



Middle East Hedge Fund Investor Survey March 2010



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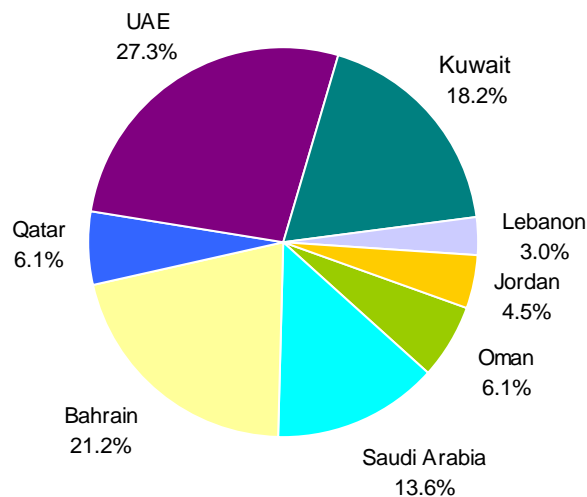
A. Investor Profile



A. Investor Profile

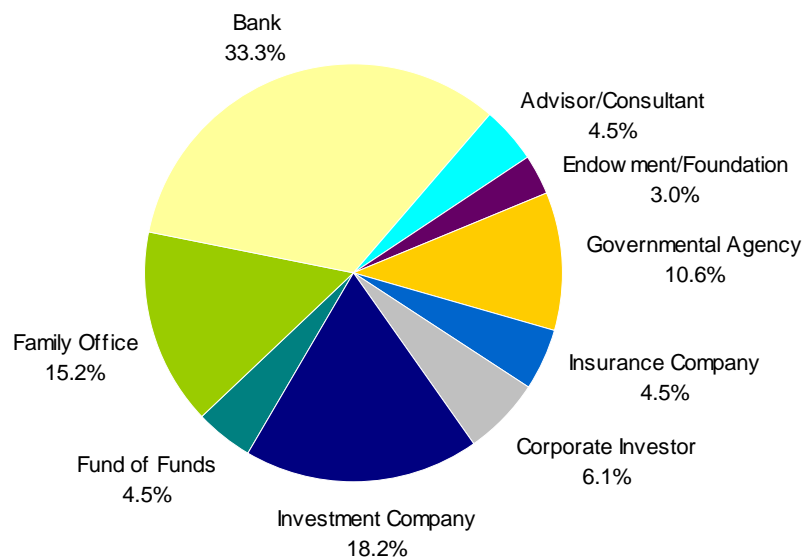
i. Distribution of Survey Respondents (by Country)

- UAE respondents represent 27.3% followed by Bahrain at 21.2%, Kuwait at 18.2%, Saudi Arabia at 13.6% Qatar and Oman at 6.1%, Jordan at 4.5% and Lebanon at 3.0%.



ii. Distribution of Survey Respondents (by Category of Respondents)

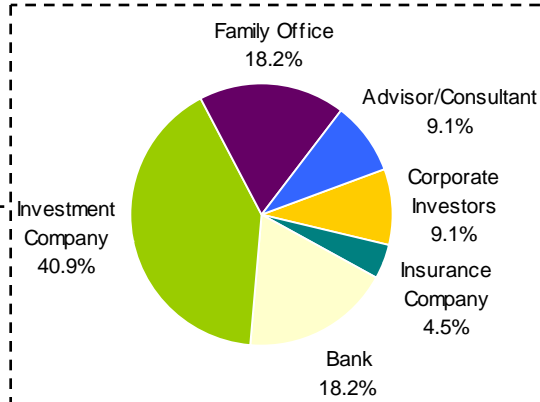
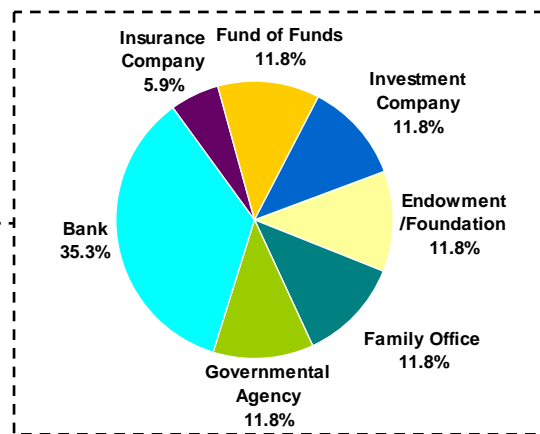
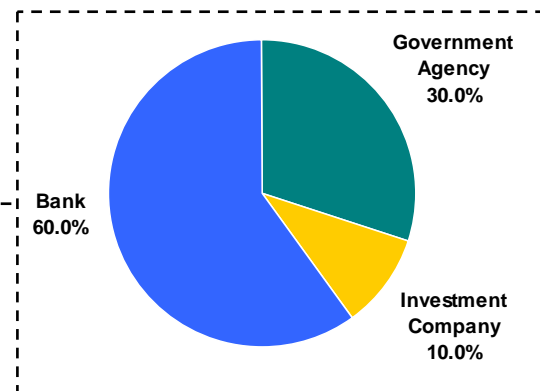
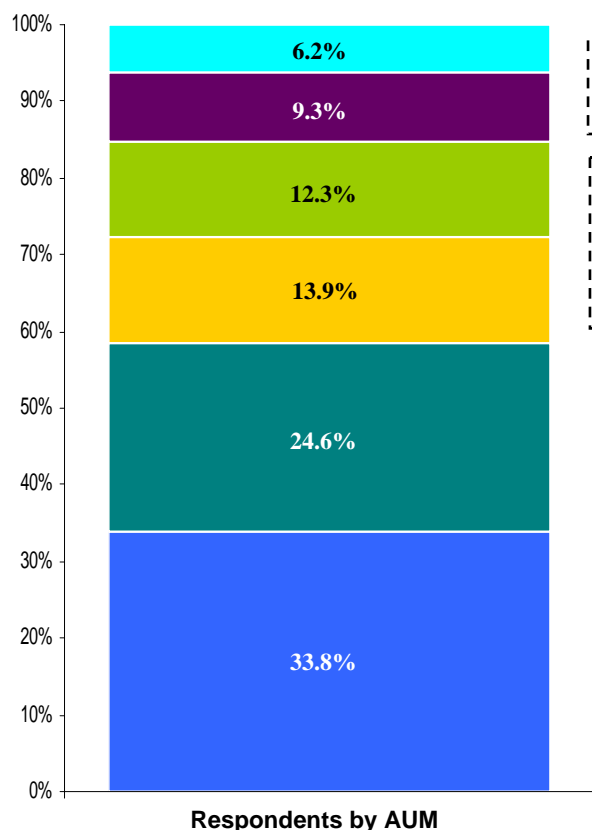
- Banks account for 33.3% of respondents followed by investment companies at 18.2%, family offices at 15.2% and government agencies at 10.6%. The four categories of investors mentioned above represent 77.3% of respondents.



A. Investor Profile

iii. Distribution of Survey Respondents (by Assets Under Management)*

- Investors with assets under management (AUM) of between \$500m and \$2.5bln represent 26.2% of respondents. Investors with AUM of \$1bln or below, represent 72.3% of respondents. Investors with AUM greater than \$1bln represent 27.8%.
- Breakdown of investors with less than \$250m in AUM:
 - 40.9% Investment Companies
 - 18.2% Banks
 - 18.2% Family Offices
- Breakdown of investors with \$501m - \$2.5bln in AUM:
 - 35.3% Banks
 - 11.8% Government Agencies
 - 11.8% Endowments/Foundations
 - 11.8% Investment Companies
 - 11.8% Family Offices
 - 11.8% Fund of Funds
- Breakdown of investors with over \$2.5bln in AUM:
 - 60.0% Banks
 - 30.0% Government Agencies
 - 10.0% Investment Companies

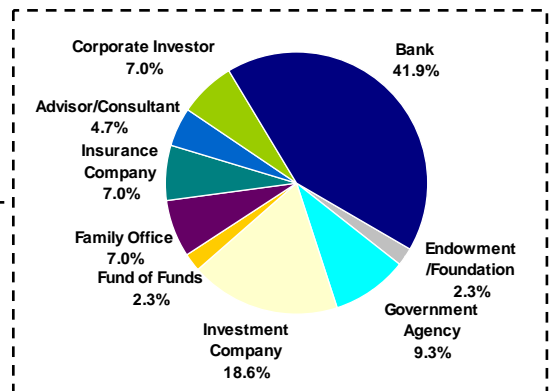
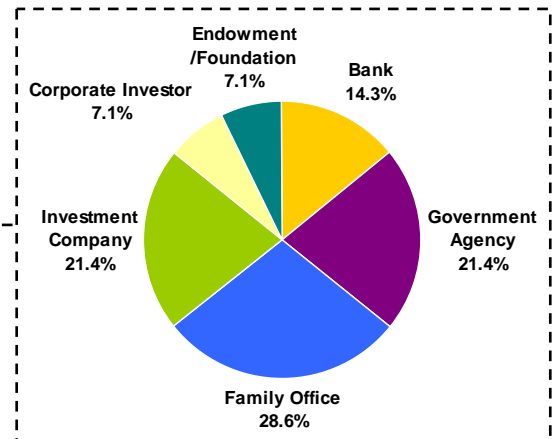
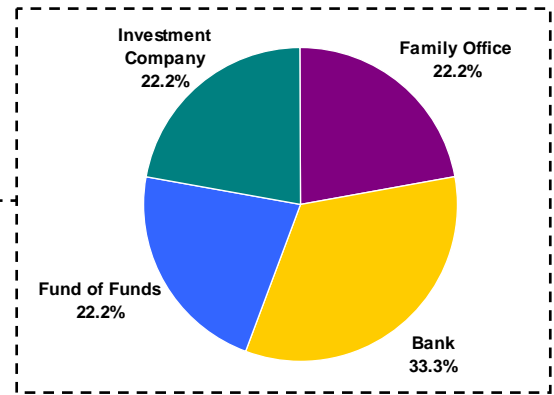
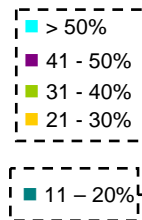
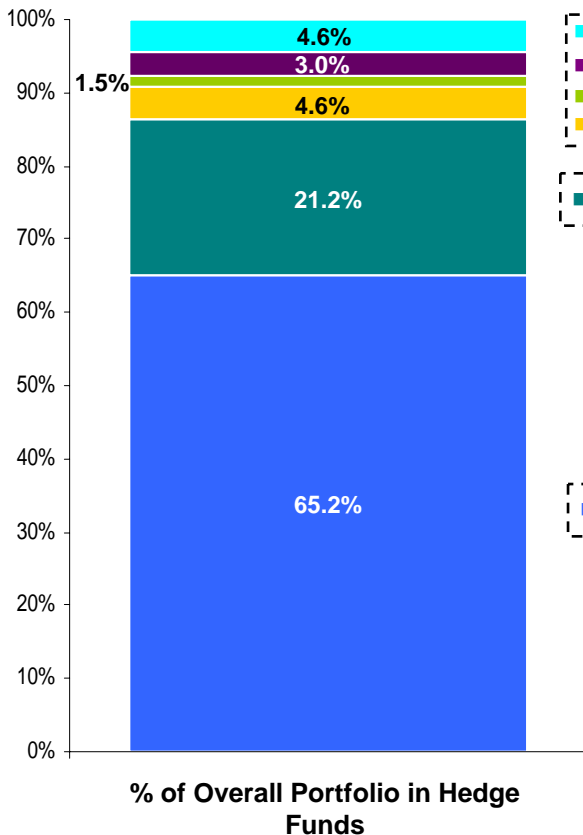


