

Bermuda domiciled open-ended fund

Fund owner: The National Investor

Fund manager: The National Investor (TNI)

Named portfolio manager(s):

Walid Hayeck (since launch), Christian

Ghandour (since September 2009)

Peer group: MENA

Location: Abu Dhabi

Launch date: August 2005

Fund size (September 2009): US\$12m

Contact group: +971 2 619 2327 or www.tni.ae

Further information on S&P's fund coverage can be found at www.FundsInsights.com

Standard & Poor's opinion (December 2009)

TNI has been making significant efforts in the past few years to "institutionalize" and bring standards up to best international level. The TNI Dubai entity is now regulated by the DFSA and some of the funds covered by S&P are Bermuda-domiciled. In addition they are in the process to launch some Dublin UCITS III funds and have further formalised their investment process.

Unfortunately they have lost two individuals from their investment team - fund manager Licha Abdallah who left in September 2009 and Rodney Reid who brought additional experience to the investment committee. The team does now benefit from an in-house analyst who transferred from TNI's sell side and expect to add two head counts by the end of Q1 2010.

The fund offers exposure to real estate companies in the MENA region. The fund benefits from the continued input of team head Walid Hayeck who sets themes and chairs the weekly investment meetings. Co-manager Christian Ghandour took over from Abdallah in September 2009 as day-to-day fund manager and has nine years' fund management experience including two years managing MENA funds. The focus remains on companies that are growing and are reasonably priced.

Extensive use is made of the in-house analyst as well as external brokers to determine fair value.

Performance relative to the MSCI Arabian Real Estate index has been solid with the fund returning an annualised alpha of 5.7% since inception. Despite the team changes, the presence of Hayeck and the track record enable the fund to retain its A rating.

Fund manager & team

Hayeck heads the asset management team but is no longer involved with marketing and sales. He also chairs the weekly investment committee meetings, which includes CEO Orhan Osmanosoy, portfolio managers Christian Ghandour and Ali El Adou, and the head of buy-side research Hassan Awan. Hayeck and Adou are the portfolio management team for this fund.

Walid Hayeck - MSc economics (Beirut), ESCP Diploma (Paris), began his career as a financial analyst at Banque Paribas, before founding the Lebanese credit rating business of ORT Group. He joined Shuaa Capital in 1999 as head of buy-side research and was a member of the Arab Gateway fund investment committee. He moved on in 2002 to join AFC (Beirut), before joining TNI in 2004.

Christian Ghandour - philosophy and mathematical logic, masters in econometrics, masters in finance (Sorbonne), joined TNI from Crédit Lyonnais where he spent seven years, initially in structured products, later responsible for derivatives strategies as part of the convertible bond portfolio management team. He trained on Citibank's warrants desk and at State Street.

Hassan Awan - MA economics (Government College University), MBA finance & banking (Lahore School), joined TNI in 2007 on the sell side and became buy-side analyst in January 2009.

Management style

The fund is managed in a team-driven fashion seeking to outperform both the customised MSCI Arabian Real Estate Capped index and the peer group with a target tracking error of 10%.

The universe includes all companies deriving over 50% of revenues from, or 50% of assets in, real estate across the MENA region with a market cap above \$100m, about 35-50 stocks. A minimum of 70% must be invested in listed real estate equities.

The weekly investment committee meeting forms a top-down view on each country market, deciding on asset allocation. Key input is the level of state funding and changing demographics.

Bottom-up research then focuses on the sector/industry prospects, quality of management, the shareholding base and board structure. A one-page recommendation is provided by Hassan Awan, but fund managers can act independently.

A portfolio of around 20-25 stocks is preferred. Position size relative to index depends on conviction with the maximum active position being +/-5% at stock level and +/-15% at country level. No more than 15% is allowed in a single stock.

Up to 15% of the fund may be invested in bonds or convertibles and 25% in pre-IPOs. Cash is limited to 15%.

Investment style

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

Performance statistics

	3 Years	5 Years
Fund	-11.7%	%
Index**	N/A%	%

Note: returns are cumulative



Report date February 2010

TNI MENA REAL ESTATE ACTIVE FUND

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**STANDARD
& POOR'S**



Portfolio & performance analysis (September 2009)

The fund moved from being UAE domiciled to Bermuda domiciled in April 2009 and the fund held 70% in cash during the switching process.

