

# **CABEI Central American Fund plc**

## **CABEI Central American Portfolio**

**Interim Report & Unaudited Financial Statements**

For the Six Months Ended 30 June 2009



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## CABEI Central American Fund plc CABEI Central American Portfolio

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# Organisation

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## **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)

## **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

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## Description

CABEI Central American Fund plc ("the Company"), 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)

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### 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 in the Financial Times, and available on Thomson-Reuters and Bloomberg electronic platforms.

### 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 period will be made available to Shareholders on receipt of a written request.

Past performance is not necessarily a guide to future performance. Income from the investment may fluctuate in value 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/ Attn: IFSC Client Services

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

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The net asset value of the CABEI Central American Fund was up 10.73 % for the six months ended 30 June 2009. At the end of the semi-annual period, the Fund had net assets of US\$ 89.1 million and a net asset value of US\$ 1,540.67 per share.

## Important events in the last six months

Emerging market external debt had a strong recovery in the first half of 2009, driven by several positive factors. Economic data in industrial countries and emerging markets continued to improve, raising hopes that the worst in economic terms might be over. Furthermore, the decisions taken during the G20 meeting in London (early April) were also extremely supportive for sentiment in global financial markets and for the financing situation of many emerging economies (especially in Eastern Europe). Finally, ongoing inflows to the asset class increased demand for sovereign bonds and also led to better liquidity. Overall, the development in 2009 (both in economic terms and with regard to financial markets) can be highlighted as a sunny period in a calm sea after the “perfect storm” of autumn 2008.

Though the global environment has in general stabilised during the past months, it is still too early to call an end to the financial and economic crisis in industrialized countries. Their governments have already invested sizable sums of money, just to prevent their financial systems and economies from imploding. Concerted and decisive government action has been successful to reduce “tail risks”, but one should not be too optimistic that industrial countries will soon be able to return to their previous track of stable growth and moderate inflation. Instead, the outlook for bond yields in the US and Western Europe remains clouded, as many governments have to increase debt issuance amid rapidly rising fiscal deficits. Though there might not be any inflation risk for developed economies in the short term, this policy of fiscal imbalances could easily increase market worries about this topic in the next years.

Many emerging market economies are nevertheless better off with regard to their fiscal situation. Debt ratios might also rise in many countries, but some factors make this look less dangerous. First of all, many governments have consolidated fiscal accounts in the past years, thus, the debt increase takes place from a very low base level. Second, most countries were not forced to bail out their banking system and big companies, which limits the fiscal burden those countries have to shoulder these days. Furthermore, the commercial banks in many countries (especially in Asia) are pushed to ease lending restrictions, which increases domestic liquidity and, thus, raises financing options for corporates and the government.

Another positive point has to be highlighted, again, and this refers to the G20 decisions in early April. The move to increase available funds for the IMF and other supranational institutions by more than US\$ 500 billion has reduced the need of many emerging sovereigns to tap external debt markets. This, combined with ongoing capital inflows, has driven many investors into secondary bond markets, which led to improving liquidity, more room for allocation changes and thus reasonable spread tightening in many names. In the past two months, the ongoing market improvement even enabled many sovereign and government-related issuers with better quality to borrow money abroad.

# Investment Manager's Report (continued)

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## Important events in the last six months (Continued)

What also strikes for many emerging markets is the dramatic improvement in external balances. Though there is still deterioration in many countries' capital account, this is mostly offset by the positive trend in the current account balance. This is partly driven by the fact that imports fall faster than exports, and lower dividend payments on foreign direct investments also contribute to this development. On balance, many emerging economies benefit from lower external financing needs, which significantly reduce their vulnerability to another reversal in global capital flows. This does not mean that all emerging market countries are shielded against further volatility in global financial markets, as there are still many lower-rated countries which heavily depend on financial aid from international financial institutions. Nevertheless, the bulk of countries in the rating categories "BB" and above are doing much better than what was expected earlier this year.

Investor sentiment kept improving in the first half of 2009, also helping riskier assets to gain attention and post positive returns. Accordingly, issuers from Central and South America and the Caribbean saw significant spread compression over the past months. Spreads of El Salvador and Guatemala tightened 365 bps and 330 bps, respectively. Spreads of Costa Rica compressed a massive 280 bps while those of Panama tightened 240 bps. Mexico (150 bps) also recorded significantly lower spreads. In the course of risk appetite increasing, spreads of Argentina tightened 640 bps.

