strong exports and increased workers' remittances flows underpinning private consumption added to a broad-based expansion. Economic indicators also point to strong growth momentum in 2007, primarily supported by still favorably external conditions. The implementation of DR-CAFTA last July is expected to prompt trade and FDI flows to increase significantly.
- After failing to meet its inflation target (5-7%) for two consecutive years, Banco de Guatemala successfully managed to bring down inflation to 4.9% yoy in 2006, its lowest year-end level since 2000. Concerning 2007, the central bank is confident that inflation will stay within the modified target range of 4-6%.
- Guatemala's public debt ratio of roughly 19% of GDP remains the lowest in the Central American region. The fiscal account looks equally encouraging, revenue losses generated by elimination of trade duties because of DR-CAFTA will be adjusted by enhancements of the tax administration. Concerning 2007, the fiscal course is likely to remain on track, so far supported by better than expected performance on the revenue side. Tax collections in the first quarter totaled USD 1.1 billion, 5.4% above the amount targeted and some 19% higher than last year's Q1 results.
- Based on healthy growth and stable politics, Guatemala's bonds are highly attractive.

Risk factors

- The high current account deficit and dollar deposits make the banking system vulnerable.

Spread forecast	07/02/07	A	B	C
BSCAX Guatemala	144 bps	120 bps	130 bps	200 bps



Mexico (Baa1/BBB/BBB)

Ebner / Schlotthauer

Economic Indicators	2005	2006	2007f	2008f
Real change in GDP, in percent	2.8	4.8	3.4	3.8
Nominal GDP, in USD billion	716	780	850	880
Inflation rate (year-end), in percent	3.3	4.0	3.6	3.4
Budget balance, in percent of GDP	-1.4	-0.8	-1.8	-1.6
Foreign debt, in percent of GDP	24.1	22.3	21.7	21.0
Current account balance, in percent of GDP	-0.7	-0.2	-1.2	-1.8
Foreign direct investment, in percent of GDP	2.6	2.3	2.4	2.1

Economic and political developments

- On the back of substantial external debt reduction and good prospects for a successful fiscal reform, S&P recently raised the outlook on Mexico's foreign currency rating from stable to positive. An upgrade will be primarily based on Calderón's ability to convince the opposition-controlled congress of approving the tax bill. The depth of the reform is also of decisive importance. A watered-down version will unlikely lead to a lift in the country's rating. In the first place, the reform proposal aims at fostering tax efficiency and reducing tax evasion. The current target sees fiscal revenues increasing as much as 3% of GDP by 2012. In this respect, a flat income tax of 16% is projected to collect around 1.8% of GDP per year. Other measures include an exercise of 20% on gambling and a 2% tax on cash accounts having an average balance of more than MXN 20.000 per month.
- Pemex is not on the reform agenda so far. However, company officials currently do not consider this as problematic. Moreover, they build on increased revenues generated by the reform that can in turn be used to raise investment in Pemex.
- Along with US industrial production slowing down in Q1 2007, Mexico's non-oil exports also lost some momentum. Overall GDP growth reached 2.6% yoy. Domestic demand is still robust, workers' remittances – the main driver – start showing slower growth rates though. This could adversely affect private consumption over the course of the year. Over the last couple of months, persistently high food prices have put upward pressure on Mexico's inflation. After staying pat for some time, Banxico surprisingly lifted the overnight rate to 7.25% in April, a pre-emptive measure according to the press communiqué. Based on recently better inflation figures, stable inflation expectations as well as slower economic growth, we do not expect further rate hike.
- Mexican external and MXN-denominated bonds still appear attractive based on sound fundamentals and positive reform momentum.

Risk factors

- Sharp slowdown in the United States and/or rapid fall of oil prices.

