

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

Annual Report & Audited Financial Statements

For the Year Ended 31 December 2008



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CABEI Central American Fund plc CABEI Central American Portfolio

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Organisation

Organisation

Registered Office of the Company

25/28 North Wall Quay
Dublin 1
Ireland

Investment Manager

DWS Finanz-Service GmbH
Mainzer Landstrasse 178-190
60327 Frankfurt am Main
Germany

Administrator, Registrar and Transfer Agent

Bank of Ireland Securities Services Limited
New Century House
Mayor Street Lower
International Financial Services Centre
Dublin 1
Ireland

Custodian

The Governor and Company of the Bank of Ireland
Head Office:
Lower Baggot Street
Dublin 2
Ireland

Place of Business:

New Century House
Mayor Street Lower
International Financial Services Centre
Dublin 1
Ireland

Independent Auditors

KPMG
1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

Directors of the Company

Walter Dostmann (German) (Chairman)

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:

Per Åke Rydberg (Swedish) (Irish Resident)
Michael Greene (Irish)
Jaime Chavez (Honduran)
Mario Arana (Nicaraguan) (Appointed 1 March 2008)

Secretary

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

Consultant

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

Legal Advisor

Sponsoring Broker

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

Registered No: 303448

Background to the Company

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. 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. The shares of the Portfolio are listed in the Irish Stock Exchange.

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 selected 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.

The Portfolio's investment and borrowing restrictions are detailed in a Supplement to the Offering Circular issued on 24 July 2007. Although the Portfolio is not a UCITS (Undertakings for Collective Investment of Transferable Securities) fund, the Directors have resolved to apply the restrictions on investment and borrowing which apply to UCITS funds to the Portfolio, as a consequence of European Union directives.

Investment Management

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

Net Asset Value

The Net Asset Value of the Portfolio is calculated daily for every day that is a business day in Dublin and New York. 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.

Background to the Company (continued)

Net Asset Value (Continued)

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.

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. Requests for the purchase of Shares may be made by facsimile, email or in writing to the Administrator.

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 either by facsimile or in writing to the Administrator.

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 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 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 6700300

Fax: 353 1 8290144

The above details are in summary form only and must be read in conjunction with the detailed information contained in the revised Offering Circular dated 1 January 2005, and subsequent supplements to the Offering Circular.

Investment Manager's Report

Investment Manager's Report

The net asset value of the CABEI Central American Fund contracted 13.78% for the twelve months ended 31 December 2008. At the end of the year, the Fund had net assets of US\$ 92.75 million and a net asset value of US\$ 1,391.41 per share.

Investment Environment

Debt markets in Central America, the Caribbean and South America had a solid development in the first three months of 2008. However, performance started to deteriorate in the second quarter, suffering from weaker investor sentiment after Bear Stearns' collapse and worries about the global inflation outlook. In September, financial markets took another hit after the bankruptcy of Lehman Brothers. Worries about the global growth outlook dominated the markets and added to the negative investor sentiment. On the back of US financial turmoil, the US Federal Reserve Bank cut interest rates by 275 basis points (bps) from 3.00% to 0.25% by year-end.

Central American sovereign debt was unable to avoid the global financial crisis. Starting in September 2008, deleveraging within its investor base put significant pressure on riskier assets. Many investors from core markets (US, Western Europe) cut positions in all risky asset classes, which weighed on USD bonds of Central America and the Caribbean. Sovereign debt of El Salvador experienced the largest spread widening against US Treasury's, followed by Guatemala and Costa Rica; whereas spreads of Panama and Mexico widened more moderately.

Over the course of 2008, the deepening global financial turmoil increasingly clouded the economic picture in Central America and the Caribbean. Strong linkages with the global economy made the region vulnerable to contagion. Growth started to slow markedly on the back of a US economy stuck in recession. The United States absorbs most of the region's exports and accounts for most of its foreign direct investment, tourism and remittance flows. On the positive side, inflation concerns no longer dominated headlines in the second half of 2008, as international energy and food prices fell sharply. Looking into individual countries, it becomes apparent that some are better prepared to weather a severe global slowdown than others.

- After growing above trend in 2007, Costa Rica's economic picture changed significantly in 2008. Tighter monetary policy reduced credit availability, in turn contributing to the economic slowdown. In addition, the global recession, especially in the US, was already being felt in export performance. More positively, fiscal performance surprised to the upside in 2008. Tax collection increased, while expenditures grew at a more moderate and prudent pace. Due to this development, the government now has resources to stimulate the faltering economy in 2009.
- According to El Salvador's monthly economic activity index, the slowdown started to gain momentum towards the end of 2008. Strong linkages to the faltering US economy translated into weaker export performance, diminished remittance flows and less foreign direct investment. Like in other commodity importing countries, inflation entered a clear downward path in the second half of 2008. In particular, declining energy prices already resulted in lower transportation costs.
- The second half of 2008 was marked by deteriorating economic performance in Guatemala. The US recession started to take a toll on the country via lower export demand and remittances. Conversely, fiscal accounts performed well, supported by better than expected revenues. Recent fiscal reforms and efforts to crack down on tax evasion supported an increase in the country's tax take, thereby giving the government flexibility to provide stimulus to the economy in order to avoid too sharp a slowdown. Inflation prospects moderated aided by falling international commodity prices.
- Nicaragua experienced extremely difficult conditions in 2008. Weak domestic demand coupled with lower exports to the US, as well as intra-regional trade weighed significantly on the economy. Nicaragua's most dynamic sectors are also the most export-oriented ones. Rising international prices for energy and food had a hugely negative impact on the import bill and prevented the current account deficit of around 15% of GDP from declining.

Investment Manager's Report (continued)

Investment Environment (Continued)

- Albeit losing some steam on the back of lower US demand, Panama's good economic performance remained on track in 2008. Growth continuously turned into a domestic demand story on the back of impressive investment expenditure directed to the Canal expansion, and development of roads, oil refineries and tourist resorts.
- The global economic slowdown coupled with tighter monetary conditions led to significant moderation of economic growth in the Dominican Republic in 2008. Deteriorating tourism revenues and reduced remittances flows turned out to be the main drags on the country. On the positive side, inflation started to fall in the second half of 2008 due to sharply lower international food and energy prices.

As regards countries outside the region of Central America and the Caribbean, global economic and financial market turbulences also started to be felt. In 2008, Mexico's close connection to the recessionary US economy resulted in a severe growth slump. In the first place, deceleration in the US manufacturing sector became a heavy drag on auto-related exports. Secondly, reduced flows of workers remittances weighed on private consumption. In addition, the country faced continuously sliding oil production. Pemex extracted 31% less crude last year from Cantarell, Mexico's biggest oil field. Overall oil output dropped 9% year-on-year in 2008.