Local bond markets of Mexico and Colombia profited from significant monetary easing by central banks. However, currencies experienced significant volatility during the period.

## Economic and financial markets outlook

Governments and central banks in developed countries continue to deliver strong action to provide support for the ailing financial markets. Latest market moves were announcements by the US Federal Reserve and the Bank of England about broad-based quantitative easing. In addition, the US Treasury talks about setting up a fund that could take so-called "toxic assets" out of banks' balance sheets. While this sounds promising if successful, a failure of such a plan might be a major setback in the government's attempt to fight the financial crisis. Across the board, economic indicators stay on the negative side, pointing to severe growth slump. Consequently, both the US and the European Union have unveiled additional large fiscal stimulus packages.

Many emerging market economies also started to switch to massive counter-cyclical policies, ranging from interest rate cuts to significant fiscal measures. Some of them have enough financial resources available due to fiscal discipline in past years, others have received credits from international financial institutions like the IMF and regional development banks. Still, the global economy is not out of the woods yet.

On the back of worsening global economic conditions, Central America and the Caribbean has shown significant signs of contagion and, hence, weakness. The recessionary US economy poses the biggest challenge to the region. Negative transmission forces on the region primarily include slowing remittance and trade flows, declining tourism revenues and subdued foreign direct investment. On average, about 40-50% of the region's exports are directed to the United States.

# Investment Manager's Report (continued)

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## Economic and financial markets outlook (Continued)

Economies across the region have already started recording low levels of economic activity. Costa Rica and Guatemala are the “front-runners”, but El Salvador’s and Panama’s growth momentum is also losing steam. Reduced exports and declining tourism flows explain a large part of the significant economic slowdown. Family remittances and hence private consumption also feel the pinch. In this context, Costa Rica and Panama are not immune, but are less affected as these countries were not so much dependent on remittance inflows during past years. Foreign direct investment inflows are also expected to slow down over the coming months because of dropping global demand and tighter credit conditions making financing of projects for companies difficult.

Significantly lower energy and food prices have started providing substantial relief to inflation figures and current accounts of all the net-commodity-importers in Central America and the Caribbean.

Past improvement in fiscal discipline should pay off in the current crisis. In Central America and the Caribbean, the governments of Guatemala and Costa Rica show solid fiscal balances and, hence, have the most resources to undertake countercyclical policies to stimulate the faltering economies. Besides, a number of countries have received assistance from international financial institutions. El Salvador and Guatemala recently negotiated precautionary stand-by agreements with the International Monetary Fund. The Dominican Republic is expected to receive more than US\$ 2 billion in external financing over the course of 2009, the main providers being the Central American Bank for Economic Integration, the World Bank, the Inter-American Development Bank and Corporación Andina de Fomento (Andean Development Corporation). All these international credits will to some extent shield Central America and the Caribbean from adverse effects of the global economic downturn.

Overall, Panama continues to be the best-supported economy in the region largely due to the Canal expansion project.

## Investment Strategy

Increased risk appetite supported Central American and Caribbean bond markets in the first half of 2009. The fund’s management continued to follow a cautious investment strategy, but also built up some tactical positions. In El Salvador, for example, we considered massive spread widening as overdone and increased exposure there. As we approached presidential elections in March, the position was reduced again, especially via selling long-dated bonds.

Mexican local market exposure was sold after yields compressed significantly on the back of monetary easing. Strategic exposure is held in US\$ bonds of Panama because of the country’s positive economic outlook. In Costa Rica and Guatemala, fund management increased holdings, as these two countries also show sound fundamentals and moreover solid fiscal balances to undertake countercyclical policies. Furthermore, exposure in Colombia’s local market was cut since performance of the global COP-denominated benchmark security, TES bonds, was negatively influenced by sharp depreciation of the currency.

# Investment Manager's Report (continued)

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## Investment Strategy (Continued)

The fund did not hold a position in Argentina during the past nine months and fund management does not intend to touch this name, as political and economic risk is considered very high. Corporate exposure is low and primarily focused on less-correlated names (like Guatemala's electricity company). In February 2009, exposure to Nicaragua dropped by one third due to the bond's amortizing structure.