* One respondent out of 66 did not answer.

A. Investor Profile

iv. Strategy Allocation: Percentage of Overall Asset Allocation to Hedge Funds

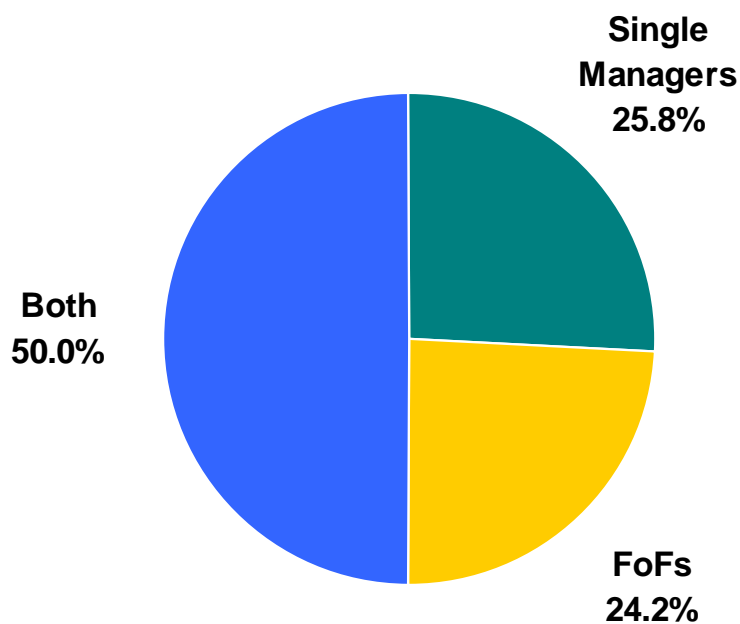
- Investors with less than 10% of their portfolio in hedge funds represent 65.2% of respondents.
- Investors with less than 20% of their portfolio in hedge funds represent 86.4% of respondents.
- Breakdown of investors with less than 10% allocation to hedge funds:
 - 41.9% Banks
 - 18.6% Investment Companies
 - 9.3% Government Agencies
- Breakdown of investors with allocations ranging between 11% and 20% to hedge funds:
 - 28.6% Family Offices
 - 21.4% Investment Companies
 - 21.4% Government Agencies
- Breakdown of investors with allocations greater than 20% to hedge funds:
 - 33.3% Banks
 - 22.2% Family Offices
 - 22.2% Investment Companies
 - 22.2% Fund of Funds



A. Investor Profile

v. Changes in Strategy Allocation: Fund of Funds versus Single Managers

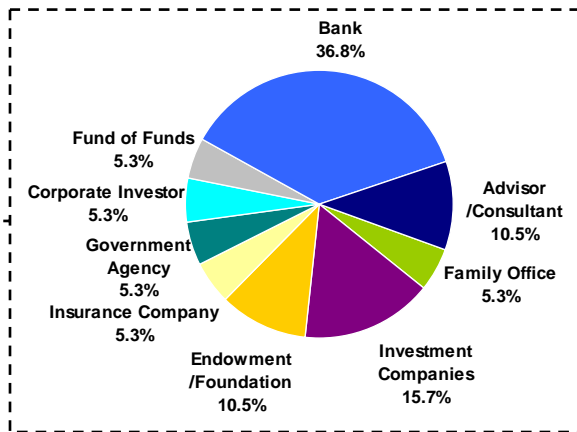
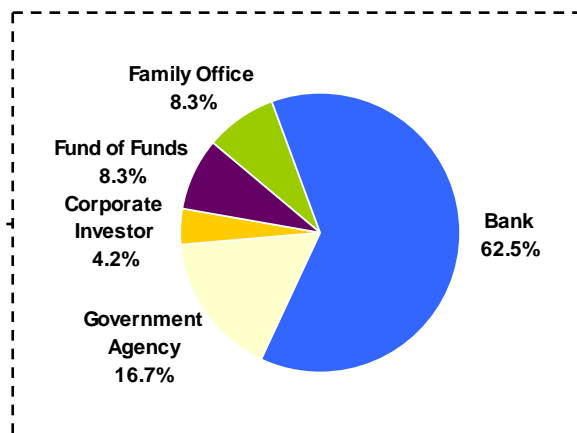
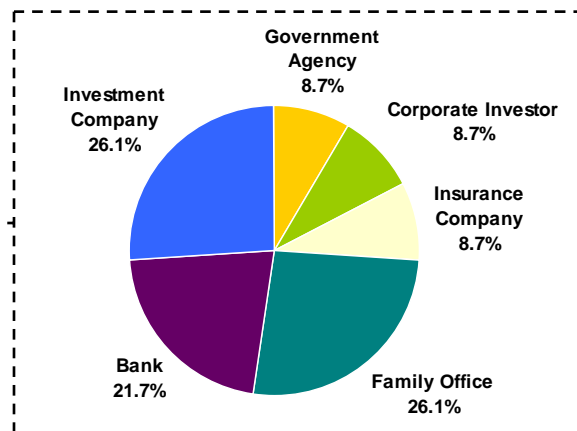
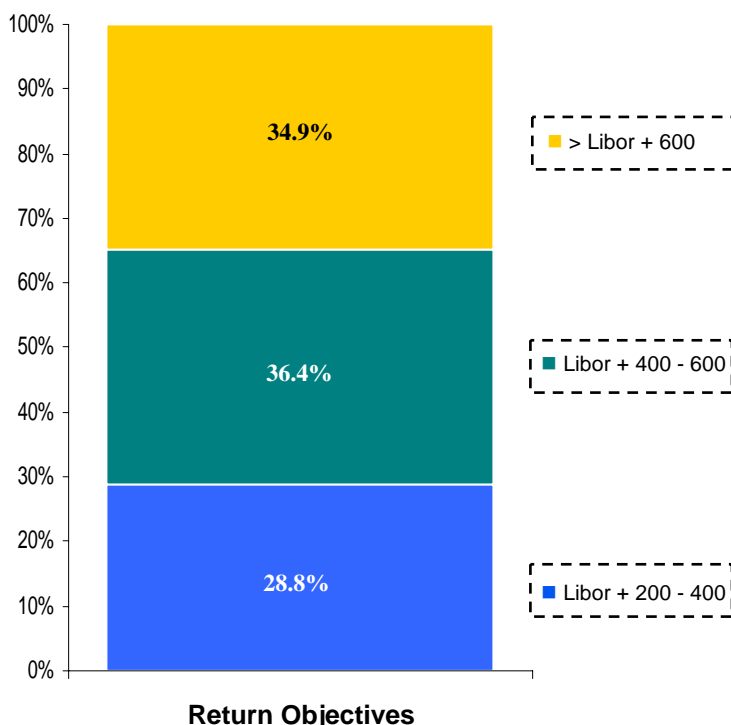
- Of total respondents, 50.0% allocate to both single managers and FoFs while 25.8% allocate only to single managers and 24.2% allocate to only FoFs.