Elsewhere, Argentina faced the double whammy of the sharp global economic slowdown feeding into the domestic economy and international financial markets remaining shut since it defaulted on its bonds in 2001. The Argentine economic climate kept deteriorating as the government was not successful in convincing investors of their ability to stabilize macroeconomic performance. In late December, authorities managed to stabilize the currency after a period of significant peso depreciation. Peso deposits have lately started to grow again, partly reflecting tighter capital controls reducing the corporate sector's ability to hoard US dollars. Colombia started to show signs of severe economic slowdown in the second half of 2008. The country's strong linkage to the US economy and Venezuela was the main driver behind the deterioration of activity, primarily via faltering exports.

Investment Strategy

After bond markets in Central and South America had severely suffered from global financial market turmoil, deteriorating investor sentiment and worries about global growth outlook since summer 2008, last December brought some relief for fund performance. Investors not only took positions in bigger Latin American countries like Brazil, Mexico, Colombia and Peru, but also looked at attractive opportunities in Central America and the Caribbean.

Throughout the year, fund management generally took a cautious stance in its investment strategy. Economic and political challenges in El Salvador let us keep the underweight position versus the reference index. Strategic exposure is held in USD bonds of Panama, Costa Rica and Guatemala, as these countries showed the strongest fundamentals in the region. With global turmoil intensifying in September 2008, local market positions in Mexico were reduced significantly, and duration was shortened. Tactical positions in local debt of "high beta" countries like Colombia had been closed long before currency and bonds started to experience massive pressure. Spread duration was reduced, especially in Mexico and Colombia. Holdings in Argentina were set to zero due to the country's severe economic and political problems.

Positions in short-dated bonds of the Dominican Republic were held as a diversification investment. Bonds from Nicaragua were taken as an investment into further improvements of the country, especially as this portfolio holding benefits from the steady amortization that makes it an attractive shorter dated investment. Corporate exposure was minimal and primarily focused on names that are less correlated to global financial markets. In December 2008, increasing concerns about the economic slowdown made market participants start to price in aggressive rate cuts in Mexico. Hence, fund management built up Mexican local market positions. Additionally, exposure to El Salvador was tactically increased in late 2008 as spreads had widened to levels not justified by fundamentals.

Investment Manager's Report (continued)

Investment Strategy (Continued)

As of 31 December 2008, the Fund had an average modified duration of 4.64^[1]. The Fund's average maturity stood at 10.8 years. The Fund held a total of 22 securities in its portfolio, and the average rating of these securities was BB+, as rated by Standard & Poor's. At the end of the fiscal period, approximately 69% of the Fund's total assets were invested in securities from founding members of the Central American Bank for Economic Integration (CABEI), namely Costa Rica, El Salvador, Guatemala, and Nicaragua. Approximately 11.2% of the portfolio's assets were invested in securities from CABEI extra-regional members, namely Mexico and Colombia. Approximately 7.9% was invested in securities from Panama and around 3.6% in bonds from the Dominican Republic. At the end of December, the Fund also held 1.95% of net assets in cash, mostly US dollars.

Investment Outlook

The return outlook for the fund currently depends on three factors: global growth, international financial market development and country-specific events.

Governments in developed countries have delivered strong support for ailing financial systems in order to avoid repetition of a negative event like the Lehman collapse in September 2008. Market focus has shifted towards crisis impact on global economic growth. Across the board, economic indicators come out on the negative side, pointing to a severe economic downturn. Consequently, both the US and the European Union are expected to unveil additional large fiscal stimulus packages in 2009. A number of emerging market economies also started to switch to massive counter-cyclical policies, ranging from interest rate cuts to significant fiscal measures. Still, even in the best-case scenario, economic activity is likely to remain weak through much of 2009.

The shaky global outlook will likely continue to weigh on Central American countries, as growth and capital flows might suffer from a slump especially in US economic activity. Within the region of Central America and the Caribbean, Guatemala, Costa Rica and Panama seem to be best-prepared to weather a severe global slowdown. Guatemala's and Costa Rica's solid fiscal balances equip the governments with that flexibility eventually necessary to stimulate the economy. Panama has its own individual growth story, which is to a large degree related to the Canal expansion project. Authorities in El Salvador and the Dominican Republic have less fiscal resources available. Consequently, fiscal deficits will deteriorate significantly in order to finance measures stimulating faltering economies. With energy and food prices down sharply, inflation concerns will be less of a topic in 2009. Net-commodity-importers in Central America and the Caribbean are expected to experience significant relief, as many of them allowed full pass-through of higher international commodity prices to domestic prices.

On the back of the financial crisis spilling over into the real economy, the fund management will continue to follow a cautious investment approach, especially in the near term. In general, fund management is convinced that some Central American issuers offer attractive value, and will actively allocate between different regional names. We remain convinced that active management of a diversified Central American debt portfolio offers attractive total return opportunities.

**On behalf of the Investment Manager
DWS Finanz-Service GmbH**

**Dr. Nicolas Schlotthauer, CEFA
Portfolio Manager**

January 2009

^[1] Modified 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 2008.

Statement of Directors' Responsibilities

Directors are responsible for preparing the Directors' Report and Financial Statements in accordance with applicable law and regulations.

Company law requires Directors to prepare Financial Statements for each financial year. Under that law 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 published 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, Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 2006. 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. In this regard, they have entrusted the assets of the Company to a Custodian for safe-keeping.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts, 1963 to 2006.

Principal Activities

The Company has been approved by the Irish Financial Regulator as an investment company pursuant to Part XIII of the Companies Act, 1990.

The objective of the Company is to generate a high real rate of return.

The Investment Manager's Report contains a review of the factors which contributed to the performance for the year. Directors do not anticipate any changes in the structure or investment objective.

Director's Report (continued)

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 the notes to these accounts.

Events since the year end

There have been no significant events affecting the Company since the year end.

Dividends

The Directors do not recommend the payment of a dividend.

Substantial Shareholdings

Central American Bank for Economic Integration had an interest of 75.00% (2007: 69.15%) in the Shares of the Company at the year end.

Directors and Secretary

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

Alejandro Rodriguez (Costa Rican)
Jaime Chavez (Honduran)
Markus Kohlenbach (German)
Michael Greene (Irish)
Nick Rischbieth Glöe (Honduran)
Per Åke Rydberg (Swedish) (Irish Resident)
Mario Arana (Nicaraguan) (appointed 1 March 2008)
Walter Dostmann (German) (Chairman)

Directors' Interests in Shares and Contracts

Walter Dostmann holds one subscriber share. None of the other Directors listed above who held office at the year end 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 financial year.

