



Middle East Hedge Fund Investor Survey 2009



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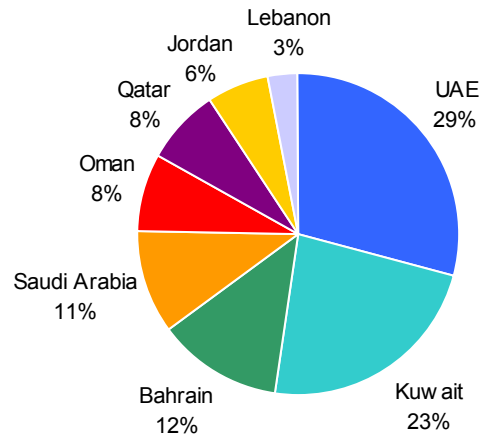
A. Investor Profile



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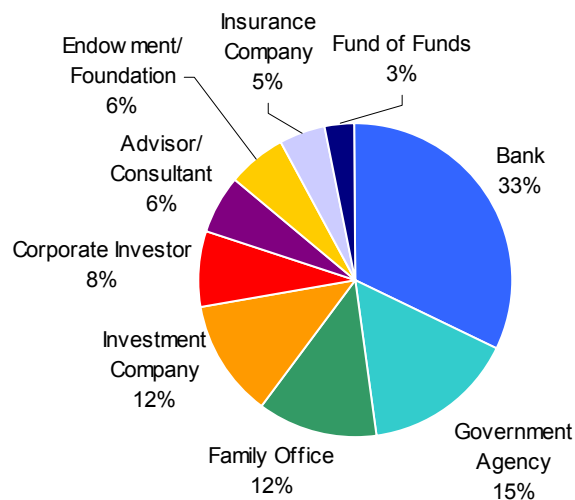
i. Distribution of Survey Respondents (by Country)

- UAE respondents represent 29% followed by Kuwait at 23%, Bahrain at 12%, Saudi Arabia at 11% Qatar and Oman at 8%, Jordan at 6% and Lebanon at 3%.



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

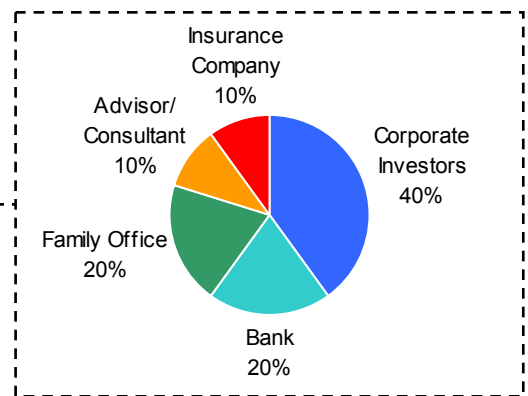
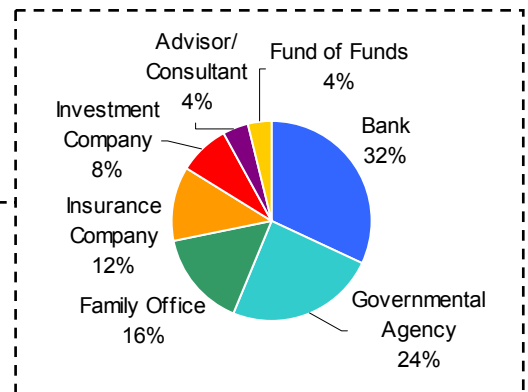
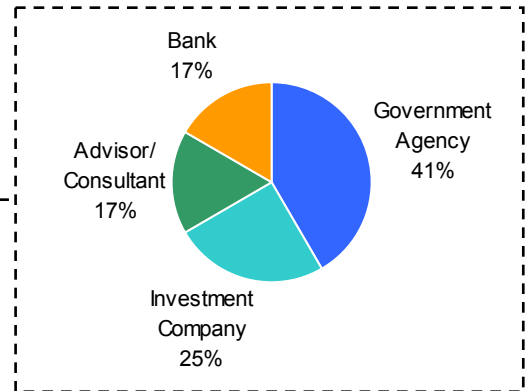
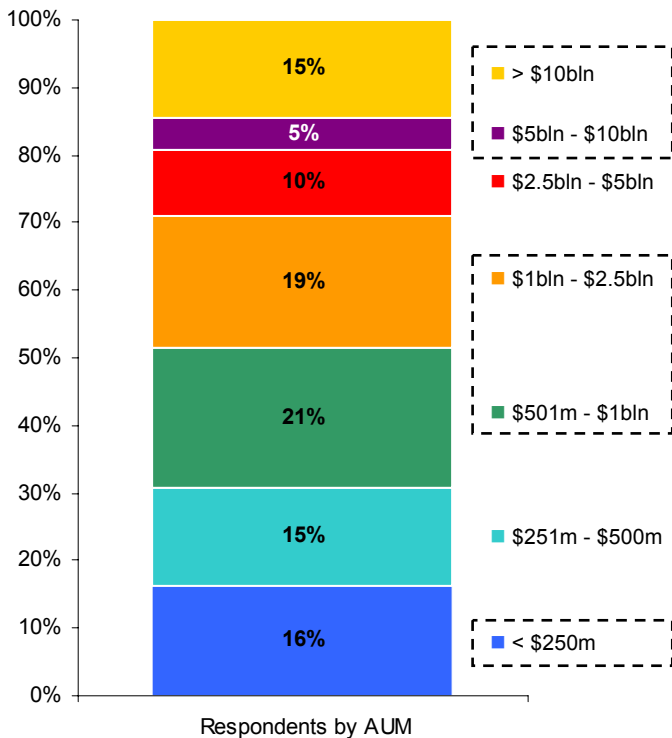
- Banks account for 33% of respondents followed by government agencies at 15%. Investment companies and family offices are tied for third at 12%. The four categories of investors mentioned above represent 72% of respondents.



