

For the month of December, we generated a US dollar gain of 1.3%, while the SET index lost 3.4%.

Due to the large number of Thai national holidays and Christmas vacations taken by both retail and institutional investors, daily trading volumes were very light during the entire month, with average daily volume dropping from October and November's 6 to 10 billion baht range to the 1 to 2 billion baht range in December. However, the market was remarkably resilient, even after normal profit-taking following the recent market rally, hitting a mid-month low of only 8% off the November close.

For the full year, the Thai Focused Equity Fund ended with a total US dollar gain of 33.3% versus the SET index US dollar gain of 21.2%. Not only did we beat the Thai index, but we managed to do so with much lower volatility. The Fund's beta versus the SET index was only 0.37. The SET index lost more than 20% during the months of May, June and August, while the Fund's worst loss was 10.4%, suffered in November. Also, since the inception of the Fund in October 1997, the SET index has lost more than 10% in a single month a total of seven times, whereas the Thai Focused Equity Fund has generated only one monthly loss greater than 10%.

We continue to believe US dollar generating exporters represent the best values in the market. These companies are currently profitable and their fate is unrelated to Thailand's lingering domestic problems. At the same time, we are on the lookout for companies that we believe will be beneficiaries of improved domestic demand and which have managed to survive the economic downturn.

We believe that foreign investors who have been underweight in Thailand for most of 1998 will make a major reallocation in favor of Thai equities in early 1999 and that this investment will be primarily focused on the same fundamentally sound, value stocks that we hold in our portfolio. As such, the first quarter of 1999 will most likely represent a timely opportunity for interested investors to invest new or additional funds into the Thai Focused Equity Fund.