Director's Report (continued)

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:

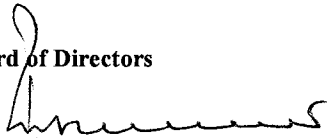
Bank of Ireland Securities Services Limited
New Century House
Mayor Street Lower
International Financial Services Centre
Dublin 1
Ireland

Auditors

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

On Behalf of the Board of Directors

Walter Dostmann



Per Åke Rydberg



27 March 2009

Report of the Custodian to the Shareholders

We have enquired into the conduct of the CABEI Central American Fund plc - CABEI Central American Portfolio (the "Company") for the year ended 31 December 2008, in our capacity as Custodian to the Company.

This report including the opinion has been prepared for and solely for the shareholders in the Company as a body, in accordance with the Financial Regulator's Non - UCITS Notice 7, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Responsibilities of the Custodian

Our duties and responsibilities are outlined in the Financial Regulator's Non - UCITS Notice 7. One of those duties is to enquire into the conduct of the Company in each annual accounting period and report thereon to the shareholders.

Our report shall state whether, in our opinion, the Company has been managed in that period in accordance with the provisions of the Company's Memorandum and Articles of Association and the Non - UCITS Notices. It is the overall responsibility of the Company to comply with these provisions. If the Company has not so complied, we as Custodian must state why this is the case and outline the steps which we have taken to rectify the situation.

Basis of Custodian Opinion

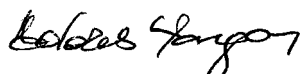
The Custodian conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in Non - UCITS Notice 7 and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations, and, (ii) otherwise in accordance with the Company's constitutional documentation and the appropriate regulations.

Opinion

In our opinion, the Company has been managed during the year, in all material respects:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Memorandum and Articles of Association and by the Financial Regulator under the powers granted to it by the Companies Act, 1990, Part XIII, and the Investment Funds Act, 2005; and,

(ii) otherwise in accordance with the provisions of the Memorandum and Articles of Association, the Companies Act, 1990, Part XIII.



The Governor and Company of the Bank of Ireland
27 March 2009

Independent Auditors Report to the Members of CABI Central American Fund plc—CABI Central American Portfolio (the “Company”)

We have audited the Company’s Financial Statements for the year ended 31 December 2008 which comprise the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares, the Schedule of Investments and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, 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 members 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 the law, we do not accept or assume responsibility to anybody 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 Irish law and the accounting standards issued by the Accounting Standards Board and published 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 7.

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 in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the Financial Statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the Company has kept proper books of account; and,
- whether the Directors’ report is consistent with the Financial Statements.

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 Manager'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 Members of CABEI Central American Fund plc-CABEI Central American Portfolio (the "Company")

(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 Practice in Ireland, of the state of the Company's affairs at 31 December 2008 and of its results for the year then ended; and,
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company's 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 :

1 Harbourmaster Place

IFSC

Dublin 1

27 March 2009

Profit and Loss Account

For the year ended 31 December 2008

	Notes	Year ended 31 December 2008 US\$	Year ended 31 December 2007 US\$
Income			
Operating income	3	109,832	198,306
Net (losses)/gains on financial assets and liabilities at fair value through profit or loss	4	<u>(13,291,321)</u>	<u>5,567,274</u>
Total investment (loss)/income		(13,181,489)	5,765,580
Operating expenses	5	<u>(1,602,726)</u>	<u>(1,341,114)</u>
Net (expense)/income		(14,784,215)	4,424,466
Finance costs			
Interest expense		<u>(483)</u>	<u>(221)</u>
(Loss)/profit for the year before tax		(14,784,698)	4,424,245
Non-reclaimable withholding tax		<u>-</u>	<u>(407)</u>
(Loss)/profit for the year after tax		<u>(14,784,698)</u>	<u>4,423,838</u>
(Decrease)/increase in Net Assets Attributable to Holders of Redeemable Participating Shares		<u><u>(14,784,698)</u></u>	<u><u>4,423,838</u></u>

There are no recognised gains or losses arising in the year other than the (decrease)/increase in Net Assets Attributable to Holders of Redeemable Participating Shares of the Company. In arriving at the results of the financial year, all amounts above relate to continuing operations.

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

On Behalf of the Board of Directors

Walter Dostmann

Per Åke Rydberg

27 March 2009

Balance Sheet

As at 31 December 2008

	Notes	As at 31 December 2008 US\$	As at 31 December 2007 US\$
Assets			
Cash and Bank Balances	6	1,831,213	1,414,439
Debtors	7	22,010	47,947
Debt instruments designated at fair value through profit or loss	1(b)	<u>91,207,771</u>	<u>108,567,696</u>
Total Assets		<u>93,060,994</u>	<u>110,030,082</u>
Liabilities			
Bank Overdraft	8	(20,463)	(9)
Creditors (amounts falling due within one year)	9	<u>(289,034)</u>	<u>(263,199)</u>
Total Liabilities		<u>(309,497)</u>	<u>(263,208)</u>
Net Assets Attributable to Holders of Redeemable Participating Shares		<u>92,751,497</u>	<u>109,766,874</u>
Net Asset Value per A Share	11	<u>1,391.41</u>	<u>1,613.86</u>

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

On Behalf of the Board of Directors

Walter Dostmann

Per Åke Rydberg

27 March 2009

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

For the year ended 31 December 2008

	Year ended 31 December 2008 US\$	Year ended 31 December 2007 US\$
Net Assets Attributable to Holders of Redeemable Participating Shares at beginning of year	<u>109,766,874</u>	<u>84,491,137</u>
(Decrease)/increase in Net Assets resulting from operations	<u>(14,784,698)</u>	<u>4,423,838</u>
Amounts received on issue of Redeemable Participating Shares	10,709,970	37,697,807
Amounts paid on redemption of Redeemable Participating Shares	<u>(12,940,649)</u>	<u>(16,845,908)</u>
(Decrease)/increase in Net Assets resulting from Share transactions	<u>(2,230,679)</u>	<u>20,851,899</u>
Net (decrease)/increase in shareholders' funds	<u>(17,015,377)</u>	<u>25,275,737</u>
Net Assets Attributable to Holders of Redeemable Participating Shares at end of year	<u><u>92,751,497</u></u>	<u><u>109,766,874</u></u>

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

Notes to the Financial Statements For the year ended 31 December 2008

1. Significant Accounting Policies

a) Basis of preparation

These Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles in Ireland and the Companies Acts, 1963 to 2006. Accounting standards generally accepted in Ireland in preparing Financial Statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board ("ASB").