A. Investor Profile

vi. Return Objectives of the Hedge Fund Portfolio

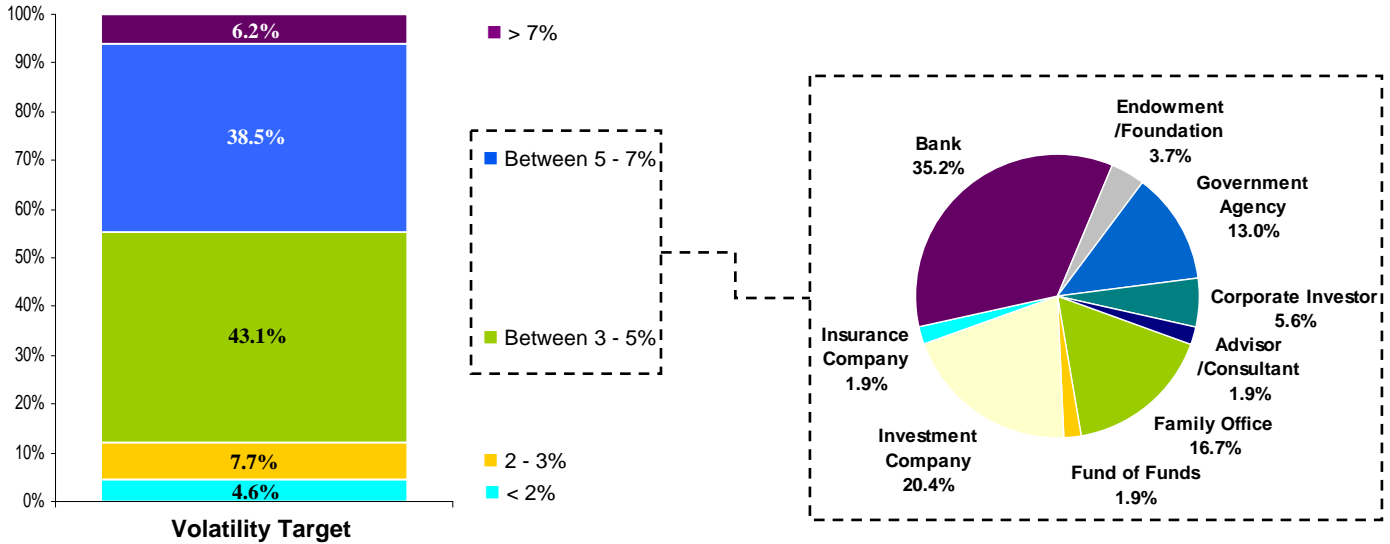
- Largest group of investors, 36.4% expect their hedge fund allocation to achieve return target of Libor + 400 – 600bps while 34.9% expect a return target greater than Libor + 600bps and 28.8% expect a return target of Libor + 200 – 400bps.
- Breakdown of investors with return targets of Libor + 200 – 400bps:
 - 36.8% Banks
 - 15.7% Investment Companies
- Breakdown of investors with return targets of Libor + 400 – 600bps:
 - 62.5% Banks
 - 16.7% Government Agencies
- Breakdown of investors with return targets greater than Libor + 600bps:
 - 26.1% Investment Companies
 - 26.1% Family Offices
 - 21.7% Banks



A. Investor Profile

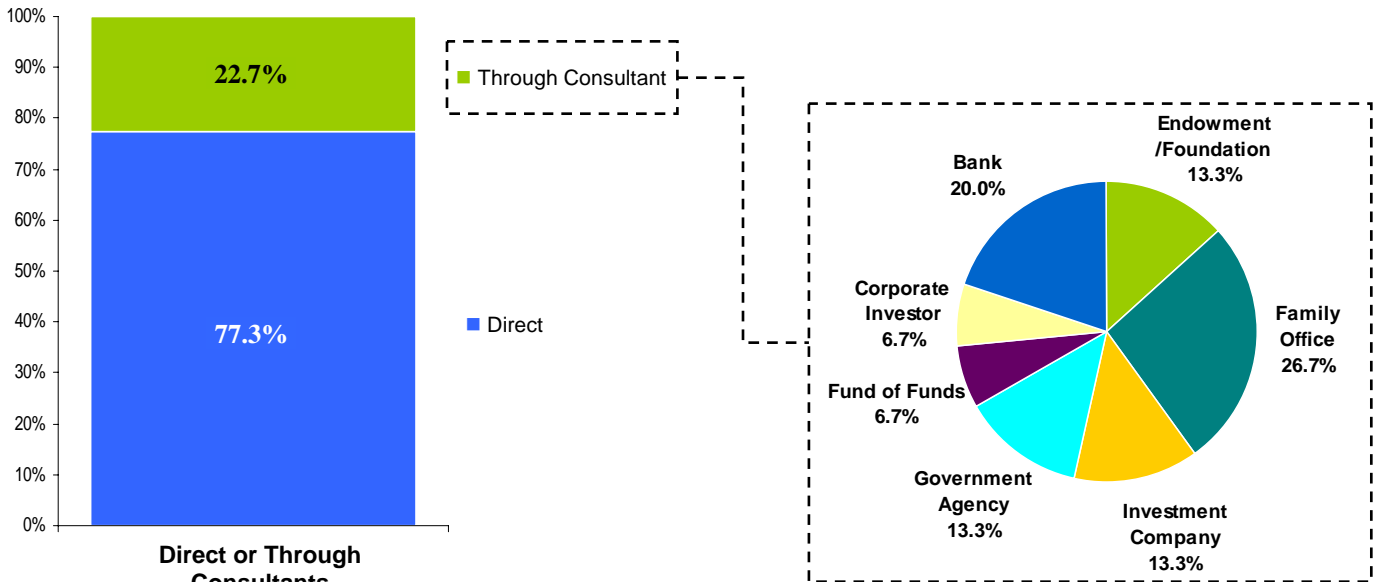
vii. Volatility Profile of Hedge Funds

- Respondents with volatility profiles between 3% and 7% represent 81.6% of total respondents. Only 6.2% of investors are comfortable with a volatility profile greater than 7%.
- Respondents with a volatility profile between 3% and 7% are 35.2% Banks, 20.4% Investment Companies and 13.0% Government Agencies.



viii. Use of Consultants

- Majority of investors, 77.3% access hedge funds directly or without the use of a consultant. Only 22.7% employ the use of a consultant. A closer look at those who use consultant reveals:
 - Family Office 26.7%
 - Bank 20.0%
 - Government Agencies 13.3%
 - Investment Companies 13.3%
 - Endowments/ Foundations 13.3%



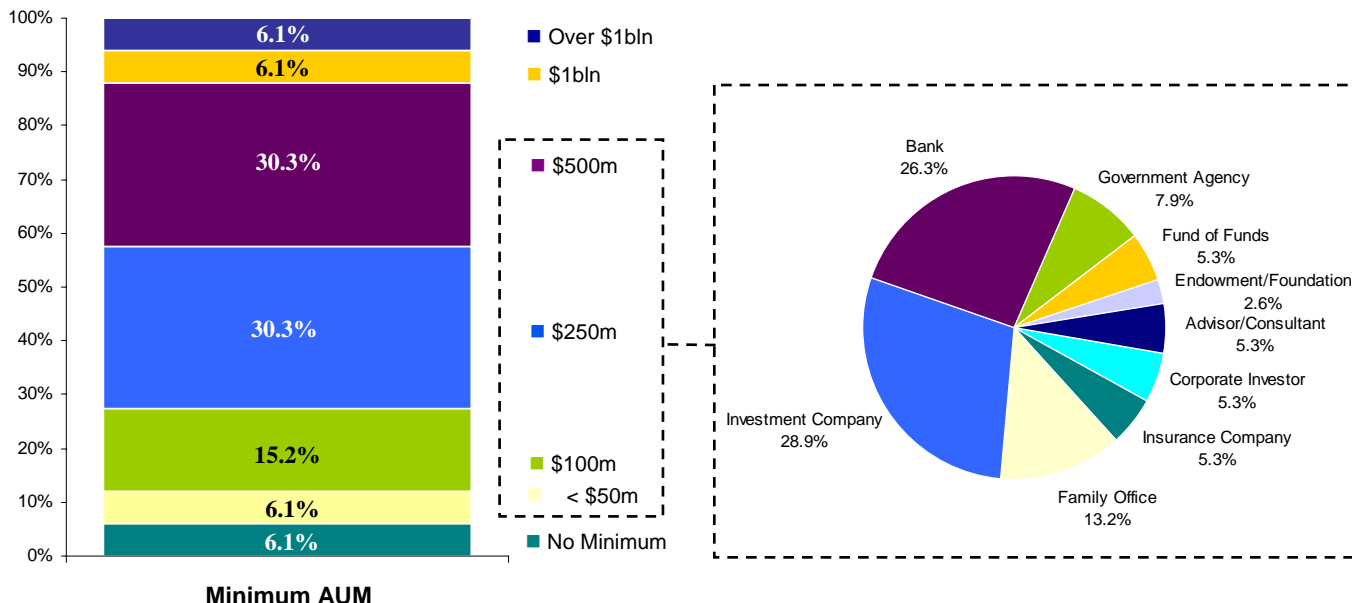
B. Minimum Investment Criteria



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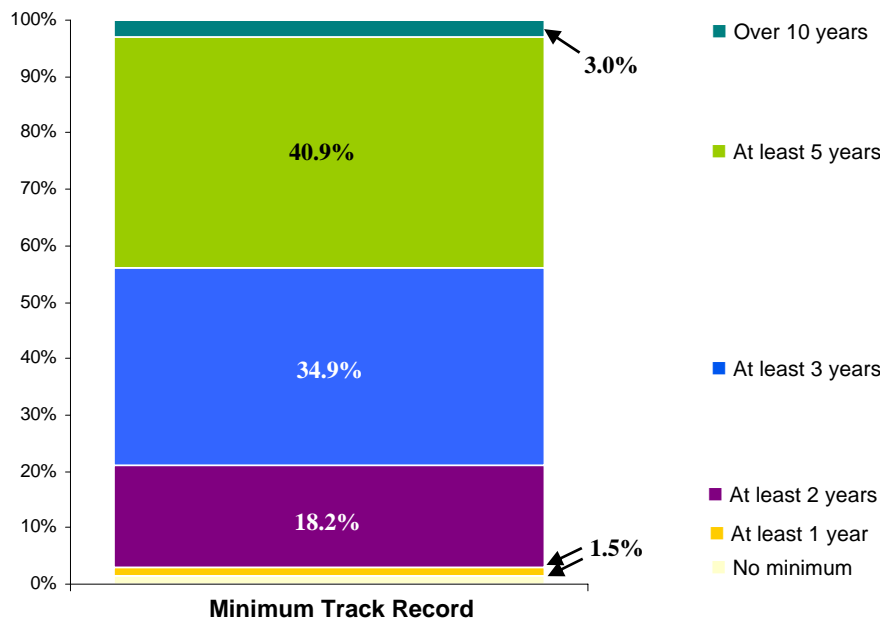
i. Minimum AUM of a fund

- Requirements for minimum AUM are largely unanimous, 30.3% of investors require at least \$250m AUM to invest with a fund while 30.3% require at least \$500m in AUM. Only 12.2% of respondents are able to invest with a fund of \$50m or less while 57.7% of respondents are able to invest with a fund of \$250m in AUM or less.