A. Investor Profile (cont'd)

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

- Investors with assets under management (AUM) of between \$500m and \$2.5bln represent 40% of respondents. Investors with AUM of \$1bln or below, represent 52% of respondents. Investors with AUM greater than \$1bln represent 49%.
- Breakdown of investors with less than \$250m in AUM:
 - 40% Corporate Investors
 - 20% Banks
 - 20% Family Offices
- Breakdown of investors with \$501m - \$2.5bln in AUM:
 - 32% Banks
 - 24% Government Agencies
- Breakdown of investors with over \$5bln in AUM:
 - 41% Government Agencies
 - 25% Investment Companies
 - 17% Banks

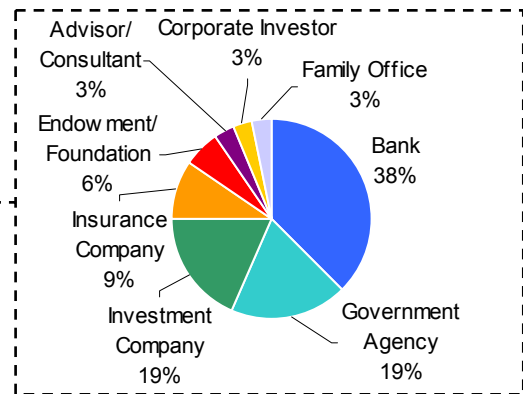
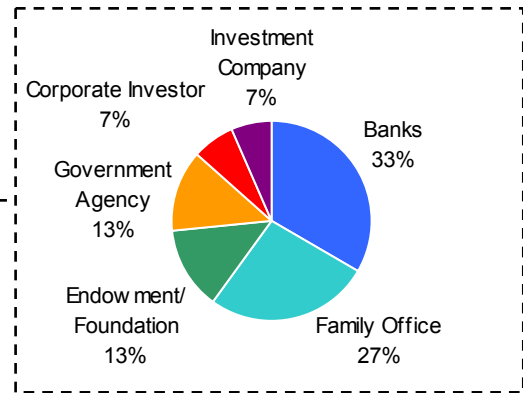
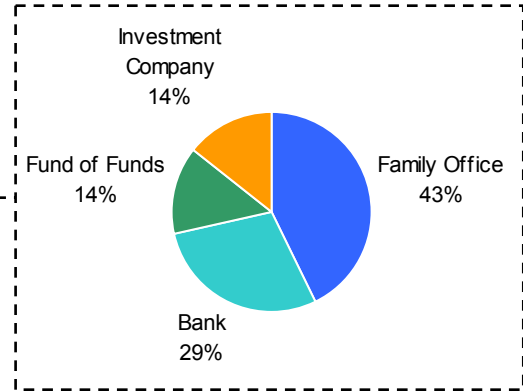
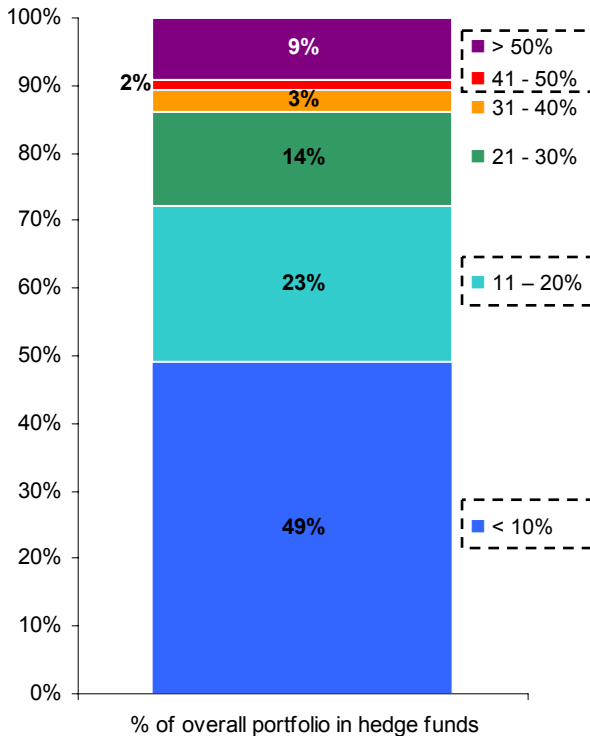