The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through the 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/(liabilities) and income/(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 accounting policies have been applied consistently by the Company and are consistent with those in the previous year.

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 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 Profit and Loss Account and Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares on pages 13 and 15.

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 and rounded to the nearest US Dollar.

b) Investments

(i) Classification and Recognition

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 Company has designated all its investments as financial instruments held for trading.

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

1. Significant Accounting Policies (Continued)

b) Investments (Continued)

(i) Classification and Recognition (Continued)

The Company 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 Company.

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.

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 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 assets and liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Financial liabilities, arising from the Redeemable Shares issued by the Company, are carried at the redemption amount representing the Investors' right to a residual interest in the Company's Assets.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted dirty market prices (i.e. including accrued income) 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 Company 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.

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

1. Significant Accounting Policies (Continued)

b) Investments (Continued)

(iii) Fair value measurement principles (Continued)

The fair value of the following securities have been estimated with care and good faith by the pricing committee as outlined below:

Guatemala Electrical Trust Note (8.50% Citco Trustees Cayman 21/12/2014)

The Guatemala Electrical Trust Notes (Citco Trustees Cayman Ltd 8.5% 21/12/2014) are priced relative to the sovereign notes of the Republic of Guatemala, given current liquidity conditions for Emerging Markets corporate debt and the bond's relatively small issue size. This yield is regularly 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 a 155 basis point spread above 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. This stock is priced daily by the Administrator's Central Pricing Unit (CPU). The CPU will obtain a daily price for the security via IDC feed and conduct a yield to maturity calculation. Using this yield and 155 basis point spread the price of the Guatemalan Electrical Trust note is calculated. On a quarterly basis, the Investment Manager assists the Administrator in obtaining an independent broker quote.

Republic of Nicaragua for the Payment of Indemnification (BPI) (Nicaragua Government International Bond 5% 01/02/2011)

Using Bloomberg platform, the bonds are valued at a spread 700 basis points over LIBOR. The spread incorporates the pricing committee's assessment of both the average country risk of Latin American sovereign issuers and the lower rating and much lower liquidity of Nicaraguan BPI's. The Administrator's Central Pricing Unit (CPU) calculates the bond's price on a daily basis using the 6 month US\$ Dollar Libor rate and the EMBI Global Diversification Index to determine the average stripped spread of Latin American sovereign issuers. Spreads of 300 bps to compensate for lower rating and 400bps to compensate for lower liquidity are used. These spreads can be changed by the Fund's pricing committee if there is a change in the respective risk premiums. A monthly broker price is also obtained from ABN Amro and is used to back up the daily calculation on a monthly basis.

CABEI Floating Rate Note linked to ICE Costa Rica (Central American Bank for Economic Integration FRN 25/04/2015)

The floating rate note issued by the Central American Bank for Economic Integration (CABEI) is linked to the Costa Rican telecommunications and electrical entity Instituto Costarricense de Electricidad (ICE), maturing 25/04/2015. The note has an amortising structure, which matches the cash flows generated out of the underlying loan. Amortisation starts in April 2009. The pricing committee has determined that the sovereign notes of the Republic of Costa Rica, due 2012, offer the most appropriate benchmark for the CABEI note. The semi-annual amortisation schedule reduces average life to 3.7 years. The price for the notes will be derived using a yield-to-price calculation based on a 50 basis points spread over the Costa Rica 2012 sovereign bond.

The Investment Manager compares price moves in the CABEI note with those occurring in the Costa Rica 2012 bond for the same period. In addition, the Investment Manager follows the pricing of two USD bonds issued by ICE on global markets. The Administrator receives a weekly broker price from CABEI for this security. The broker provides supporting documentation illustrating the price calculation details including the price of Costa Rica 2012 and the yield to maturity with a spread of 0.5%.

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

1. Significant Accounting Policies (Continued)

b) Investments (Continued)

(iii) Fair value measurement principles (Continued)

CABEI Floating Rate Note (Central American Bank for Economic Integration FRN 01/06/2010)

The floating rate note issued by the Central American Bank for Economic Integration (CABEI) is priced relative to the 3-month US dollar London inter-bank offer rate (LIBOR) and is derived using a spread of 50 basis points above the benchmark LIBOR. The note does have an amortising structure, with the first out of six quarterly amortisations coming in March 2009. The Investment Manager retrieves the 3-month LIBOR quote from Bloomberg. Given the floating feature, the interest rate is reset on a quarterly basis, reflecting the 3-month US dollar LIBOR quote at that time plus the margin. The Administrator calculates the price of this security on a daily basis. The Administrator's Central Pricing Unit (CPU) calculates the price using yield and the 3 month USD LIBOR rate plus 50 basis points.

(iv) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

(v) 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

Bank interest income is accounted for on an effective yield basis. Coupon interest is included in realised and unrealised gains/losses on investments in the profit and loss account on an accruals basis.

e) Fees and charges

In accordance with the Prospectus, management fees, administration fees, custody fees and other operating expenses are charged to the Profit and Loss Account on an accruals basis.

f) 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 Account.

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

1. Significant Accounting Policies (Continued)

g) Redeemable Participating Shares

Redeemable Participating Shares are redeemable at the Shareholder's option and are classified as financial liabilities. Any distributions on these participating shares are recognised in the Profit and Loss Account as finance costs.

h) Gains and Losses on Investments

Realised gains or losses on disposal of investments during the period and unrealised gains and losses on valuation of investments held at the period end are dealt with in the Profit and Loss Account.

i) Foreign Exchange

The functional currency of the Company is US Dollars. The Directors have determined that this reflects the Company's primary economic environment, as the majority of the Company's Net Assets Attributable to Holders of Redeemable Participating Shares are in US Dollars.

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. Net currency gains/(losses) as set out in Note 4, 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 functional currency of the Company, have been translated at the rate of exchange ruling at 31 December. Transactions in foreign currencies are translated into US Dollars at the exchange rate prevailing at the date of the transaction. Gains and losses on foreign exchange transactions are recognised in the Profit & Loss Account in determining the result for the year.

The following exchange rates were used to convert investments, assets and liabilities to the functional currency of the Company:

	As at 31 December 2008	As at 31 December 2007
	US\$1=	US\$1=
Colombian Peso (COP)	2,248.5808	2,017.2503
Costa Rican Colon (CRC)	555.4664	498.1153
Euro (EUR)	0.7194	0.6840
Mexican Peso (MXN)	13.8485	10.9143

2. Financial Risk Management

Strategy in using Financial Instruments

In pursuing its investment objective, the Company is exposed to a variety of financial risks: market risk (including market price risk, interest rate risk and currency risk), credit risk and liquidity risk that could result in a reduction in the Company's net assets. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below.