Spread forecast	07/02/07	A	B	C
BSCAX Mexico	87 bps	60 bps	70 bps	170 bps



Nicaragua (B3/NR/NR)

Ebner

Economic indicators	2005	2006	2007f	2008f
Real change in GDP, in percent	4.0	3.5	3.0	3.1
Nominal GDP, in USD billion	5.0	5.0	6.0	6.0
Inflation rate (year-end), in percent	9.6	9.5	8.5	7.5
Budget balance, in percent of GDP	-5.1	-6.0	-6.6	-6.5
Foreign debt, in percent of GDP	104.8	74.1	65.8	58.3
Current account balance, in percent of GDP	-16.3	-17.3	-17.4	-17.6
Foreign direct investment, in percent of GDP	4.9	5.6	6.7	7.2

Markets, economy, politics

- Political uncertainty and institutional weakness still pose some drag on the economy. However, private consumption is about to slowly recover again with consumer confidence improving and workers' remittances rising. Besides, growth is expected to be supported by contribution from the external sector based on the recently signed free trade agreement with the US. A key point in this respect is the country's commodity export base being quite vulnerable to international price swings and natural disasters.
- Albeit claiming not to be the fervent revolutionary anymore that ruled the country in the 1980s, politics are expected to remain shaky. As the Frente Sandinista de Liberación Nacional does not control a legislative majority, Ortega will need to work with the right-wing Partido Liberal Constitucionalista (PLC). Disputes between the two parties might occasionally lead to political impasse.
- According to the 2007 budget, fiscal policy will be slightly loosened due to the absence of an IMF program, leading to a budget deficit of about 6.6% of GDP in 2007. Furthermore, Nicaragua continuously faces a high level of debt and a substantial debt service burden, despite massive debt forgiveness initiatives. Since 2003, the country experienced debt relief amounting to about 65% of GDP under the Highly Indebted Poor Country (HIPC) and the G8 Multilateral Debt Relief initiatives. In March 2007, the IADB approved a USD 984 million debt write-off. Good relations with IFIs may lead to additional debt forgiveness thus improving debt ratios.

Risk factors

- Conflicts with the IMF and political instability.

Market forecasts	07/02/07	A	B	C
Sovereign debt	n/a	no market levels available		



Panama (Ba1/BB/BB+)

Ebner / Schlotthauer

Economic Indicators	2005	2006	2007f	2008f
Real change in GDP, in percent	6.4	8.1	7.8	7.5
Nominal GDP, in USD billion	15.5	17.2	18.7	20.0
Inflation rate (year-end), in percent	1.9	2.4	2.0	1.8
Budget balance, in percent of GDP	-3.2	-1.9	-1.3	-1.6
Foreign debt, in percent of GDP	63.1	58.2	55.1	51.8
Current account balance, in percent of GDP	-5.3	-4.7	-4.6	-6.7
Foreign direct investment, in percent of GDP	6.5	16.9	7.8	8.2

Economic and political developments

- Continuing last year's trend, Panama's economy expanded a healthy 9.4% yoy in the first quarter 2007. Primarily, intensive canal and tourism activity as well as strong domestic demand fuelled the economy. Second, the country's booming construction sector, which received huge investment inflows over the past couple of years, also added significantly to the expansion.
- Concerning 2007/08, economic growth is likely to remain robust, primarily supported by increased construction activity related to the upgrade of the Panama Canal and other infrastructure projects including a major highway. In addition, the completion or renewal of FTAs with the US, Mexico, Costa Rica and Nicaragua is expected to spur external trade.
- In 2006, the government demonstrated substantial fiscal discipline, leading to a decrease in the budget deficit to roughly 2% of GDP. This year's first quarter fiscal accounts posted a budget deficit of roughly 0.4% of GDP as expenditure increases outpaced revenues. Basically, public debt is expected to rise in the course of the Panama Canal expansion. However, the country's government bond rating is not likely to be affected, as the government does not plan to provide any direct funding or guarantees. Second, the project is expected to be a very profitable one. Third, a new version of the Fiscal Responsibility law, ready for submission to the National Assembly in September, should set limits of debt accumulation and deficits.
- With the US dollar undergoing gradual depreciation and Panamanian inflation remaining below US figures, Panama will continue to gain international competitiveness. Panama's structural current account deficit is expected to remain stable at about 4.5% of GDP.
- Panama's bonds appear expensive on a relative-value basis. Additionally, they could come under pressure due to increased issue activity related to the Canal expansion.