ii. Minimum length of track record

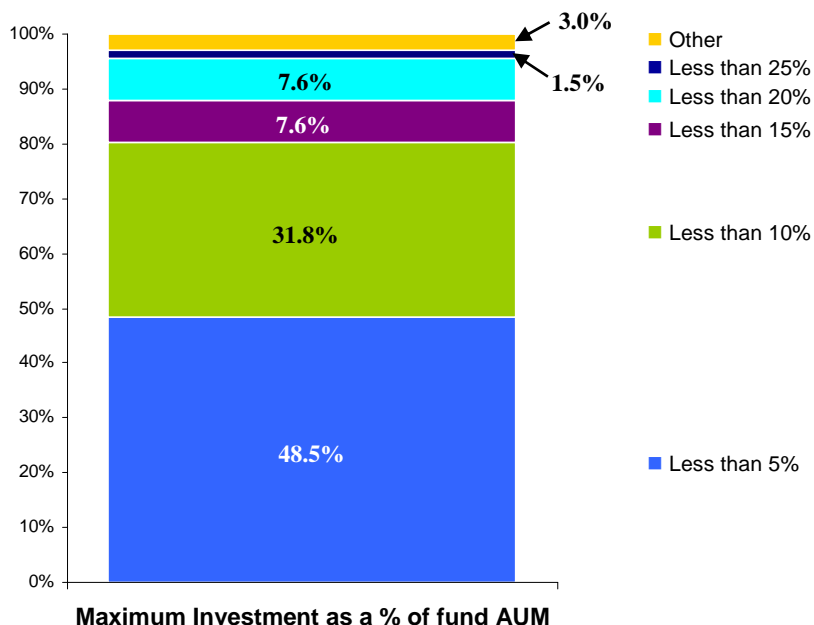
- Respondents representing 34.9% are able to invest with a fund with at least three years of track record while 56.1% are able to invest with a fund with three years or less of track record.
- Respondents representing 21.2% are able to invest with a fund with less than three years of track record while 1.5% have no minimum as to the length of the track record.
- Respondents representing 40.9% require a minimum track record of five years.



B. Minimum Investment Criteria

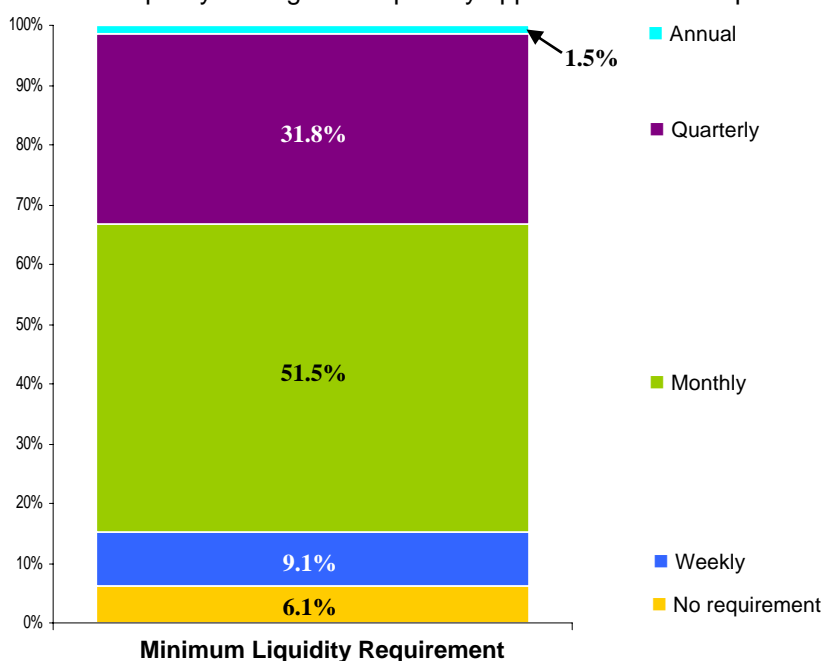
iii. Risk Management: Maximum Concentration to a fund

- Respondents representing 48.5% have internal requirements limiting their investment to 5% of a fund's AUM. Investors representing 31.8% have limits on their investments of 10% of AUM.
- Respondents representing 95.5% must have their investments represent less than 20% of a fund's AUM.



iv. Liquidity of Investments

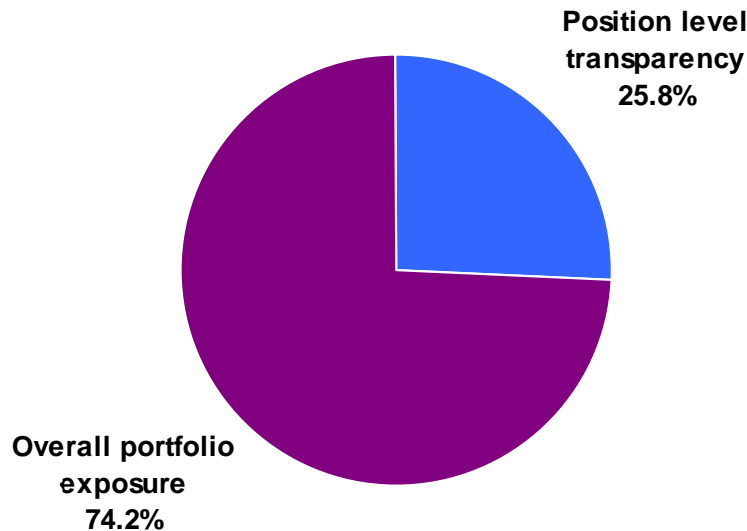
- Respondents who require funds with at least monthly liquidity represent 51.5% and respondents who require funds with at least quarterly liquidity represent 31.8%.
- Funds with annual liquidity or longer lockups only appeal to 1.5% of respondents.



B. Minimum Investment Criteria

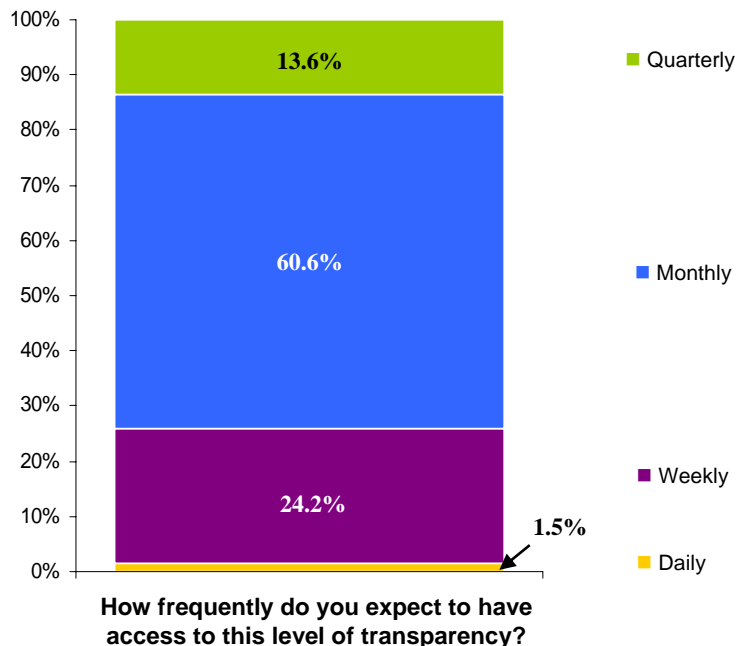
v. Minimum Level of Transparency

- For the minimum level of transparency from a manager that respondents are willing to accept, 25.8% accept position level transparency and 74.2% accept overall portfolio exposure.



vi. Frequency of Access to Level of Transparency

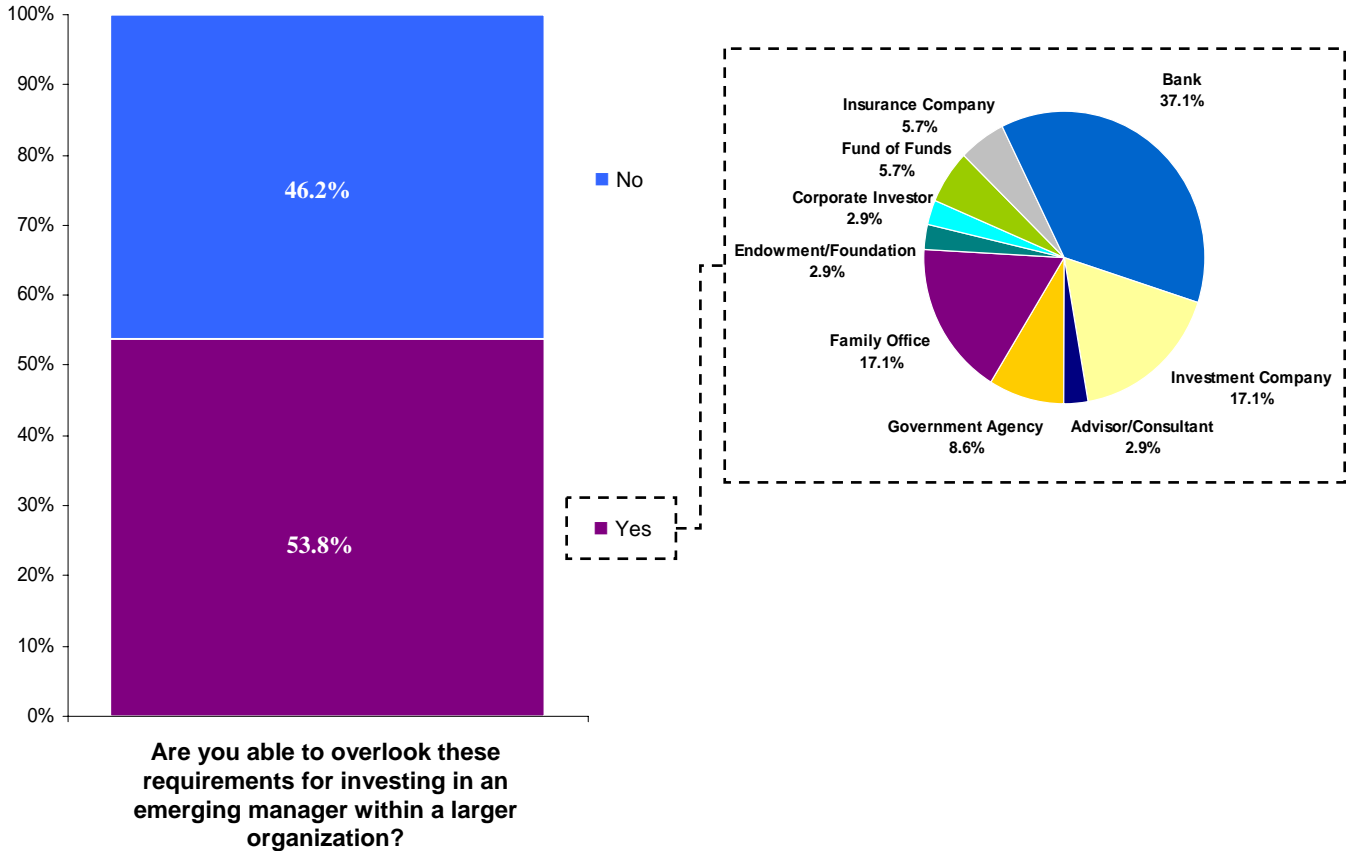
- Respondents representing 60.6% expect access through their level of transparency on a monthly basis, while 24.2% expect their level of transparency on a weekly basis.