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

2. Financial Risk Management (Continued)

Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

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 selected for privatisation, corporate issuers, supranational issuers, quasi-governmental issuers, and any other issuer deemed fit for investment by the Directors, or a committee thereof.

The Portfolio's debt securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Investment Manager moderates this risk through a careful selection of securities within specified limits. The Fund's pricing committee is advised by the Administrator of any individual securities that have a price movement greater than 3% from one business day to the next. After consultation with the Fund's pricing committee, the price movements may be agreed upon or amended if the committee can provide sufficient back up (two recognised price sources) that the security should be priced at a different level.

The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Board of the Company manage the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board is informed of any unusual price variation on a timely basis. The Board meets quarterly and at each meeting reviews investment performance and overall market positions. They monitor the Investment Manager's compliance with the Company's objectives.

Details of the nature of the Company's investment portfolio at the balance sheet date are disclosed in the Schedule of Investments on pages 33 and 34.

At 31 December 2008, the Company's market risk is affected by three main components: changes in actual market prices, interest rates and foreign currency movements. Interest rate and foreign currency movements are covered in the separate sections below.

Value-at-Risk (VaR)

Value-at-risk is currently used to derive a quantitative measurement for a fund's market risk under normal market conditions. VaR is calculated every day. The Investment Manager uses RiskMetrics Risk Manager as the engine for calculating VaR. Suitable stress tests are carried out on a weekly basis. Back-testing, for reviewing the predictive quality of the VaR model, is performed daily.

The Investment Manager receives a daily results report from Risk Manager. This report shows the VaR of the fund and its reference fund, including, where appropriate, sensitivity data. The results of stress tests are provided weekly. The Investment Manager uses these reports every day to check that statutory and contractual market-risk limits (i.e. the VaR of the Fund may not be more than twice (200%) as high as the VaR of the derivative-free comparable reference/benchmark Fund) have been observed. Their findings are to be properly taken into account in investment decisions.

The statistical VaR process is used to derive a quantitative measurement for a fund's market risk under normal market conditions. The result of the VaR calculation indicates the potential future losses for a fund (based on the market value) that will not be exceeded under normal market conditions, for a specified holding period and confidence level (e.g. 99%). The VaR method is a consistent, standard measurement that can be applied to all trading transactions and products. This enables the calculated market risk to be compared with both a specific time period and the actual return.

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

2. Financial Risk Management (Continued)

Value-at-Risk (VaR) (Continued)

The Investment Manager's policy is to use historical calculation for monitoring regulatory requirements whilst VaR figures from Monte Carlo (MC) simulation are calculated for information only. Historical simulation is used because it is more transparent. Historical simulation applies the changes in market data over the previous twelve months to the current market environment. MC simulation is a model that calculates the profit or loss made by a fund in a large number of different market scenarios (generally 10,000 scenarios).

The following quantitative specifications apply to the VaR model:

- 99% confidence level
- 10 day holding period
- one year historical time series
- equally weighted daily returns

The main market risks addressed include: interest rate risk, credit spreads risk, equity price risk, exchange rate risk, vega risk, and their associated correlations.

Assumptions and Limitations of VaR

The standard VaR calculation is currently based on the historical market events of the last 252 trading dates. Market events not contained within this time window are not taken into account to assess potential future losses. A prerequisite to calculating VaR properly is the availability of sufficient data. VaR works well for instruments whose input variables, i.e. risk factors, are market observables or can at least be easily derived from the market. VaR relies on the availability of high-quality time series of the risk factors.

Correlations among all risk factors are calculated ad-hoc. Another important issue is changing correlation - for example, securities or asset classes which have been previously uncorrelated, might suddenly become highly correlated.

The Investment Manager calculates daily the VaR with two methods simultaneously, i.e., historical simulation and Monte Carlo simulation. However, the Monte Carlo VaR calculation is based on the assumption that returns of risk factors are normally distributed with a constant variance over time. This is a simplification of reality and "fat tails" and greater market events are underestimated.

The VaR calculation is subject to statistical sampling error. The actual losses experienced by any individual fund may be greater than the VaR. If a 99% confidence level is selected, 1% of actual losses will be greater than the VaR. In a highly volatile market the VaR may underestimate the risk in the fund.

VaR Analysis

At 31 December 2008, utilising the Investment Manager's proprietary risk model, under normal market conditions the ten day historical VaR for the CABEI Central American Portfolio is approximately 7.03%/ US\$5,015,569 (31 December 2007: 3.34%/ US\$2,452,348) at the 99% confidence level. That is, under normal market conditions and assuming no changes to shareholder capital, there is estimated to be a greater than 99% probability that the value of this Portfolio would not decrease by more than 7.03%/ US\$5,015,569 (31 December 2007: 3.34%/ US\$2,452,348) over ten days.

The market experienced unusual volatility during 2008 and, consequently, actual results fell outside the parameters of the VaR model.

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

2. Financial Risk Management (Continued)

Interest rate risk

The Fund's interest bearing financial assets and liabilities exposes it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows.

Interest rate risk is managed, in part, by the security selection process of the Investment Manager which includes predictions of future events and their impact on interest rates, diversification and duration. In accordance with Company policy, the Investment Manager monitors the Portfolio's overall interest sensitivity on a daily basis. The Directors rely on the Investment Manager to keep them informed of any material event. There were no material changes to the Company's policies and processes for managing interest rate risk and the methods used to measure risk since the prior year end.

The tables below summarise the Fund's exposure to interest rate risks. It includes the Fund's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 December 2008	Less than 1 month US\$	1 month - 1 year US\$	1 - 5 years US\$	> 5 years US\$	Non-interest bearing US\$	Total US\$
Assets						
Debt instruments designated at fair value through Profit and Loss	2,053,397	-	34,515,545	54,638,829	-	91,207,771
Debtors	-	-	-	-	22,010	22,010
Cash Deposits	1,831,213	-	-	-	-	1,831,213
Total assets	3,884,610	-	34,515,545	54,638,829	22,010	93,060,994
Liabilities						
Bank Overdraft	(20,463)	-	-	-	-	(20,463)
Accrued expenses	-	-	-	-	(289,034)	(289,034)
Redeemable participating shares	-	-	-	-	(92,751,497)	(92,751,497)
Total liabilities	(20,463)	-	-	-	(93,040,531)	(93,060,994)
Total interest sensitivity gap	3,864,147	-	34,515,545	54,638,829	(93,018,521)	-
As at 31 December 2007						
Assets						
Debt instruments designated at fair value through Profit and Loss	-	-	29,374,834	79,192,862	-	108,567,696
Debtors	-	-	-	-	47,947	47,947
Cash Deposits	1,414,439	-	-	-	-	1,414,439
Total assets	1,414,439	-	29,374,834	79,192,862	47,947	110,030,082
Liabilities						
Bank Overdraft	(9)	-	-	-	-	(9)
Accrued expenses	-	-	-	-	(263,199)	(263,199)
Redeemable participating shares	-	-	-	-	(109,766,874)	(109,766,874)
Total liabilities	(9)	-	-	-	(110,030,073)	(110,030,082)
Total interest sensitivity gap	1,414,430	-	29,374,834	79,192,862	(109,982,126)	-

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

2. Financial Risk Management (Continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Certain of the Portfolio's assets and liabilities are denominated in currencies other than US Dollars, the functional currency. It is, therefore, exposed to currency risk as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. Income denominated in foreign currencies is converted to US Dollars on receipt.