Risk factors

- Fiscal slippage

Spread forecast	07/02/07	A	B	C
BSCAX Panama	124 bps	110 bps	125 bps	200 bps

Scenario Analysis



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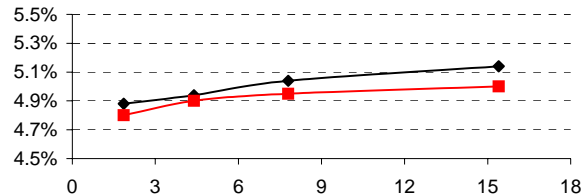




Time of Analysis		Risk-free	Probabilities		
Start	Horizon	Rate	A	B	C
03/07/2007	02/07/2008	5.25%	15%	70%	15%

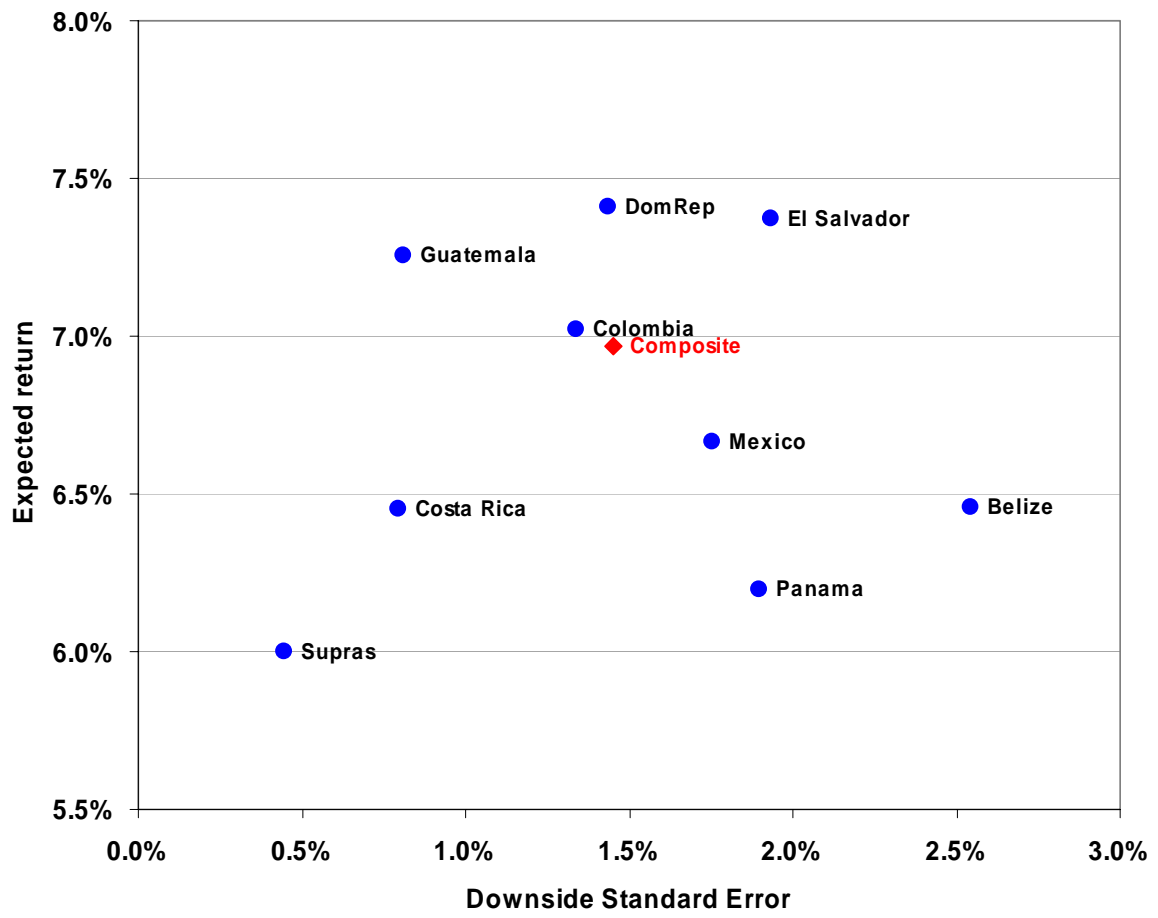
Country	BSCAX Weight	Stripped Spread	Spread Forecast			Expected Total Return			DSSE
			A	B	C	A	B	C	
Belize	0.2%	380 bps	370 bps	410 bps	500 bps	10.9%	7.2%	-1.3%	2.5%
Colombia	5.3%	108 bps	80 bps	90 bps	180 bps	8.5%	7.8%	1.8%	1.3%
Costa_Rica	19.3%	124 bps	100 bps	115 bps	200 bps	7.6%	6.9%	3.2%	0.8%
Dominican_	0.9%	203 bps	180 bps	190 bps	300 bps	9.0%	8.3%	1.5%	1.4%
El Salvador	41.4%	128 bps	105 bps	115 bps	200 bps	9.4%	8.5%	0.3%	1.9%
Guatemala	12.4%	144 bps	120 bps	130 bps	200 bps	8.5%	7.9%	3.2%	0.8%
Mexico	13.1%	87 bps	60 bps	70 bps	170 bps	8.3%	7.6%	0.7%	1.8%
Panama	3.1%	124 bps	110 bps	125 bps	200 bps	8.3%	7.0%	0.4%	1.9%
Supranation	4.5%	101 bps	90 bps	100 bps	150 bps	6.7%	6.3%	4.1%	0.4%
Composite	100.0%	123 bps	99 bps	111 bps	194 bps	8.6%	7.8%	1.5%	1.4%