Overall, fund management reduced spread duration in external debt as short and middle parts of the countries' credit curves appeared much more attractive than longer dated bonds. In general, we will stick to a cautious investment approach, only selectively adding risk in countries that offer good liquidity and attractive risk premiums.

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

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

**July 2009**

# Profit and Loss Account

For the six months ended 30 June 2009

	Six months ended 30 June 2009 US\$	Year ended 31 December 2008 US\$	Six months ended 30 June 2008 US\$
<b>Income</b>			
Operating income	715	109,832	52,173
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	<u>10,478,540</u>	<u>(13,291,321)</u>	<u>436,049</u>
<b>Total investment income/(loss)</b>	10,479,255	(13,181,489)	488,222
Operating expenses	<u>(663,678)</u>	<u>(1,602,726)</u>	<u>(814,214)</u>
<b>Net income/(expense)</b>	9,815,577	(14,784,215)	(325,992)
<b>Finance costs</b>			
Interest expense	<u>(47)</u>	<u>(483)</u>	<u>-</u>
<b>Profit/(loss) for the period before tax</b>	9,815,530	(14,784,698)	(325,992)
Non-reclaimable withholding tax	<u>-</u>	<u>-</u>	<u>-</u>
<b>Profit/(loss) for the period after tax</b>	<u>9,815,530</u>	<u>(14,784,698)</u>	<u>(325,992)</u>
<b>Increase/(decrease) in Net Assets Attributable to Holders of Redeemable Participating Shares</b>	<u><u>9,815,530</u></u>	<u><u>(14,784,698)</u></u>	<u><u>(325,992)</u></u>

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

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

**On Behalf of the Directors**

**Michael Greene**

**Per Åke Rydberg**

**20 August 2009**

# Balance Sheet

As at 30 June 2009

	As at 30 June 2009 US\$	As at 31 December 2008 US\$	As at 30 June 2008 US\$
<b>Assets</b>			
Cash and Bank Balances	3,082,830	1,831,213	2,187,866
Debtors	5,111	22,010	2,400,608
Debt instruments designated at fair value through profit or loss	<u>86,245,182</u>	<u>91,207,771</u>	<u>103,110,586</u>
<b>Total Assets</b>	<u>89,333,123</u>	<u>93,060,994</u>	<u>107,699,060</u>
<b>Liabilities</b>			
Bank Overdraft	-	(20,463)	-
Creditors (amounts falling due within one year)	<u>(186,936)</u>	<u>(289,034)</u>	<u>(280,713)</u>
<b>Total Liabilities</b>	<u>(186,936)</u>	<u>(309,497)</u>	<u>(280,713)</u>
<b>Net Assets Attributable to Holders of Redeemable Participating Shares</b>	<u><u>89,146,187</u></u>	<u><u>92,751,497</u></u>	<u><u>107,418,347</u></u>
<b>Net Asset Value per A Share</b>	<u><u>1,540.67</u></u>	<u><u>1,391.41</u></u>	<u><u>1,607.27</u></u>

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

**On Behalf of the Directors**

**Michael Greene**

**Per Åke Rydberg**

**20 August 2009**

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

For the six months ended 30 June 2009

	Six months ended 30 June 2009 US\$	Year ended 31 December 2008 US\$	Six months ended 30 June 2008 US\$
<b>Net Assets Attributable to Holders of Redeemable Participating Shares at beginning of period</b>	<u>92,751,497</u>	<u>109,766,874</u>	<u>109,766,874</u>
Increase/(decrease) in Net Assets resulting from operations	<u>9,815,530</u>	<u>(14,784,698)</u>	<u>(325,992)</u>
Amounts received on issue of Redeemable Participating Shares	23,379,428	10,709,970	7,686,828
Amounts paid on redemption of Redeemable Participating Shares	<u>(36,800,268)</u>	<u>(12,940,649)</u>	<u>(9,709,363)</u>
Decrease in Net Assets resulting from Share transactions	<u>(13,420,840)</u>	<u>(2,230,679)</u>	<u>(2,022,535)</u>
<b>Net decrease in shareholders' funds</b>	<u>(3,605,310)</u>	<u>(17,015,377)</u>	<u>(2,348,527)</u>
<b>Net Assets Attributable to Holders of Redeemable Participating Shares at end of period</b>	<u><u>89,146,187</u></u>	<u><u>92,751,497</u></u>	<u><u>107,418,347</u></u>

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

# Notes to the Financial Statements

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For the six months ended 30 June 2009

## 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 2009. 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 Redeemable Participating Shareholders on pages 8 and 10.