In accordance with Company policy, the Investment Manager monitors the Portfolio's currency position on a daily basis. The Directors of the Company rely on the Investment Manager to keep them informed of any material event. There were no material changes to the Company's policies and processes for managing currency risk and the methods used to measure risk since the prior year end.

The tables below documents the Fund's exposure to currency risks, measured in US\$ equivalents:

As at 31 December 2008

Financial Assets - stated in US Dollars	CRC	MXN	Total US\$
Financial Assets at fair value through Profit and Loss	2,710,488	2,499,200	5,209,688
Debtors	-	-	-
Cash Deposits	-	173,132	173,132
Total assets	2,710,488	2,672,332	5,382,820

Financial Liabilities - stated in US Dollars	EUR	Total US\$
Bank Overdraft	(20,463)	(20,463)
Accrued expenses	-	-
Redeemable participating shares	-	-
Total liabilities	(20,463)	(20,463)

As at 31 December 2007

Financial Assets - stated in US Dollars	CRC	MXN	Total US\$
Financial Assets at fair value through Profit and Loss	3,779,990	5,339,149	9,119,139
Debtors	-	-	-
Cash Deposits	-	326,353	326,353
Total assets	3,779,990	5,665,502	9,445,492

Financial Liabilities - stated in US Dollars	EUR	Total US\$
Bank Overdraft	(9)	(9)
Accrued expenses	-	-
Redeemable participating shares	-	-
Total liabilities	(9)	(9)

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

2. Financial Risk Management (Continued)

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty or an issuer will be unable to pay amounts in full when due.

The carrying amounts of financial assets as disclosed in the balance sheet best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost, as they have a short-term to maturity.

As at 31 December 2008, the Fund's financial assets exposed to credit risk amounted to the following:

	As at 31 December 2008 US\$	As at 31 December 2007 US\$
Investments in debt instruments	<u>91,207,771</u>	<u>108,567,696</u>

Amounts in the above table are based on the carrying value of the instruments.

The Fund's financial assets exposed to credit risk were concentrated in the following sectors:

	As at 31 December 2008 %	As at 31 December 2007 %
Government Fixed	74.27	89.18
Suprationals	19.16	3.48
Corporate Fixed	<u>6.57</u>	<u>7.34</u>
	<u>100.00</u>	<u>100.00</u>

Other than outlined above, there were no significant concentrations of credit risk to counterparties at 31 December 2008 or 31 December 2007.

Credit risk arising on debt instruments is mitigated by investing primarily in financial assets which have an investment grade as rated by well-known rating agencies. For unrated assets, the Investment Manager assigns a rating using an approach that is consistent with rating agencies. At 31 December, the Fund was invested in debt securities with the following credit quality:

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

2. Financial Risk Management (Continued)

Credit risk (Continued)

Portfolio by Standard and Poor's rating category

Rating	As at	As at
	31 December 2008	31 December 2007
	%	%
AAA	2.97	3.50
A+	2.74	5.02
B	3.65	-
B-	2.51	-
B+	-	8.01
BB	14.27	27.13
BB+	43.08	38.95
BBB+	5.08	1.56
BBB-	3.53	1.62
Not rated	22.17	14.21
Total	<u>100.00</u>	<u>100.00</u>

In accordance with the Company's policy, the Investment Manager monitors the Fund's credit position on a daily basis, and the Board of Directors review it on a twice yearly basis. There were no material changes to the Company's policies and processes for managing credit risk and the methods used to measure risk since the prior year end.

All transactions in securities are settled/ paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

All of the cash and substantially all of the assets of the Fund are held by the The Governor and Company of the Bank of Ireland (the "Custodian"). Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to the cash and securities held by the Custodian to be delayed or limited. The Fund monitors its risk by monitoring the credit rating of the Custodian on a regular basis. The Custodian is rated A for long term debt with Standard & Poor's.

The Sub-Custodians used by the Fund are as follows: Citibank Mexico (3% of investments) and Euroclear (97% of investments). The Sub-Custodians are rated as follows with Moody's: Citibank Mexico, A1; Euroclear, AA+.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Fund had a cash position of 1.95% to net assets on 31 December 2008 (31 December 2007: 1.29%).

The Fund is exposed to daily cash redemptions of redeemable shares. The Fund generally retains a certain portion of its assets in cash, which is available to satisfy redemptions. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

2. Financial Risk Management (Continued)

Liquidity risk (Continued)

In accordance with Company policy, the Investment Manager monitors the Fund's liquidity position on a daily basis. The Directors of the Company rely on the Investment Manager to keep them informed of any material event. The Board is informed of any unusual liquidity issues on a timely basis. There were no material changes to the Company's policies and processes for managing liquidity risk and the methods used to measure risk since the prior year end.

The tables below analyse the Portfolio's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant. All amounts are stated in US Dollars.

As at 31 December 2008	Less than 1 month US\$	More than 1 month US\$	Total US\$
Accrued expenses	-	289,034	289,034
Bank overdraft	20,463	-	20,463
Redeemable participating shares	92,751,497	-	92,751,497
Total financial liabilities	<u>92,771,960</u>	<u>289,034</u>	<u>93,060,994</u>

As at 31 December 2007	Less than 1 month US\$	More than 1 month US\$	Total US\$
Accrued expenses	-	263,199	263,199
Bank overdraft	9	-	9
Redeemable participating shares	109,766,874	-	109,766,874
Total financial liabilities	<u>109,766,883</u>	<u>263,199</u>	<u>110,030,082</u>

Redeemable Participating Shares are redeemed on demand at the holder's option.