Treasury Benchmark bonds	Yield at Start	Yield at Horizon	Modified Duration
2yr On-the-run Treasury	4.88%	4.80%	1.9
5yr On-the-run Treasury	4.94%	4.90%	4.4
10yr On-the-run Treasury	5.04%	4.95%	7.8
30yr On-the-run Treasury	5.14%	5.00%	15.4



Note:

This table shows the expected return of CABEI Fund's benchmark over a twelve-month horizon under three different spread scenarios. We expect US Treasury yields to decline in the next 12 months, which would result in a positive return contribution of 0.5% on average. This positive return will add to the running yield and, in some cases, to return from expected spread tightening.





Currency forecasts (6 months)

Currency	A (15 %)	B (70 %)	C (15 %)
EURUSD	1.42	1.34	1.22
USDJPY	112.00	122.00	130.00
USDMXN	10.40	10.64	11.50
USDARS	3.00	3.10	3.25
USDCOP	1800	1858	2400

Allocation Ranges



The investment committee has agreed on the following policy ranges for the country allocation of the CABEL Fund for the third quarter of 2007:

Country	Index	06/29/07	Minimum	Maximum
Argentina *	0.0 %	2.1 %	0 %	10 %
Belize	0.2 %	0 %	0 %	5 %
Colombia	5.3 %	2.4 %	0 %	10 %
Costa Rica	19.3 %	21.5 %	15 %	30 %
Dominican Republic *	0.9 %	4.4 %	0 %	10 %
El Salvador	41.4 %	24.5 %	20 %	40 %
Guatemala	12.4 %	19.6 %	10 %	30 %
Mexico (external)	13.1 %	7.0 %	5 %	15 %
Mexico (domestic)	0 %	7.0 %	0 %	10 %
Nicaragua *	0 %	3.4 %	0 %	5 %
Panama	3.1 %	6.3 %	5 %	15 %
Cash	0.0 %	1.8 %		

* The combined allocation to Argentina, the Dominican Republic, and Nicaragua should not exceed 20 % of the fund's assets.

Duration (after hedge) 6.7 yrs 7.5 yrs 3.0 yrs 9.0 yrs

Change in allocation as discussed during investment committee meeting:

- We will significantly increase the share of Guatemala's bonds in the portfolio. Furthermore, we will raise the weight of Costa Rica and Colombia.
- In turn, we will reduce exposure to Panama, El Salvador and Nicaragua.
- In addition, we will cautiously observe developments in Argentina, as there might be tactical investment opportunities.

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