



Danfonds Frontier Fund Liquid 'B' shares

Risk Profile: High risk/return, expert investors only

Investment Objective

Aim of the fund is to achieve high absolute returns by investing in financial instruments in Frontier Markets. Danfonds defines frontier markets as everything outside the countries contained in the MSCI Developed and Emerging markets indices. The fund invests primarily in equities but other assets and hedging are permitted.

Investment Strategy

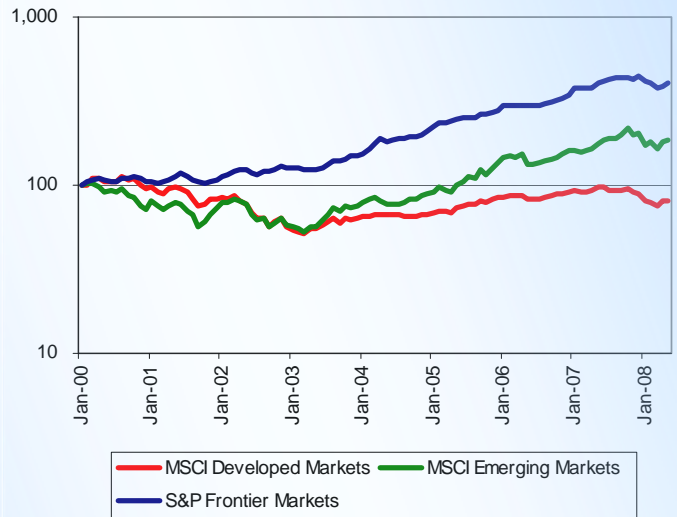
Primary 'long strategy' with hedging to reduce risks. The use of derivatives and Contracts For Difference (CFD's) may be used to gain exposure to some markets. Such instrument may also be used to hedge currency risk or market risk – sometimes via proxy-hedging in more liquid assets/markets/commodities if correlations are right. The fund may invest in unlisted securities and structured products and has separate classes for illiquid and private equity. The fund may utilize up to 25% gearing, 125% total net exposure.

Comparative returns in EUR for Equity Asset Classes				
As of 31 May 2008	1 year	3 years	5 years	7 years
		p.a.	p.a.	p.a.
Developed Markets	-16.6%	3.9%	8.1%	-2.5%
Emerging Markets	5.3%	23.3%	26.7%	13.0%
Frontier Markets	0.9%	18.4%	26.9%	19.9%

General Information

Target standard deviation: 15-25% p.a.
 Type: Open-ended
 Incorporation: Cayman Islands
 Listing: Irish Stock Exchange
 Dealing Currency: EUR
 Investment Manager: Danfonds Investment Management
 Administrator: Custom House (Ireland)
 Custodians: Deutsche Bank and Barclays Mauritius
 Prime Broker: Deutsche Bank
 Back Office: Outsourced to GlobeOp
 Independent Directors: Yes
 NAV Valuation for trading : Monthly
 Fund Size Minimum: EUR 25 million
 Initial Lock up: 6 months
 Early redemption penalty: 1%
 Net Gearing: Restricted to fund size +25%
 Minimum Investment: EUR 100,000
 Management Fee: 1.5% p.a.
 Performance Fee: 18% (after 5% one time hurdle rate)
 High Watermark: Yes

Total Return of a 100 EUR investment (log scale)



Note: The returns graph above contains only index returns that are supposed to represent the asset class and they are not at all based on any actual fund returns. Same note applies to the tables below

Although each Frontier Markets is very risky, a combination of them is not. Furthermore Frontier Markets can provide high returns (both positive and negative), with very low correlations to other asset classes.