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

3. Operating Income	Year ended 31 December 2008 US\$	Year ended 31 December 2007 US\$
Deposit interest	100,660	173,713
Sundry income	9,172	24,593
	<u>109,832</u>	<u>198,306</u>
4. Net (Losses)/Gains on Financial Assets and Liabilities at Fair Value Through Profit or Loss	Year ended 31 December 2008 US\$	Year ended 31 December 2007 US\$
Realised gains on investments	5,510,483	4,516,232
Realised losses on sale of futures contracts	(118,750)	-
Net currency (losses)/gains	(95,005)	41,238
Net change in unrealised (depreciation)/appreciation on investments	(18,588,049)	1,009,804
	<u>(13,291,321)</u>	<u>5,567,274</u>
5. Operating Expenses	Year ended 31 December 2008 US\$	Year ended 31 December 2007 US\$
Administration fees	126,891	117,789
Auditors' fees	45,124	27,457
Custody fees	26,905	21,350
Directors' expenses	53,784	42,812
Directors' fees	117,332	91,286
Directors' liability insurance	40,769	27,540
Investment Management fees	888,215	761,729
Legal - administrative & general legal support	24,709	29,139
Legal - fund organisation & related business	76,412	51,735
Legal - other expenses	21,294	11,563
Marketing expenses	45,333	37,124
Other expenses	10,617	7,945
Printing/publishing fees	30,082	19,448
Professional fees	95,259	94,197
	<u>1,602,726</u>	<u>1,341,114</u>

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

6. Cash and Bank Balances	As at 31 December 2008 US\$	As at 31 December 2007 US\$
Governor and Company of the Bank of Ireland	1,831,213	1,414,439
7. Debtors	As at 31 December 2008 US\$	As at 31 December 2007 US\$
Deposit interest	723	492
Prepaid insurance	21,287	36,954
Sale of securities awaiting settlement	-	10,501
	<u>22,010</u>	<u>47,947</u>
8. Bank Overdraft	As at 31 December 2008 US\$	As at 31 December 2007 US\$
Governor and Company of the Bank of Ireland	20,463	9
9. Creditors (amounts falling due within one year)	As at 31 December 2008 US\$	As at 31 December 2007 US\$
Administration fees	9,214	11,364
Auditors' fees	26,993	28,836
Custodial fees	2,229	2,841
Directors' expenses	32,985	16,477
Directors' fees	84,462	79,781
Investment Management fees	61,011	77,379
Legal - administrative & general legal support	19,973	20,032
Legal - fund organisation & related business	7,476	8,532
Legal - other expenses	7,884	-
Marketing expenses	4,566	4,804
Other expenses	215	-
Printing/publishing fees	26,635	5,379
Professional fees	5,391	7,774
	<u>289,034</u>	<u>263,199</u>

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

10. 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 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.

In accordance with the objectives listed on page 2 and the risk management policies in Note 2, the Company strives to invest the subscriptions of redeemable participating shares in appropriate investments, while maintaining sufficient liquidity to meet shareholder redemptions. The Company also invests in short-term commercial paper and debt and disposes of listed securities, when necessary, to meet liquidity needs.

The Company does not have any externally imposed capital requirements.

Shares in Issue	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2006
Number of Class A Shares Issued and Fully Paid			
Balance at beginning of year	68,015	54,735	56,912
Issued during year	6,621	23,906	16,755
Redeemed during year	(7,976)	(10,626)	(18,932)
Total number of Class A Shares in issue at end of year	<u>66,660</u>	<u>68,015</u>	<u>54,735</u>
11. Net Asset Value	As at 31 December 2008 US\$	As at 31 December 2007 US\$	As at 31 December 2006 US\$
Net Asset Value	92,751,497	109,766,874	84,491,137
Net Asset Value per A Share	1,391.41	1,613.86	1,543.64

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

12. Fees

The Investment Manager is entitled to receive an Investment Management fee from the Company, payable monthly in arrears of 0.825% per annum, of the average daily Net Asset Value of the Portfolio.

The Investment Manager is also entitled to receive 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 is entitled to a fee which is accrued daily and paid monthly in arrears at an annual rate ranging from 0.02% to 0.35% of Net Asset Value for the assets held, subject to a minimum monthly fee of US\$1,500. The Administrator is entitled to a fee which is accrued daily and paid monthly in arrears at an annual rate of 0.115% 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.

13. 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 year, the Company did not invest in any futures. However, in previous years, the Company has used futures to hedge against market price movement.

14. 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.

Investment Manager

Related parties include the Investment Manager. Amounts earned by the Investment Manager are disclosed in Note 5.

Directors' fee

The total Directors' fee is disclosed in Note 5.

Shareholding of related parties

Central American Bank for Economic Integration had an interest of 75.00% (31 December 2007: 69.15%) in the Shares of the Company at 31 December 2008. Walter Dostmann (Company Chairman) holds one subscriber share.

Investments

The Company has investments in the notes of Central American Bank for Economic Integration, who is a significant shareholder in the Company. These investments are disclosed in the Schedule of Investments on page 33. These investments were made in the normal course of business on an arms length basis.

Notes to the Financial Statements For the year ended 31 December 2008 (continued)

15. 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. There were no chargeable events during the year.

In the absence of an appropriate declaration, the Company will be liable for Irish tax on the occurrence of a chargeable event and the Company reserves its right to withhold such taxes from payments to relevant shareholders.

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. A chargeable event includes any distribution payment to shareholders or any encashment, redemption or transfer of shares or an ending of a Relevant Period.

16. Soft Commission Arrangements

There are no soft commission arrangements affecting the Company during the year.

17. Material Changes During the Year

There were no material changes affecting the Company during the year.

18. Comparative Figures

The comparative figures are for the twelve months to 31 December 2007.

19. Post Balance Sheet Events

There have been no events subsequent to the year end, which, in the opinion of the Directors of the Company, may have had an impact on the Financial Statements for the year ended 31 December 2008.

20. Approval of Financial Statements

The Financial Statements were approved by the board on 27 March 2009.