* Three respondents out of 65 did not answer.

A. Investor Profile (cont'd)

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

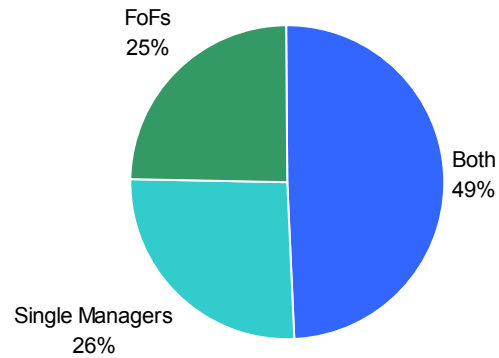
- Investors with less than 10% of their portfolio in hedge funds represent 49% of respondents.
- Investors with less than 20% of their portfolio in hedge funds represent 72% of respondents.
- Breakdown of investors with less than 10% allocation to hedge funds:
 - 38% Banks
 - 19% Investment Companies
 - 19% Government Agencies
- Breakdown of investors with allocations ranging between 11% and 20% to hedge funds:
 - 33% Banks
 - 27% Family Offices
- Breakdown of investors with allocations greater than 41% to hedge funds:
 - 43% Family Offices
 - 29% Banks



A. Investor Profile (cont'd)

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

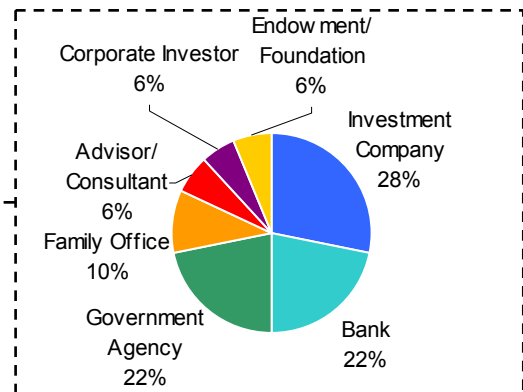
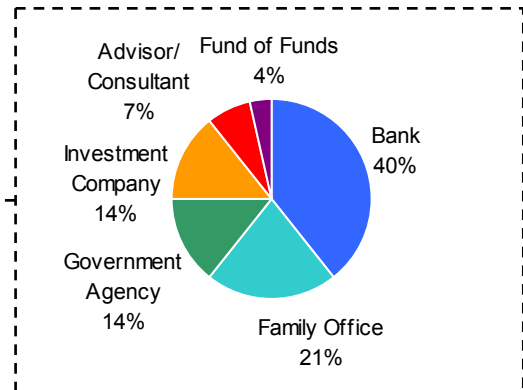
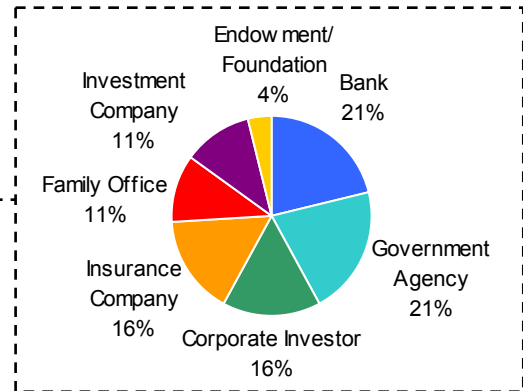
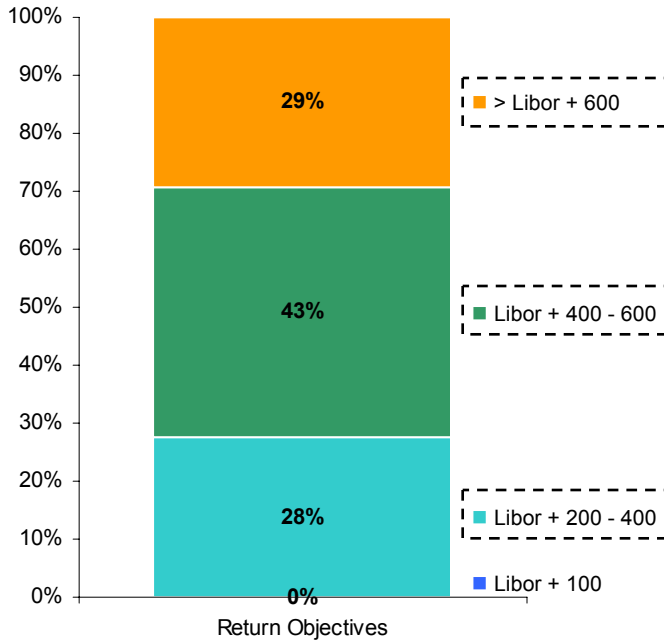
- Of total respondents, 49% allocate to both single managers and FoFs while 26% allocate only to single managers and 25% allocate to only FoFs.