B. Minimum Investment Criteria

vii. Ability to Alter Requirements for Emerging Managers within Larger Organizations

- Respondents representing 53.8% of investors are willing to overlook their level of transparency for emerging managers within larger organizations. Of those who responded yes, 37.1% of them are banks, 17.1% are investment companies and 17.1% are family offices.



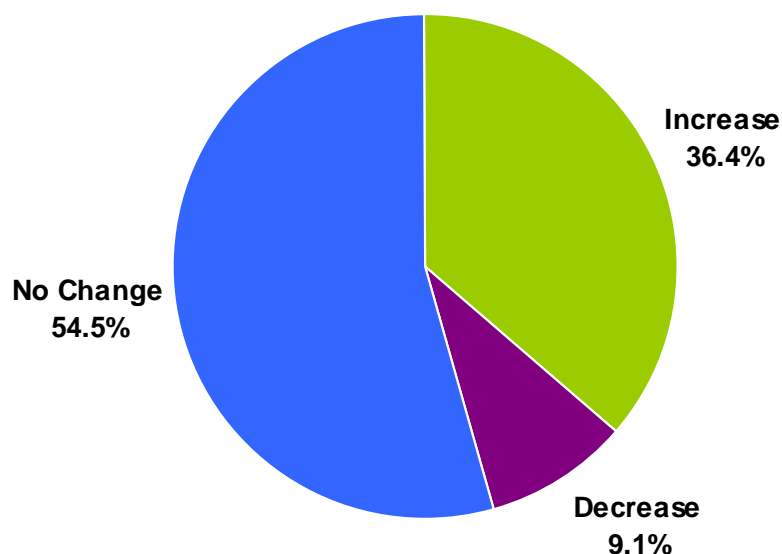
**C. Expected Asset Allocation Changes
in 2010**



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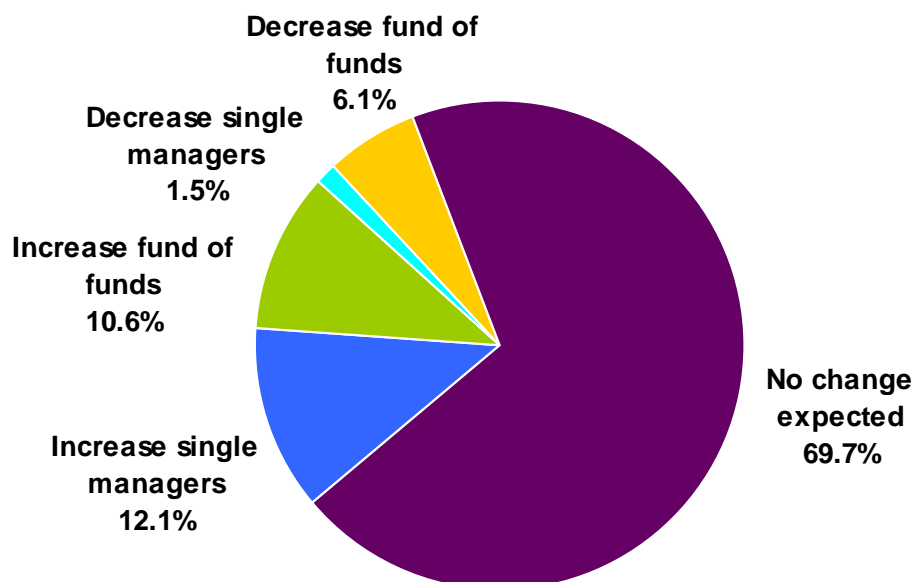
i. Changes in Strategy Allocation: Hedge Fund Allocations in 2010

- Respondents who expect to decrease their hedge fund allocation in 2010 represent 9.1% while 36.4% expect to increase their hedge fund exposure and 54.5% expect no change in their allocation for 2010.



ii. Changes in Strategy Allocation: Fund of Funds versus Single Managers in 2010

- Of the 45.5% of respondents who expect a change to their hedge fund allocation in 2010:
 - 69.7% expect no change in their split between single managers and FoFs.
 - 12.1% expect to increase their exposure through single managers.
 - 6.1% expect to decrease their allocations to FoFs.

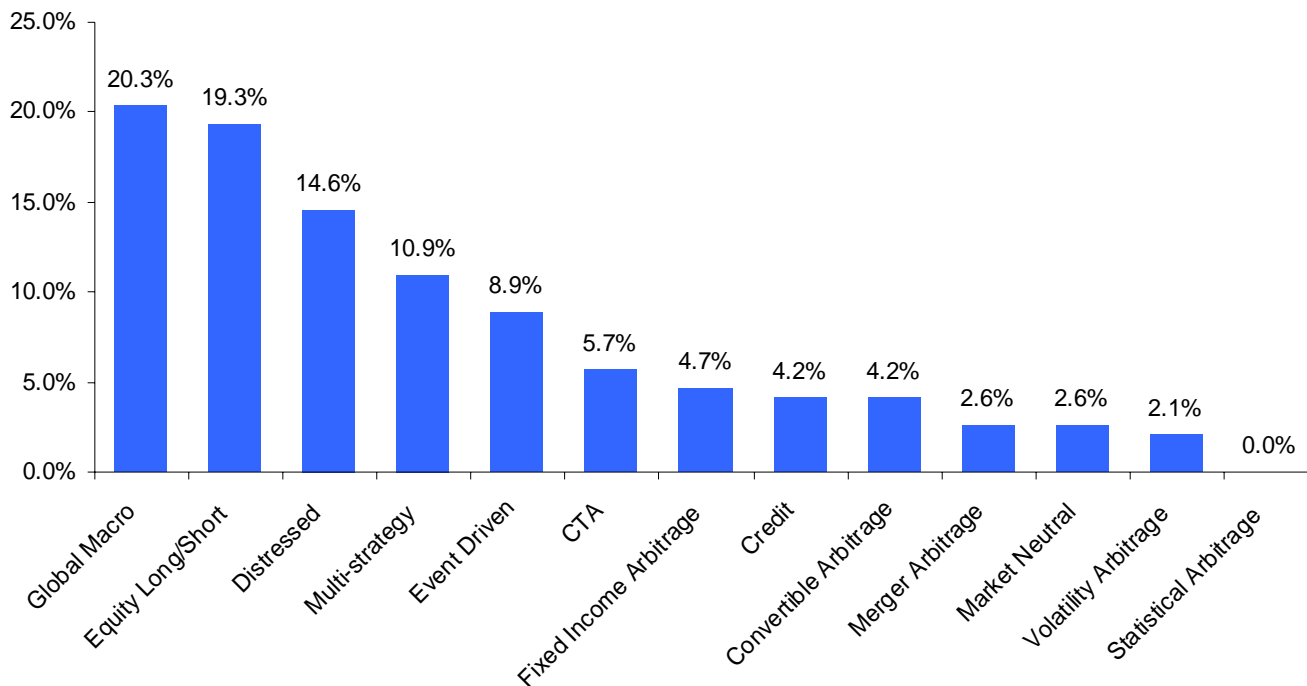




C. Expected Asset Allocation Changes in 2010

iii. Changes in Strategy Allocation: Strategies for 2010*

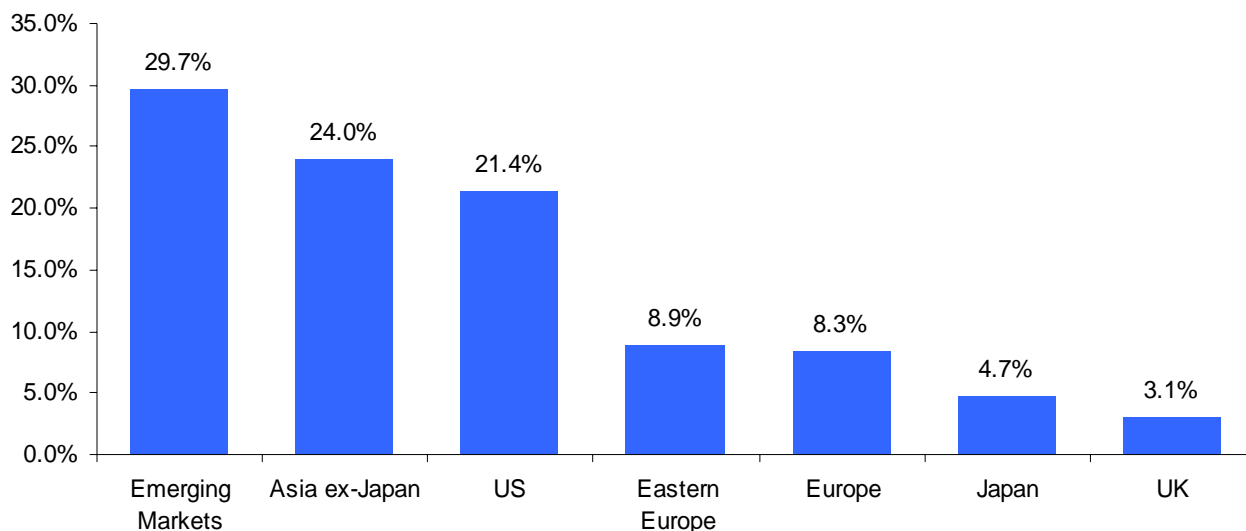
- Strategies investors favor for 2010:
 - Global Macro 20.3%
 - Equity L/S 19.3%
 - Distressed 14.6%



* Two respondents out of 66 did not answer.

iv. Changes in Regional Allocation in 2010*

- Regions investors favor in 2010:
 - Emerging Markets 29.7%
 - Asia ex-Japan 24.0%
 - US 21.4%



* Two respondents out of 66 did not answer.