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.

These Financial Statements comply with the Statement on Half Yearly Financial Reports issued by the Accounting Standards Board in July 2007 as provided for by IAS 34 "Interim Financial Statements".

### b) 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.

### c) 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.

# Notes to the Financial Statements (Continued)

For the six months ended 30 June 2009

## 1. Significant Accounting Policies (Continued)

### c) Foreign Exchange (Continued)

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.

Assets and liabilities denominated in foreign currencies, other than the functional currency of the Company, have been translated at the market rate of exchange effective on 30 June 2009. Transactions in foreign currencies are translated into US Dollars at the exchange rate ruling at the date of the transaction. Gains and losses on foreign exchange transactions are recognised in the Profit and Loss Account in determining the result for the period.

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

	As at 30 June 2009 US\$1=	As at 31 December 2008 US\$1=	As at 30 June 2008 US\$1=
Colombian Peso (COP)	2,148.1501	2,248.5808	1,907.5003
Costa Rican Colon (CRC)	575.2607	555.4664	519.5505
Euro (EUR)	0.7129	0.7194	0.6347
Mexican Peso (MXN)	13.1702	13.8485	10.3037
Pound Sterling (GBP)	0.6072	-	-

## 2. 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.

## 3. Net Asset Value

	As at 30 June 2009 US\$	As at 31 December 2008 US\$	As at 30 June 2008 US\$
Net Asset Value	89,146,187	92,751,497	107,418,347
Shares Outstanding	57,862	66,660	66,833
Net Asset Value per A Share	1,540.67	1,391.41	1,607.27

# Notes to the Financial Statements (Continued)

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For the six months ended 30 June 2009

## 4. 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 period.

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.

## 5. Soft Commission Arrangements

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

## 6. Material Changes during the Period

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

## 7. Post Balance Sheet Events

There have been no events subsequent to the period end, which, in the opinion of the Directors of the Company, may have had an impact on the Financial Statements for the period ended 30 June 2009.

## 8. Approval of Financial Statements

The Financial Statements were approved on 20 August 2009.

# Schedule of Investments

As at 30 June 2009

Holdings	Financial assets at fair value through profit or loss	Fair Value	% of US\$ Net Assets
<b>Bonds - Principal Amount (a)</b>			
<b>Costa Rican Colon - denominated</b>			
<b>Supranationals (31 December 2008 - 2.92%)</b>			
RC1,820,000,000	Inter American Development Bank 7.4% 11/10/2012	2,854,505	3.20
<b>Total Costa Rican Colon - denominated</b>		<b>2,854,505</b>	<b>3.20</b>
<b>US Dollar - denominated</b>			
<b>Corporate Bonds (31 December 2008 - 6.46%)</b>			
2,500,000	Citco Trustees Cayman Ltd 8.5% 21/12/2014	2,556,528	2.87
<b>Government Bonds (31 December 2008 - 70.35%)</b>			
500,000	Colombia Government International Bond 7.375% 27/01/2017	553,525	0.62
600,000	Colombia Government International Bond 8.25% 22/12/2014	693,413	0.78
3,000,000	Costa Rica Government International Bond 6.548% 20/03/2014	3,117,986	3.50
3,900,000	Costa Rica Government International Bond 8.05% 31/01/2013	4,339,005	4.87
1,700,000	Costa Rica Government International Bond 9.995% 01/08/2020	2,106,548	2.36
3,293,541	Dominican Republic Government International Bond 9.5% 27/09/2011	3,342,304	3.75
12,000,000	El Salvador Government International Bond 7.75% 24/01/2023	12,285,583	13.78
10,900,000	El Salvador Government International Bond 8.5% 25/07/2011	11,533,108	12.94
9,420,000	Guatemala Government International Bond 9.25% 01/08/2013	10,654,413	11.95
6,200,000	Guatemala Government International Bond 10.25% 08/11/2011	6,836,060	7.67
2,000,000	Mexico Government International Bond 5.875% 17/02/2014	2,140,200	2.40
2,000,000	Mexico Government International Bond 6.375% 16/01/2013	2,220,352	2.49
1,273,080	Nicaragua Government International Bond 5.00% 01/02/2011	1,199,624	1.34
2,200,000	Panama Government International Bond 7.125% 29/01/2026	2,339,467	2.62
5,000,000	Panama Government International Bond 7.25% 15/03/2015	5,573,301	6.25
<b>Supranationals (31 December 2008 - 15.91%)</b>			
4,666,667	Central American Bank for Economic Integration FRN 01/06/2010	4,664,676	5.23
6,923,077	Central American Bank for Economic Integration FRN 25/04/2015	7,234,584	8.12
<b>Total US Dollar - denominated</b>		<b>83,390,677</b>	<b>93.54</b>
<b>Total Bonds</b>		<b>86,245,182</b>	<b>96.74</b>