A. Investor Profile (cont'd)

vi. Return Objectives of the Hedge Fund Portfolio

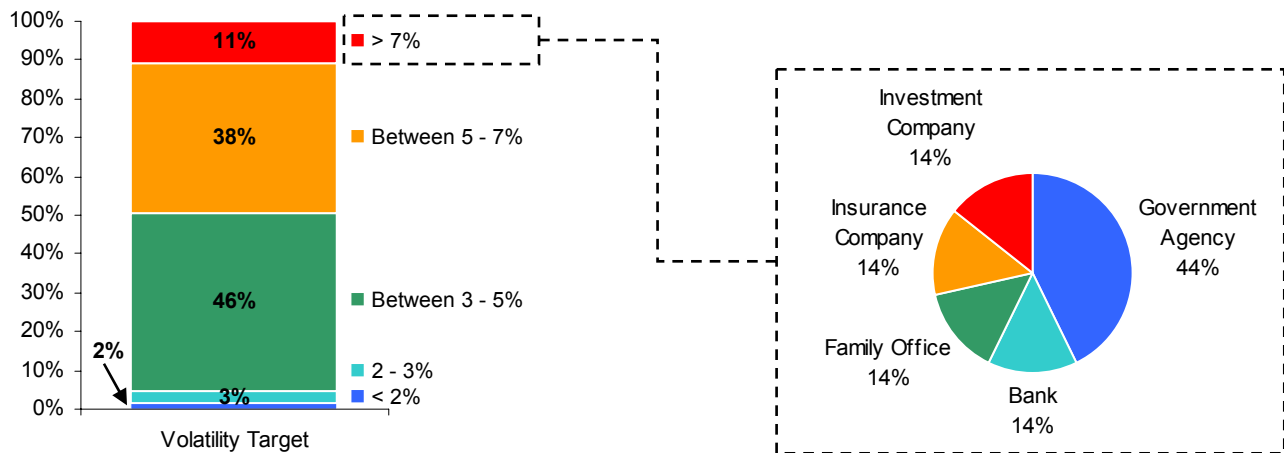
- Largest group of investors, 43% expect their hedge fund allocation to achieve return target of L + 400 – 600bps while 29% expect a return target greater than Libor + 600bps and 28% expect a return target of Libor + 200 – 400bps.
- Breakdown of investors with return targets of Libor + 200 – 400bps:
 - Investment Companies 28%
 - Government Agencies 22%
 - Banks 22%
- Breakdown of investors with return targets of Libor + 400 – 600bps:
 - Banks 39%
 - Family Offices 21%
- Breakdown of investors with return targets greater than Libor + 600bps:
 - Government Agencies 21%
 - Banks 21%
 - Corporate Investors 16%
 - Family Offices 11%