Equity Region	Standard Deviation p.a.		Correlation with Developed Equities	
	In EUR	In USD	In EUR	In USD
North America	17.2%	14.2%	0.98	0.97
Europe	15.4%	15.7%	0.92	0.92
Pacific ex Japan	16.3%	15.8%	0.82	0.80
Japan	18.9%	17.4%	0.65	0.58
Emerging Markets (EMF)	21.3%	20.4%	0.83	0.82
Eastern Europe	27.1%	26.6%	0.64	0.64
Latin America	26.2%	25.5%	0.80	0.81
Composite of all Frontier Markets	10.5%	9.3%	0.58	0.44
Bangladesh	27.4%	26.2%	0.22	0.10
Botswana	19.0%	17.8%	0.36	0.23
Bulgaria	34.6%	35.8%	0.17	0.21
Cote d'Ivoire	19.5%	21.7%	0.07	0.13
Croatia	23.8%	23.6%	0.43	0.39
Ecuador	26.2%	25.1%	0.11	-0.03
Estonia	23.5%	23.6%	0.48	0.47
Ghana	18.9%	18.0%	0.07	-0.10
Jamaica	33.5%	30.6%	0.19	-0.06
Kenya	26.5%	25.9%	0.23	0.15
Latvia	29.1%	28.8%	0.34	0.30
Lebanon	33.7%	32.4%	0.33	0.23
Lithuania	19.3%	19.9%	0.36	0.35
Mauritius	16.2%	15.5%	0.23	0.08
Namibia	22.5%	22.6%	0.33	0.30
Romania	31.7%	32.1%	0.17	0.16
Slovenia	24.2%	26.2%	0.05	0.11
Trinidad & Tobago	16.8%	15.0%	0.31	0.12
Tunisia	12.8%	13.3%	0.27	0.18
Ukraine	36.2%	35.5%	0.23	0.17

Standard Deviations and correlations have been calculated on monthly index returns from 31 Jan 2000 – 31 May 2008

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Daniel Broby Co-Fund Manager



Daniel has extensive experience in emerging markets and has worked more than 23 years in the fund management industry, holding positions as CEO, Head of Asset Management, CIO and Chief Portfolio Manager.

Daniel Launched Denmark's first regulated and listed hedge fund. He also launched and was a director of the Renaissance Africa Fund.

Kenett Haslund Head of Trading & Operations

Kenett has extensive experience setting up operations, trading and legal structures.

Kenett has worked as a trader for more than 21 years and is a specialist in trading in illiquid and emerging markets.

Klaus Just Jeppesen Head of Risk & Quantitative Analysis

Klaus is designing, building, implementing, and running Danfonds' customised Risk Management models and systems designed to handle the unique challenges of frontier markets.

Klaus was formerly Head of Performance at BankInvest.

Risk Management

The Head of Risk is has the right to veto any trade. A Pre trade risk control is performed on every substantial portfolio change, and risk controls are calculated and executed on a running basis.

A customised risk system has been designed to handle some of the unique challenges on frontier markets. These include low liquidity, infrequent trading and trading on non-normal weekdays (Sunday trading for most countries in the Arab world). The system provides Value at Risk numbers based on Parametric VaR and historical simulation methods. Liquidity Risk is monitored and there are limits as to how much of the portfolio it should always be possible to sell in 1 day, 1 week, and 1 month.

Redemption Risk

There is no "gate" on redemptions for the fund – instead there is the option to create an extra class (side pocket) if a big investor wants to make a major redemption.

Brice Beumo Co-Fund Manager



Brice has extensive origination experience and senior level corporate contact throughout Africa. He has worked for a number of major investment banks, including most recently Renaissance Capital where he worked together with Daniel

His experience with the African Debt Capital Market Organisation and Francophone Africa provides a strong supplement to Daniel Broby.

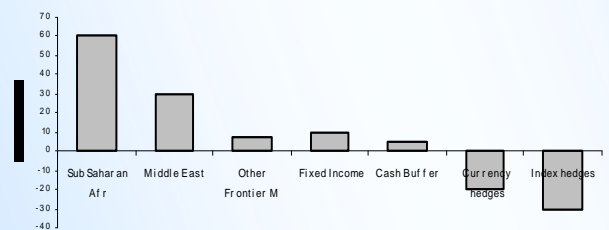
Alexandra Hayles Country Risk Analyst

Alexandra performs the top down country analysis. She previously worked as a country risk analyst and a credit analyst.

Cap Gemini Dedicated Analysts

Danfonds has outsourced the analysis and valuation of under-researched companies in its universe to Cap Gemini. It has the use of upto five full time dedicated analysts to perform research on its behalf..

Sample Exposures



Hedging

The fund hedges only where it reduces the portfolio risk. The political country risk is hedged through currency swaps and forwards. These are generally put on over event risks (e.g. elections).

Hedging of beta risk is achieved through proxy-hedging via index-futures on emerging markets such as South Africa and Turkey. This does not eliminate the frontier markets Beta exposure, but it does reduce correlations with the developed and emerging markets, thereby reducing the developed markets beta and correlations with these. Proxy-hedging via commodity futures is sometimes used.