## Schedule of Investments (continued)

As at 30 June 2009

	Fair Value	% of US\$ Net Assets
<b>Total Value of Investments</b> (Cost: US\$ 84,414,720)	86,245,182	96.74
<b>Cash*</b>	3,082,830	3.46
<b>Other Net Liabilities</b>	(181,825)	(0.20)
<b>Net Assets Attributable to Holders of Redeemable Participating Shares at bid prices</b>	<u>89,146,187</u>	<u>100.00</u>

\*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).	96.74
Other Net Assets (net of liabilities)	3.26
(a) in US Dollars, unless noted.	<u>100.00</u>

# Schedule of Portfolio Changes

For the six months ended 30 June 2009 - US Dollars (unless noted)

Largest Purchases		Cost US\$
7,400,000	El Salvador Government International Bond 8.5% 25/07/2011	7,617,795
6,320,000	Guatemala Government International Bond 9.25% 01/08/2013	6,695,000
6,320,000	Panama Government International Bond 7.25% 15/03/2015	6,543,198
5,500,000	El Salvador Government International Bond 7.75% 24/01/2023	5,214,250
4,100,000	Mexico Government International Bond 6.375% 16/01/2013	4,335,750
4,000,000	Mexico Government International Bond 5.875% 17/02/2014	4,057,480
3,000,000	Guatemala Government International Bond 10.25% 08/11/2011	3,252,000
1,500,000	Colombia Government International Bond 7.375% 27/01/2017	1,652,100
COP1,900,000,000	Republic of Colombia 9.85% 28/06/2027	874,389
600,000	Colombia Government International Bond 8.25% 22/12/2014	669,000
500,000	Panama Government International Bond 7.125% 29/01/2026	477,250

Largest Sales		Proceeds US\$
10,600,000	El Salvador Government International Bond 7.65% 15/06/2035	7,588,000
8,500,000	El Salvador Government International Bond 8.25% 10/04/2032	6,912,500
4,500,000	Mexico Government International Bond 5.625% 15/01/2017	4,421,250
4,000,000	Colombia Government International Bond 7.375% 27/01/2017	4,117,250
4,000,000	Guatemala Government International Bond 8.125% 06/10/2034	3,820,000
4,000,000	Panama Government International Bond 7.125% 29/01/2026	3,820,000
5,000,000	AES El Salvador Trust 6.75% 01/02/2016	3,490,000
3,100,000	Panama Government International Bond 7.25% 15/03/2015	3,382,400
2,700,000	Guatemala Government International Bond 9.25% 01/08/2013	2,882,250
MXN33,000,000	Mexican Bonos 9% 20/12/2012	2,482,757
2,100,000	Mexico Government International Bond 6.375% 16/01/2013	2,248,000
2,000,000	Mexico Government International Bond 5.875% 17/02/2014	2,097,000
1,000,000	Costa Rica Government International Bond 8.05% 31/01/2013	1,032,500
COP1,900,000,000	Republic of Colombia 9.85% 28/06/2027	755,689



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