A. Investor Profile (cont'd)

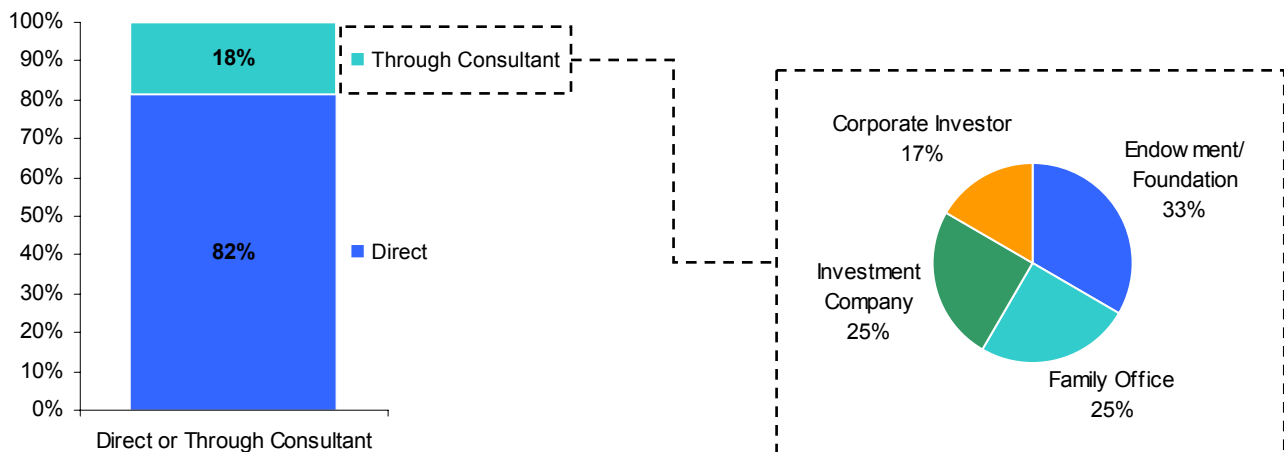
vii. Volatility Profile of Hedge Funds

- Respondents with volatility profiles between 3% and 7% represent 85% of total respondents. Only 11% of investors are comfortable with a volatility profile greater than 7%.
- Respondents with a volatility profile greater than 7% are 44% Government Agencies.



viii. Use of Consultants

- Majority of investors, 82% access hedge funds directly or without the use of a consultant. Only 18% employ the use of a consultant. A closer look at those who use consultant reveals:
 - Endowment/Foundation 33%
 - Investment Company 25%
 - Family Office 25%
 - Corporate Investor 17%



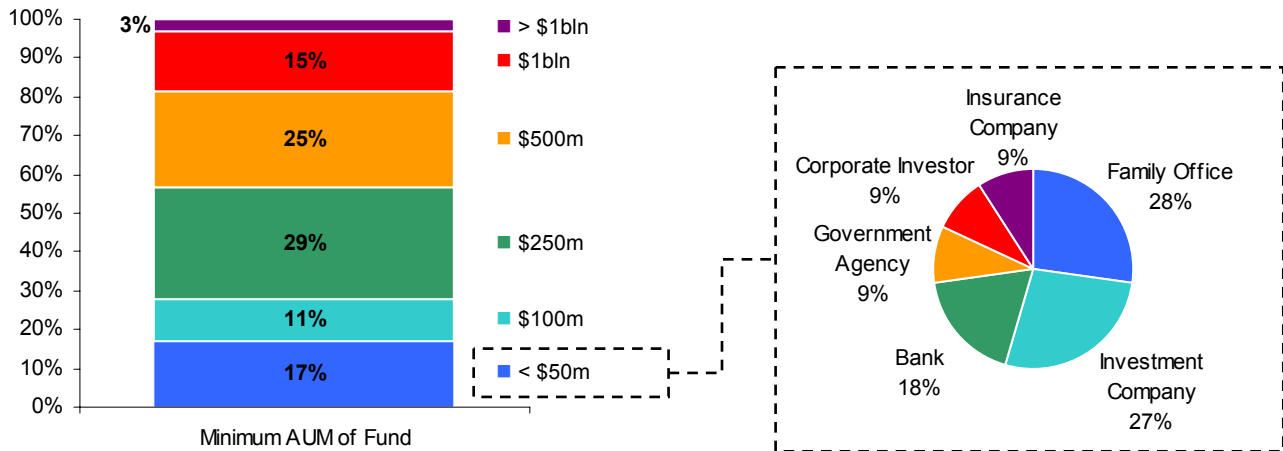
B. Minimum Investment Criteria



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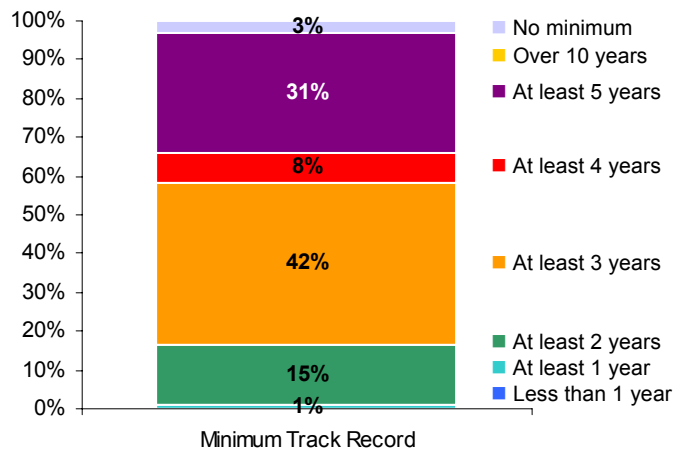
i. Minimum AUM of a fund

- Requirements for minimum AUM are largely unanimous, 29% of investors require at least \$250m AUM to invest with a fund while 25% require at least \$500m in AUM. Only 17% of respondents are able to invest with a fund of \$50m or less while 57% of respondents are able to invest with a fund of \$250m in AUM or less.