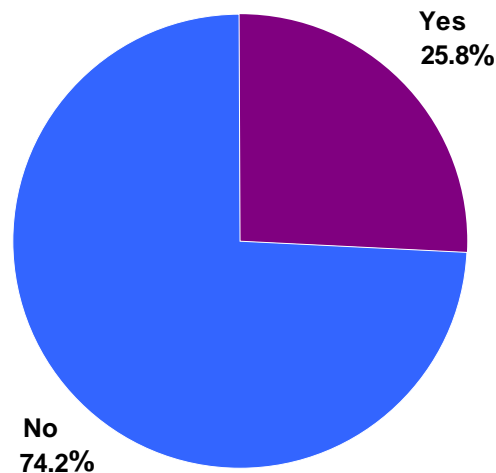
D. Industry Developments and Changes



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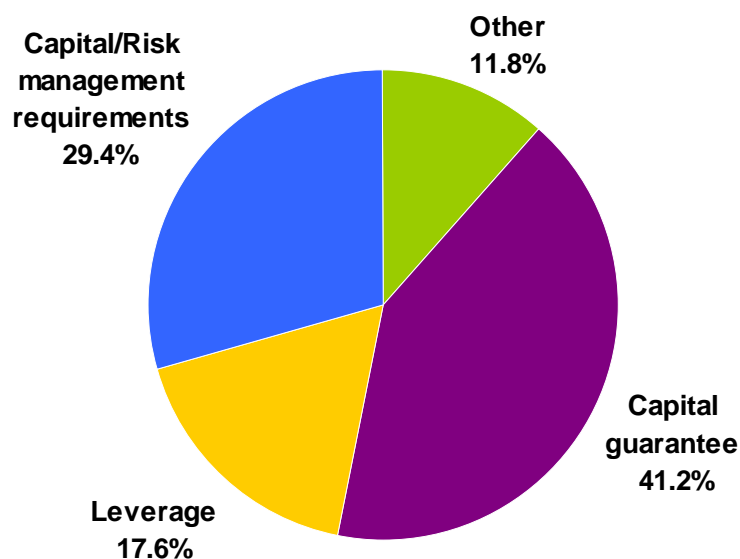
i. Use of Structured Products

- Respondents who do not use structured products represent 74.2% of respondents while those who may use structured products regularly represent 25.8%.



ii. Purposes of Structured Products

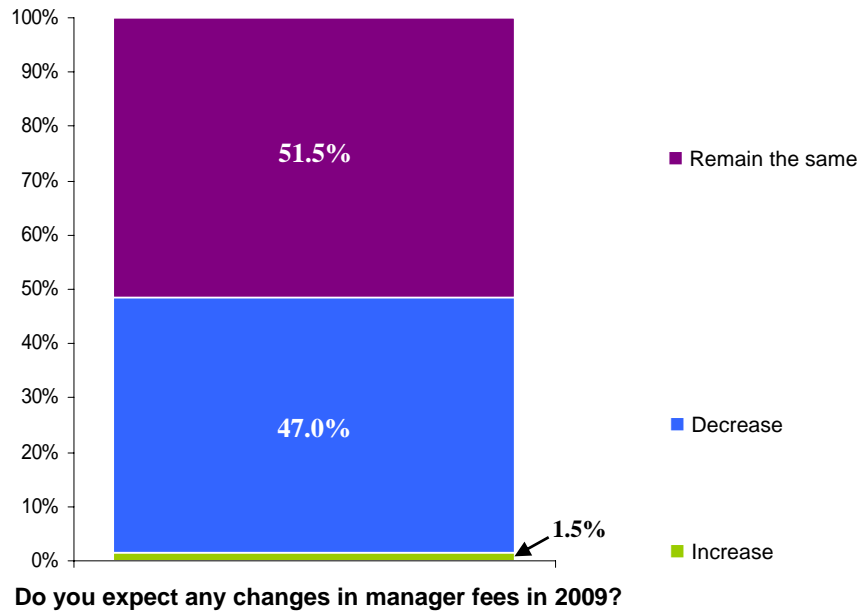
- Of the 25.8% of respondents who may use structured products either regularly or periodically, 41.2% use structured products for capital guarantee.



D. Industry Developments and Changes

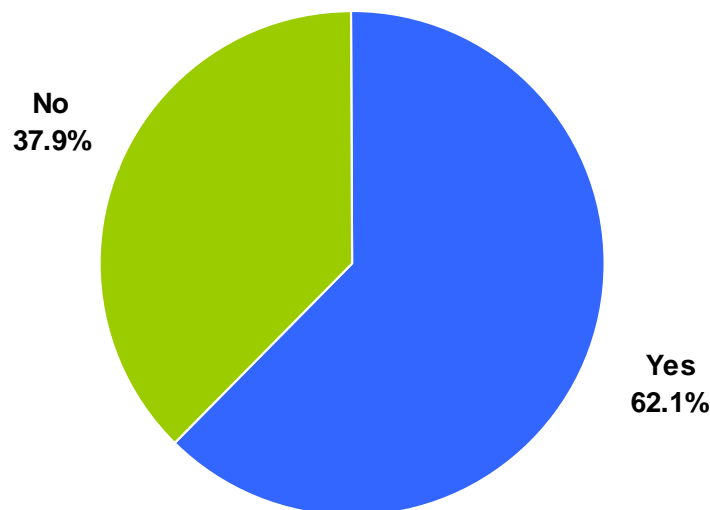
iii. Hedge Fund Fees

- 1.5% of respondents expect manager fees to rise in 2010 while 51.5% expect no change and 47.0% expect fees to decrease.



iv. Negotiating Discounts with Fund Managers

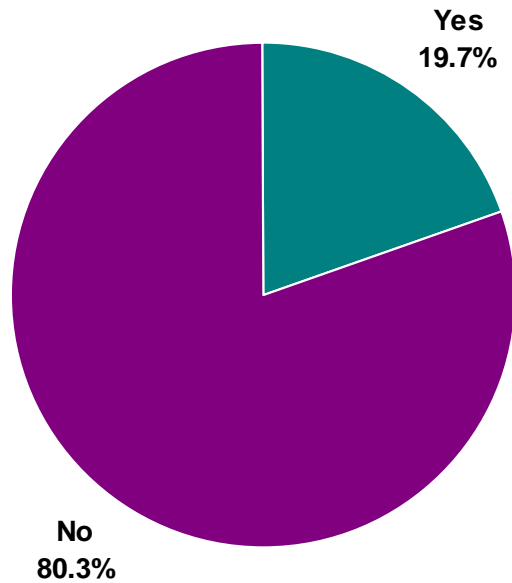
- Respondents who negotiate fee discounts with fund managers represent 62.1% while investors who do not negotiate fee discounts represent 37.9%.



D. Industry Developments and Changes

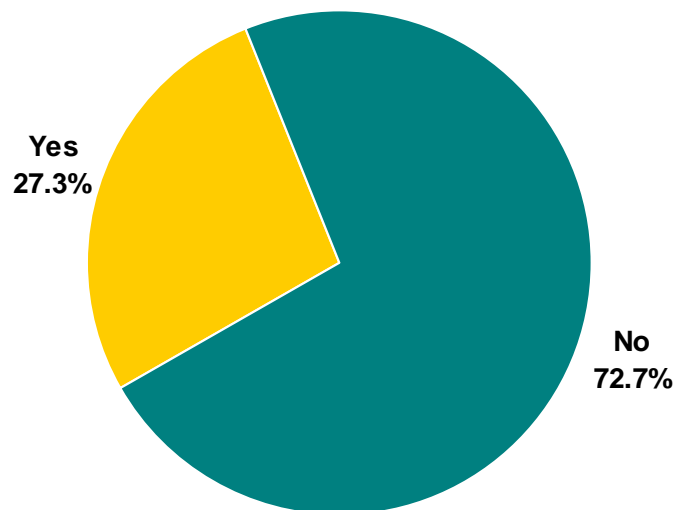
v. Investing in Shariah Compliant Hedge Funds

- Respondents who do not invest in Shariah compliant hedge funds represent 80.3% of respondents while those who do invest in Shariah compliant hedge funds represent 19.7%.



vi. Investing in Funds that Gated or Suspended Redemptions

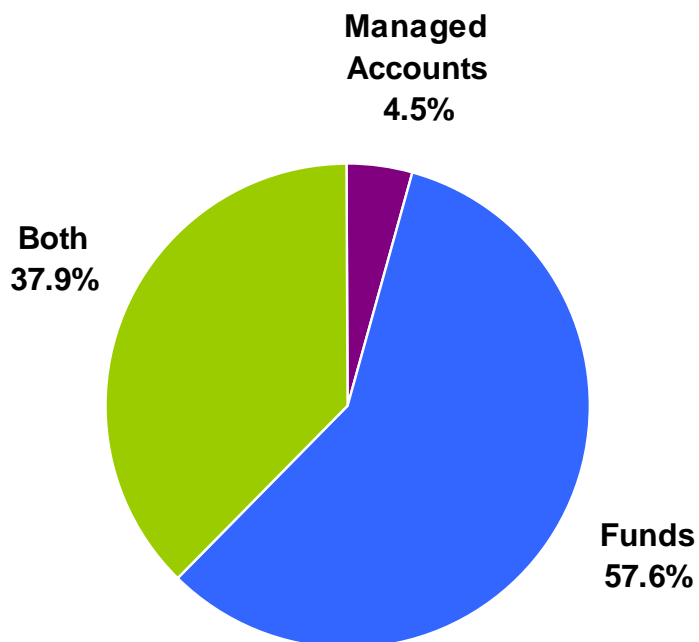
- Respondents who will invest in funds that gated or suspended redemptions represent 27.3% while investors who will not invest in funds that gated or suspended redemptions represent 72.7%.