Schedule of Investments

As at 31 December 2008

Holdings	Financial assets at fair value through profit or loss	Fair Value USD	% of Net Assets
Bonds - Principal Amount (a)			
Costa Rican Colon - denominated			
Supranationals (2007 - 3.44%)			
CRC1,820,000,000	Inter-American Development Bank 7.4% 11/10/2012	2,710,488	2.92
Total Costa Rican Colon - denominated		2,710,488	2.92
Mexican Peso - denominated			
Government Bonds (2007 - 4.86%)			
MXN33,000,000	Mexican Bonos 9% 20/12/2012	2,499,200	2.70
Total Mexican Peso - denominated		2,499,200	2.70
US Dollar - denominated			
Corporate Bonds (2007 - 7.26%)			
5,000,000	AES El Salvador Trust 6.75% 01/02/2016	3,704,635	3.99
2,500,000	Citco Trustees Cayman Ltd 8.5% 21/12/2014	2,292,625	2.47
Government Bonds (2007 - 83.35%)			
3,000,000	Colombia Government International Bond 7.375% 27/01/2017	3,217,458	3.47
3,000,000	Costa Rica Government International Bond 6.548% 20/03/2014	2,890,112	3.12
4,900,000	Costa Rica Government International Bond 8.05% 31/01/2013	5,102,200	5.50
1,700,000	Costa Rica Government International Bond 9.995% 01/08/2020	1,901,018	2.05
3,952,250	Dominican Republic International Bond 9.5% 27/09/2011	3,326,229	3.59
10,600,000	El Salvador Government International Bond 7.65% 15/06/2035	6,767,040	7.30
6,500,000	El Salvador Government International Bond 7.75% 24/01/2023	6,004,691	6.47
8,500,000	El Salvador Government International Bond 8.25% 10/04/2032	5,682,781	6.13
3,500,000	El Salvador Government International Bond 8.5% 25/07/2011	3,506,417	3.78
4,000,000	Guatemala Government Bond 8.125% 06/10/2034	3,636,736	3.92
5,800,000	Guatemala Government Bond 9.25% 01/08/2013	6,067,042	6.54
3,200,000	Guatemala Government Bond 10.25% 08/11/2011	3,312,289	3.57
4,500,000	Mexico Government International Bond 5.625% 15/01/2017	4,634,471	5.00
1,909,620	Nicaragua Government International Bond 5% 01/02/2011	1,750,016	1.89
5,700,000	Panama Government International Bond 7.125% 29/01/2026	5,575,788	6.01
1,780,000	Panama Government International Bond 7.25% 15/03/2015	1,861,997	2.01
Supranationals (2007 - 0.00%)			
7,000,000	Central American Bank for Economic Integration FRN 01/06/2010	7,016,087	7.56
7,500,000	Central American Bank for Economic Integration FRN 25/04/2015	7,748,451	8.35
Total US Dollar - denominated		85,998,083	92.72
Total Bonds		91,207,771	98.34

Schedule of Investments (continued)

As at 31 December 2008

	Fair Value USD	% of Net Assets
Total Value of Investments (Cost: USD 105,088,552)	91,207,771	98.34
Cash*	1,810,750	1.95
Other Net Liabilities	(267,024)	(0.29)
Net Assets Attributable to Holders of Redeemable Participating Shares at bid prices	92,751,497	100.00

*All cash holdings are held with The Governor and Company of the Bank of Ireland.

<u>Analysis of Total Net Assets</u>	% of Fund
Transferable securities dealt in another regulated market (includes bonds).	98.34
Other Net Assets.	1.66
	100.00

(a) in US Dollars, unless noted.

Schedule of Portfolio Changes (Unaudited)

For the year ended 31 December 2008 - US Dollars (unless noted)

Largest Purchases		Cost USD
8,500,000	El Salvador Government International Bond 8.25% 10/04/2032	9,425,000
7,500,000	Central American Bank for Economic Integration FRN 25/04/2015	7,862,265
7,000,000	Central American Bank for Economic Integration FRN 01/06/2010	7,000,000
MXN63,000,000	Mexican Bonos 9.5% 18/12/2014	6,474,931
7,000,000	El Salvador Government International Bond 7.65% 15/06/2035	6,252,500
5,700,000	Panama Government International Bond 7.125% 29/01/2026	6,086,850
4,500,000	El Salvador Government International Bond 7.75% 24/01/2023	4,331,500
3,000,000	Colombia Government International Bond 7.375% 27/01/2017	3,300,000
MXN33,000,000	Mexican Bonos 9% 20/12/2012	3,263,663
3,000,000	Mexico Government International Bond 6.375% 16/01/2013	3,253,500
3,000,000	Costa Rica Government International Bond 6.548% 20/03/2014	3,121,000
3,000,000	Mexico Government International Bond 5.625% 15/01/2017	3,074,400
2,634,833	Dominican Republic International Bond 9.5% 27/09/2011	2,786,336
COP4,000,000,000	Colombia Government International Bond 11.75% 01/03/2010	2,313,298
MXN22,000,000	Mexican Bonos 9% 22/12/2011	2,222,098
MXN20,000,000	Mexican Bonos 10% 05/12/2024	2,220,469
COP3,600,000,000	Colombia Government International Bond 12% 22/10/2015	2,037,335
1,780,000	Panama Government International Bond 7.25% 15/03/2015	1,932,029
2,000,000	Argentina Bonos 7% 12/09/2013	1,788,000
1,500,000	Colombia Government International Bond 8.25% 22/12/2014	1,764,000

Largest Sales		Proceeds USD
7,000,000	Costa Rica Government International Bond 8.11% 01/02/2012	7,630,000
MXN70,000,000	Mexican Bonos 10% 05/12/2024	7,298,069
6,000,000	El Salvador Government International Bond 8.5% 25/07/2011	6,507,000
MXN63,000,000	Mexican Bonos 9.5% 18/12/2014	6,380,085
4,500,000	Costa Rica Government International Bond 9.995% 01/08/2020	5,669,375
5,500,000	Mexico Government International Bond 5.625% 15/01/2017	5,190,375
4,500,000	Panama Government International Bond 6.7% 26/01/2036	4,556,250
4,000,000	Panama Government International Bond 7.25% 15/03/2015	4,386,000
5,000,000	Argentina Bonos 7% 12/09/2013	4,090,000
3,035,000	Guatemala Government Bond 8.125% 06/10/2034	3,558,188
3,000,000	Colombia Government International Bond 8.25% 22/12/2014	3,423,000
3,000,000	Mexico Government International Bond 6.375% 16/01/2013	3,255,000
2,732,442	Dominican Republic International Bond 9.04% 23/01/2018	3,053,504
3,000,000	El Salvador Government International Bond 7.65% 15/06/2035	2,917,500
2,700,000	Costa Rica Government International Bond 8.05% 31/01/2013	2,689,750
MXN22,000,000	Mexican Bonos 9% 22/12/2011	2,212,984
COP4,000,000,000	Colombia Government International Bond 11.75% 01/03/2010	2,200,177
COP3,600,000,000	Colombia Government International Bond 12% 22/10/2015	1,891,729
1,500,000	Mexico Government International Bond 6.75% 27/09/2034	1,653,000
1,500,000	Argentina Bonos 7% 17/04/2017	1,215,000

NOTES

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