ii. Minimum length of track record

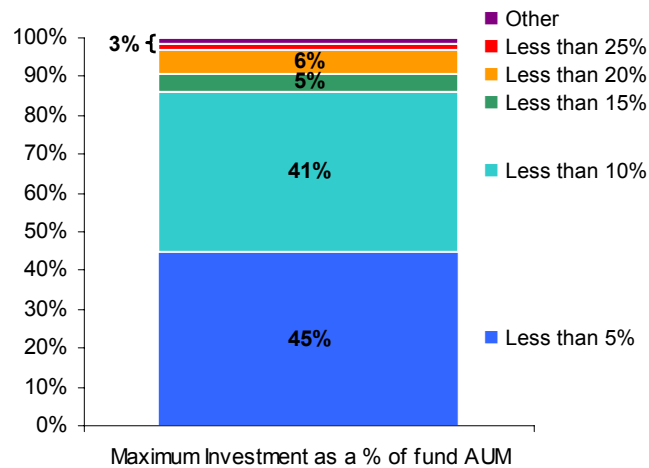
- Respondents representing 42% are able to invest with a fund with at least three years of track record while 62% are able to invest with a fund with three years or less of track record.
- Respondents representing 20% are able to invest with a fund with less than three years of track record while 3% have no minimum as to the length of the track record.
- Respondents representing 31% require a minimum track record of five years.



B. Minimum Investment Criteria (cont'd)

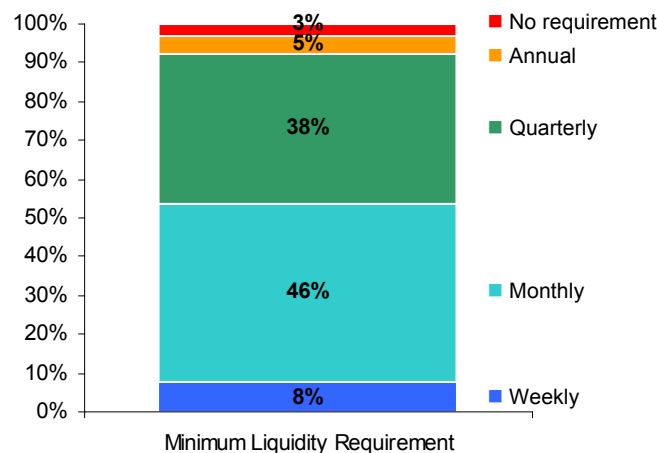
iii. Risk Management: Maximum Concentration to a fund

- Respondents representing 45% have internal requirements limiting their investment to 5% of a fund's AUM. Investors representing 42% have limits on their investments of 10% of AUM.
- Respondents representing 97% 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 46% and respondents who require funds with at least quarterly liquidity represent 38%.
- Funds with annual liquidity or longer lockups only appeal to 8% of respondents.



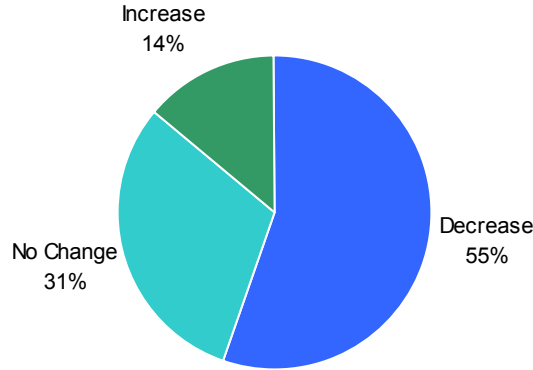
C. Expected Asset Allocation Changes in 2009



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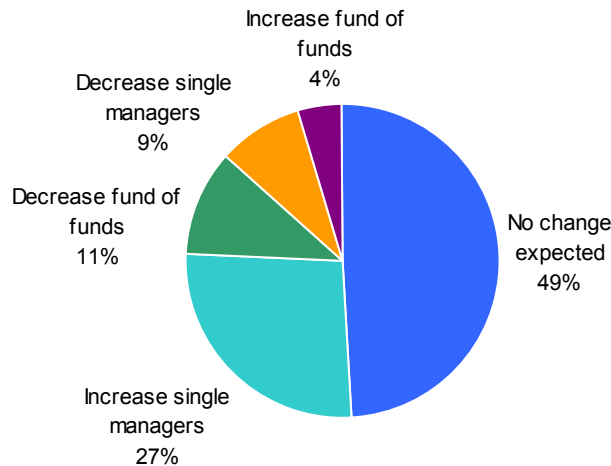
i. Changes in Strategy Allocation: Hedge Fund Allocations in 2009