D. Industry Developments and Changes

vii. Investing in Managed Accounts or Funds

- Respondents who use only managed accounts represent 4.5% of respondents, while those who invest in funds represent 57.6% and respondents who use both managed accounts and funds represent 37.9%.



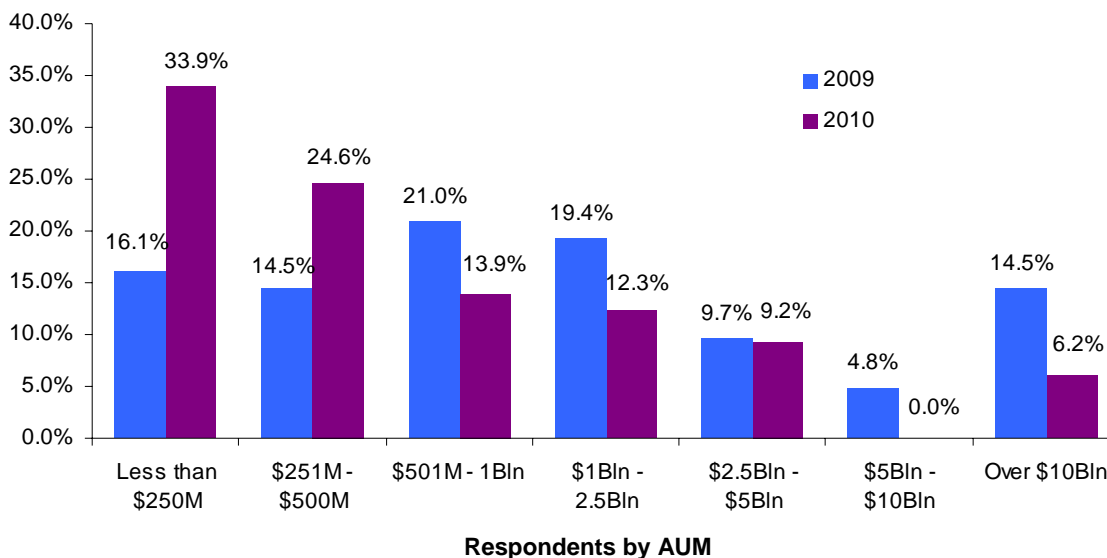
E. Changes from 2009 to 2010



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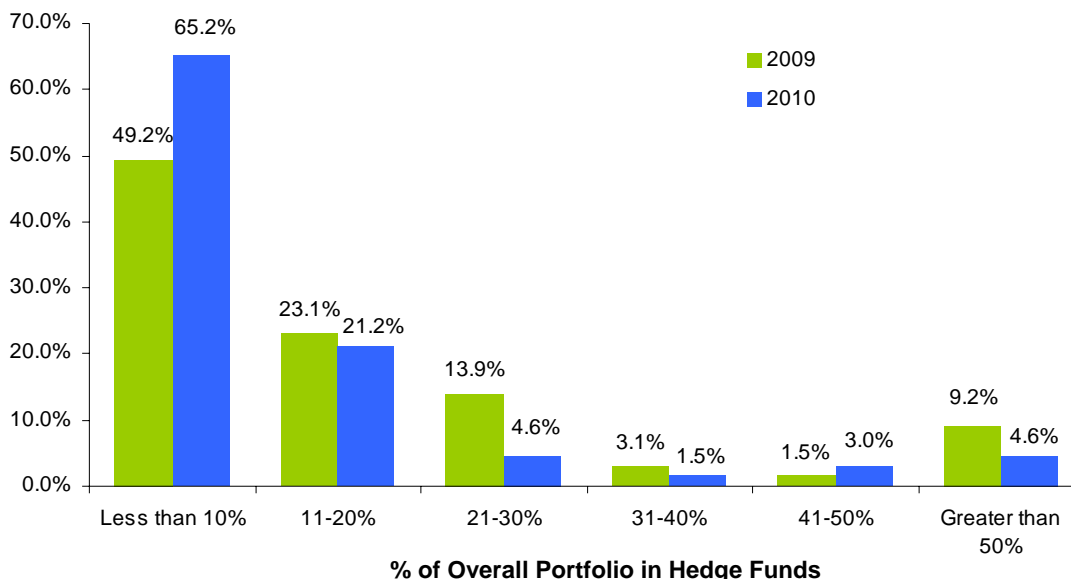
i. Change in Respondents by AUM

- Respondents with less than \$250M AUM have increased by 110% from 2009 to 2010. Respondents with \$5Bln to \$10Bln AUM have decreased by 100% from 2009 to 2010. Respondents with less than \$500M AUM represented 30.1% in 2009 and 68.5% in 2010, an increase of 128%.



ii. Change in Respondents Percent of Overall Portfolio in Hedge Funds

- Respondents with less than 10% of their overall portfolio in hedge funds has increased by 32%. Respondents with between 31%-40% and greater than 50% of their portfolio in hedge funds has decreased by 51% from 2009 to 2010.

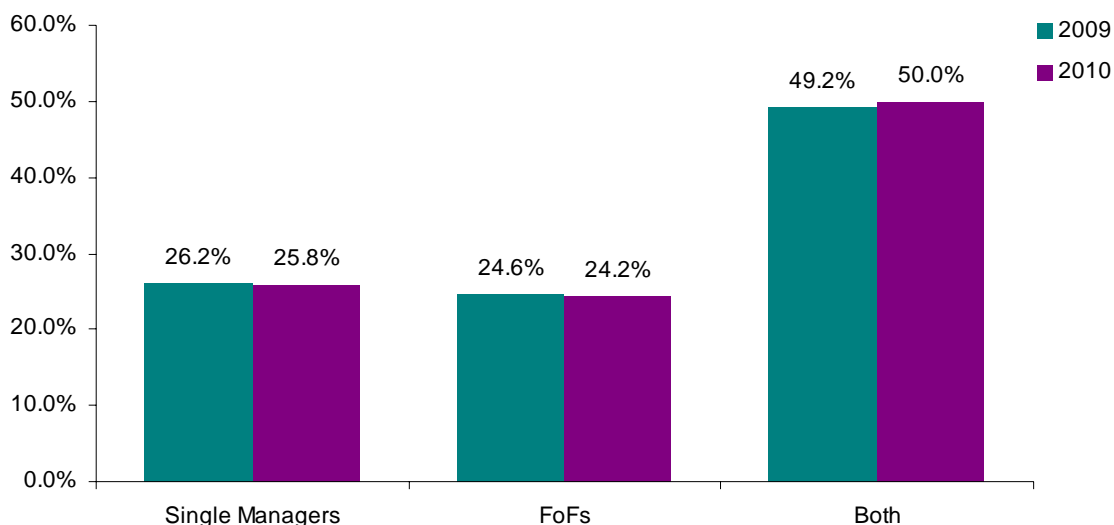




E. Changes from 2009 to 2010

iii. Change in Respondents Allocations through Single Managers or FoFs

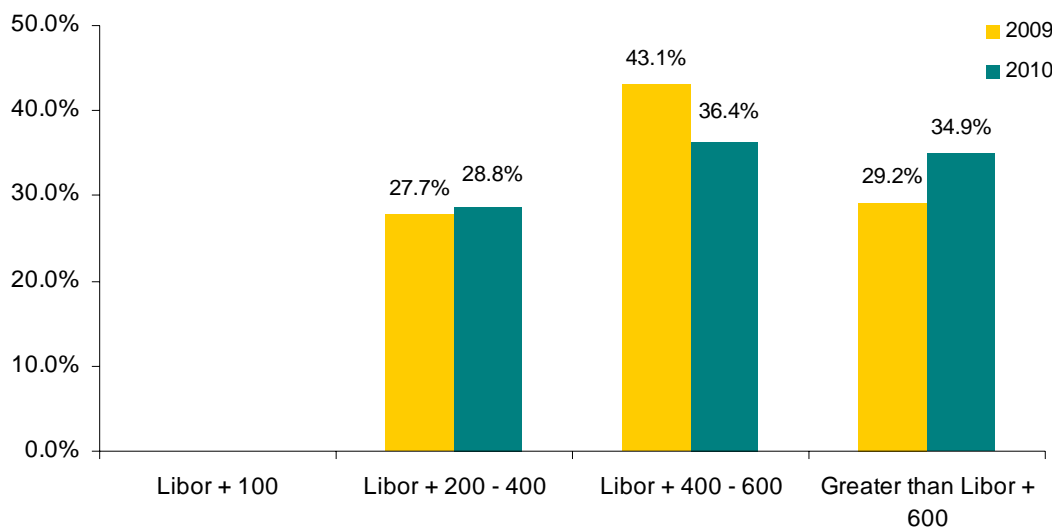
- There has not been a significant change in respondents allocations through single managers or FoFs from 2009 to 2010.



Allocations Through Single Managers or FoFs

iv. Change in Respondents Return Objectives

- There was a 16% decrease in respondents return objectives of LIBOR + 400-600 and a 19% increase in respondents with a greater than LIBOR + 600 return objective from 2009 to 2010.