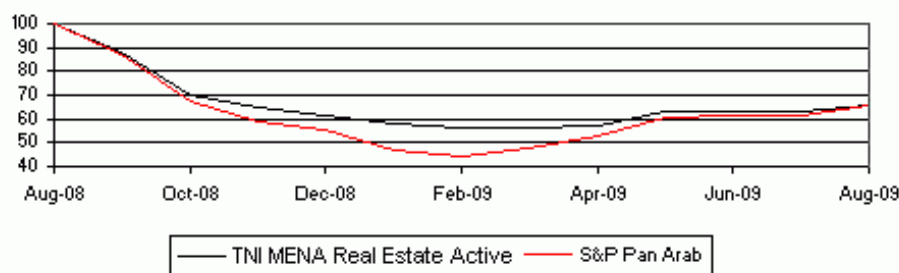
At review, the team favoured UAE, Qatar, Saudi and Lebanon while being underweight Kuwait. They feel that the demographics of young populations are very positive in Qatar, Saudi and Lebanon. The team also cites recent government action in Lebanon which should support real estate prices and mortgage financing. Saudi is also expected to benefit from changes in the law for mortgages which could act as a catalyst for low- and medium-priced housing. Favoured companies in Saudi include Dar Al Arkan Real Estate Developments, which should benefit from increased demand. Within the UAE the focus has been more on Abu Dhabi than Dubai.

The fund's capped MSCI Real Estate benchmark was created in 2008 and has been back tested to the inception of this fund. The fund returned -5.0% annualised compared to -10.7% for the index and with lower volatility (standard deviation 22.4% against 32.6%). Relative to other MENA real estate funds, this fund has done well. Participation in IPOs has added value over time. The team estimates that most added value has come from asset allocation (80%).

In 2008, the team began to move into cash in July and out of Dubai, which helped the fund to outperform the benchmark and peers. In 2009 the fund suffered from having high levels of cash in a rising market as it switched domicile. However, it did add value from overweighting UAE and Saudi and from underweighting Kuwait.

Under the new fund structure a 10% performance fee will be applied for performance achieved above 3 months Eibor, with a high water mark.

Cumulative performance



Portfolio characteristics

No. of holdings	23
Turnover ratio (%)	34
% in top 10	73

Asset allocation

	%
Cash	9.0
Egypt	12.0
Kuwait	6.0
Lebanon	9.0
Morocco	6.0
Qatar	10.0
Saudi Arabia	18.0
UAE	30.0

Top 10 holdings (01/09/09)

	%
Emaar Properties	12.0
Orascom Construction Industries	11.0
Al Soor United Project Management	10.0
Solidere A	9.0
Aldar Properties	7.0
Dar Al Arkan	6.0
Douja Prom Addoha	5.0
Jabal Omar Development	5.0
Emaar Economic City	4.0
Sorouh Real Estate	4.0

* In top 10 holdings a year ago

Discrete performance (calendar years)

	2005		2006		2007		2008		YTD 31/08/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund			-19.8		59.7		-48.9		7.2	
Index**			N/A		N/A		N/A		18.2	

** S&P Pan Arab index

Fund benchmark: MSCI Arabian Real Estate Capped

Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN
Ord	3.00	0% after 18 mth	1.50				N/A
Registered for sale		Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates					

Symbols and definitions

Long-only fund ratings

AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and performance consistency of the management team and/or approach as compared to funds with similar objectives.

AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-hedge-fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Absolute return fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

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Specialist Fund Ratings

AAA The fund demonstrates the highest standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

AA The fund demonstrates very high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

A The fund demonstrates high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

All fund ratings

NR Funds designated as NR (Not Rated) currently do not meet the requisite performance standards and/or the minimum qualitative criteria.

UR Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

New Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

Tenure Review The fund manager/team involved in the management of the fund does not currently have the minimum 12 months relevant investment management experience required to be eligible to be considered for a rating.

Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprised of government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprised of the highest quality fixed-income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or liquid securities.

V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.

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