- Respondents who expect to decrease their hedge fund allocation in 2009 represent 55% while 14% expect to increase their hedge fund exposure and 31% expect no change in their allocation for 2009.



ii. Changes in Strategy Allocation: Fund of Funds versus Single Managers in 2009

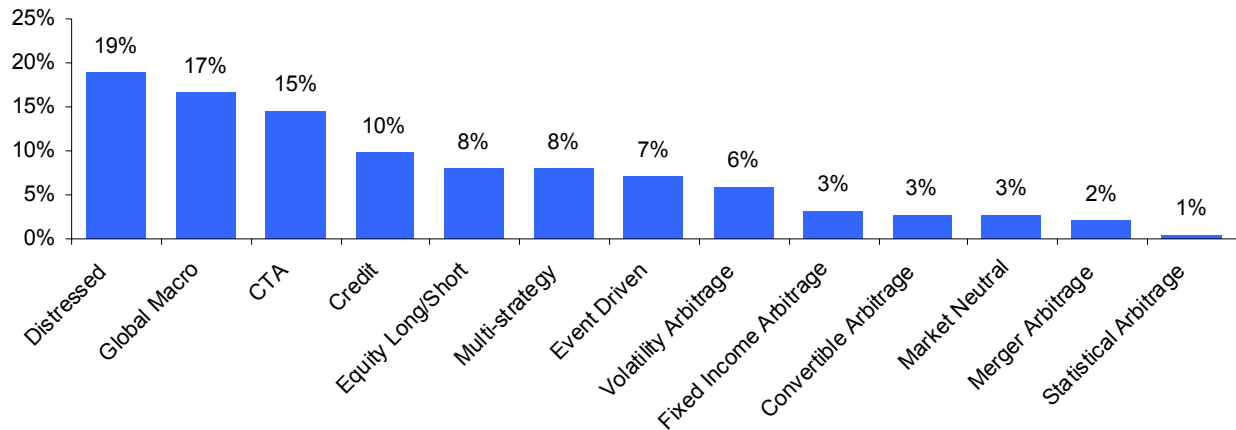
- Of the 69% of respondents who expect a change to their hedge fund allocation in 2009:
 - 49% expect no change in their split between single managers and FoFs.
 - 27% expect to increase their exposure through single managers.
 - 11% expect to decrease their allocations to FoFs.



C. Expected Asset Allocation Changes in 2009 (cont'd)

iii. Changes in Strategy Allocation: Strategies for 2009*

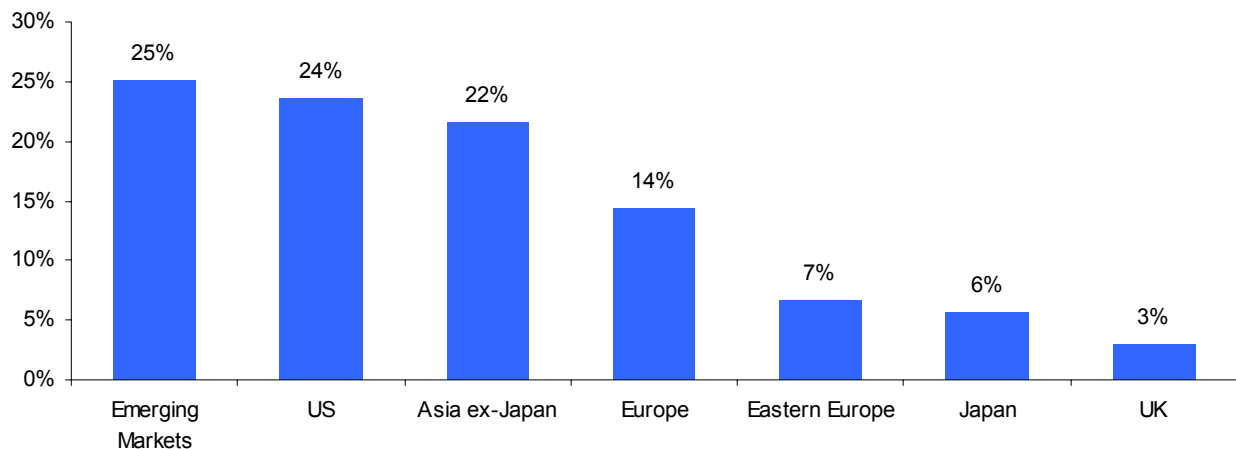
- Strategies investors favor for 2009:
 - Distressed 19%
 - Global Macro 17%
 - CTA(s) 15%



* Three respondents out of 65 did not answer.

iv. Changes in Regional Allocation in 2009

- Regions investors favor in 2009:
 - Emerging Markets 25%
 - US 24%
 - Asia ex-Japan 22%