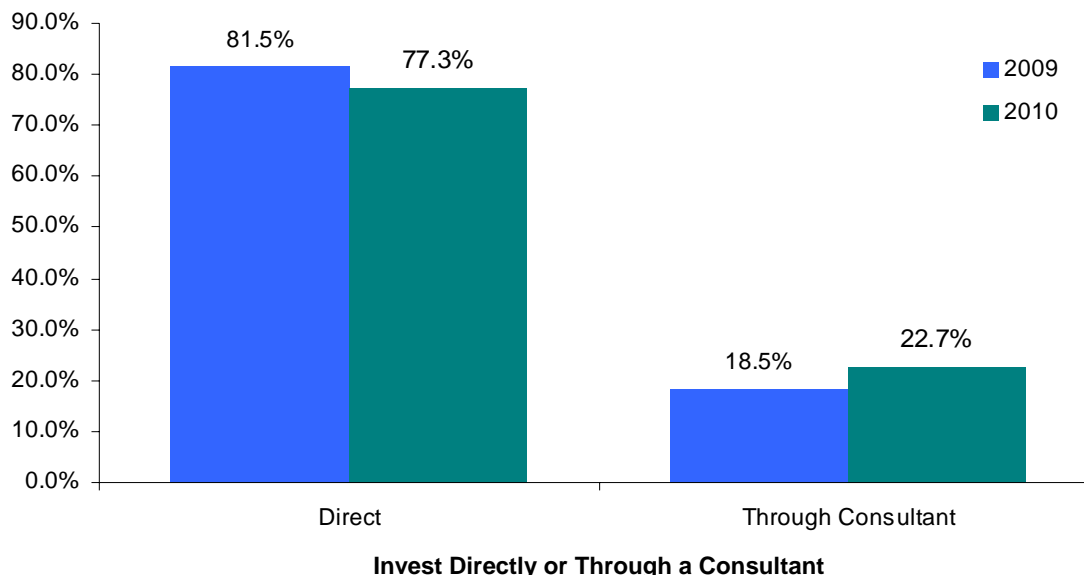


Return Objectives

E. Changes from 2009 to 2010

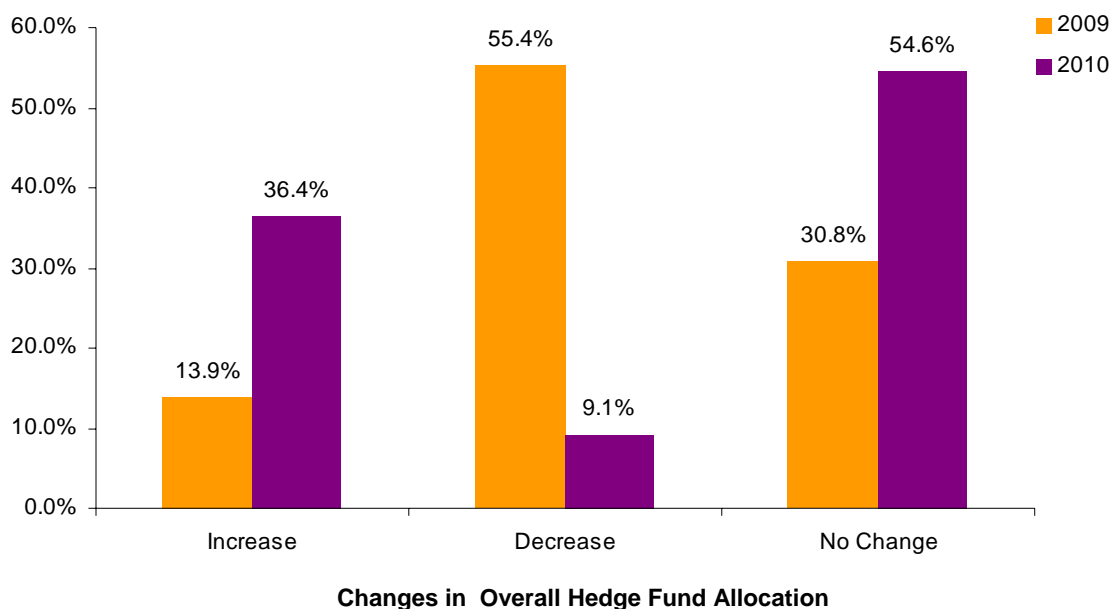
v. Change in Respondents who Invest Directly or Through a Consultant

- There was a 23% increase in respondents who invest through consultants and a 5% decrease in respondents who invest directly from 2009 to 2010.



vi. Change in Respondents who are Expecting Overall Hedge Fund Allocation to Change

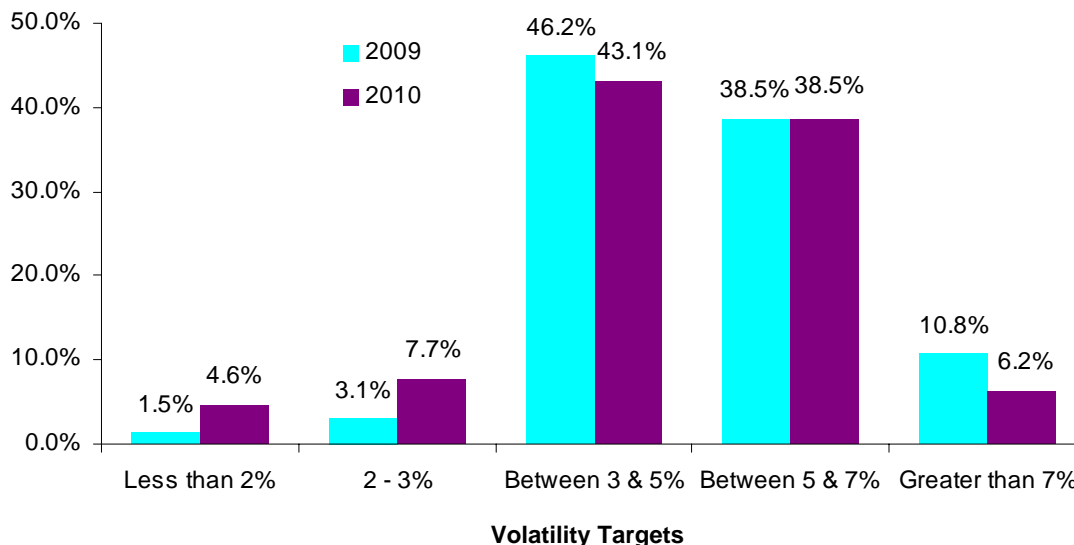
- There was a 163% increase in respondents who are expecting their hedge fund allocations to increase, an 84% decrease in respondents who expect their hedge fund allocations to decrease and a 77% increase in respondents who expect no change in their hedge fund allocations in 2010.



E. Changes from 2009 to 2010

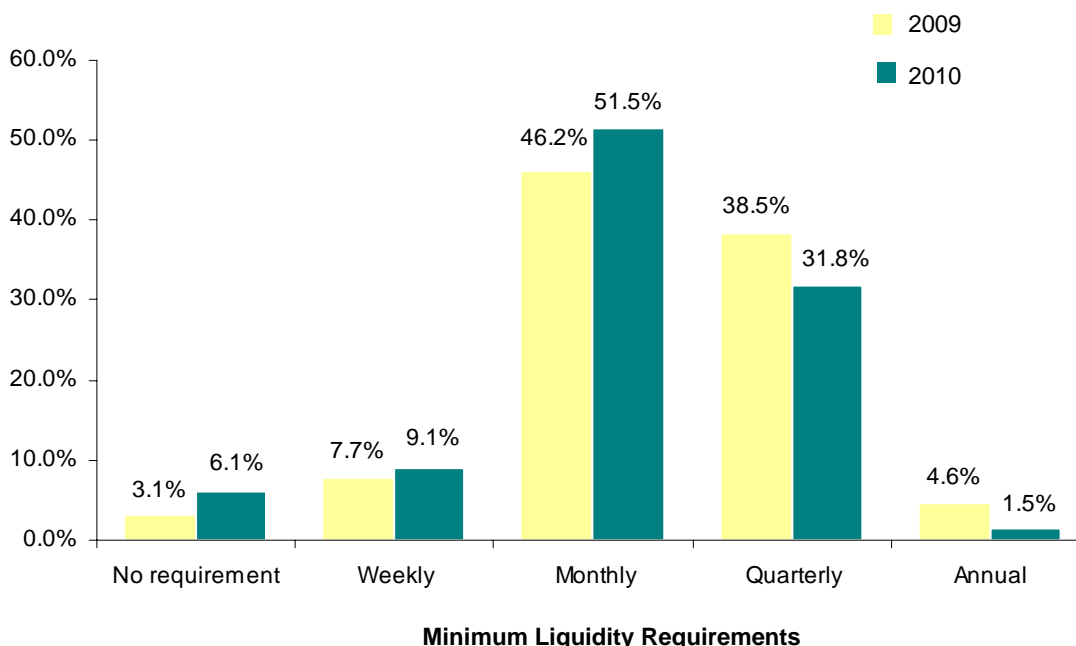
vii. Change in Respondent's Volatility Targets

- There was a 200% increase in respondents whose volatility target is less than 2% and a 150% increase in respondents whose volatility target is 2%-3% from 2009 to 2010. There was a 43% decrease in respondents whose volatility target is greater than 7% from 2009 to 2010.



viii. Change in Respondents Minimum Liquidity Requirements

- There was a 17% increase in respondents who require monthly or better liquidity from 2009 to 2010.





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Capintro collected responses through Thursday, February 4th 2010 from 66 investors in eight countries including the UAE, Bahrain, Qatar, Kuwait, Oman, Saudi Arabia, Jordan and Lebanon. Investors were asked to complete an online questionnaire that focused on four main categories: an Investor Profile (categorizing investors by type, assets and country), their Minimum Investment Criteria, Expected Asset Allocation Changes in 2010 as well as Industry Developments and Changes.