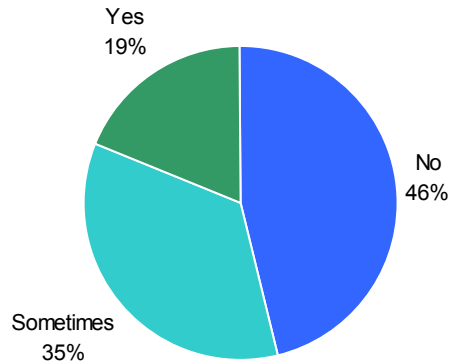
D. Industry Developments and Changes



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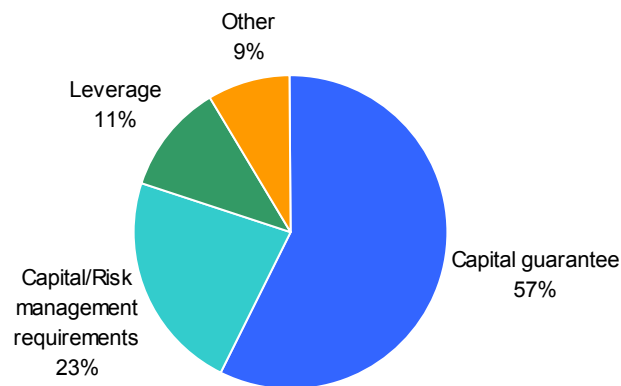
i. Use of Structured Products

- Respondents who do not use structured products represent 46% of respondents while those who many use structured products regularly or periodically represent 54%.



ii. Purposes of Structured Products

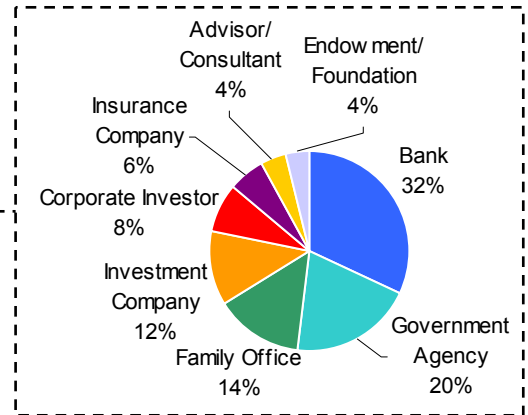
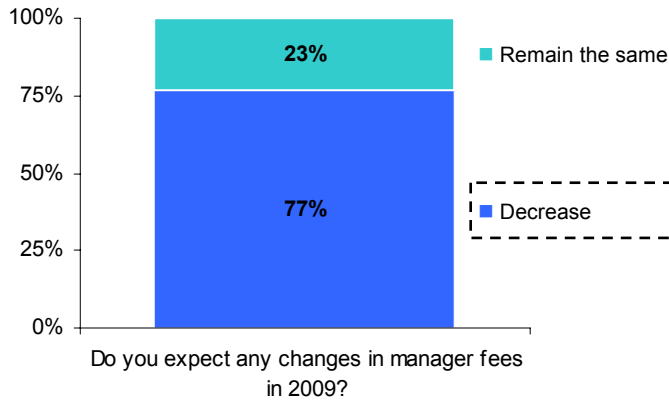
- Of the 54% of respondents who may use structured products either regularly or periodically, 57% use structured products for capital guarantee.



D. Industry Developments and Changes (cont'd)

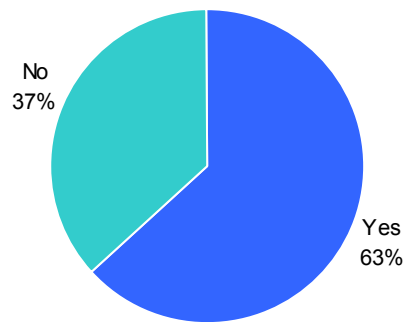
iii. Hedge Fund Fees

- No respondents expect manager fees to rise in 2009 while 23% expect no change and 77% expect fees to decrease. Respondents who expect manager fees to decrease represent investors across all categories:
 - Banks 32%
 - Government Agencies 20%
 - Family Offices 14%



iv. Negotiating Discounts with Fund Managers

- Respondents who negotiate fee discounts with fund managers represent 63% while investors who do not negotiate fee discounts represent 37%.





E. Capintro Partners, Ltd

Contact Details (London & Dubai)

London

Capintro Partners, Ltd.
16 Charles Street, Mayfair
London W1J 5 DS
United Kingdom
+44 207 659 2900

Dubai

Capintro Partners, Ltd.
Grosvenor House Commercial Tower, Office 410
P.O. Box 115110
Dubai, United Arab Emirates
+9714 329 8511
marketing@capintropartners.com

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Capintro collected responses through Thursday, February 5th 2009 from 65 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 2009 as well as Industry Developments and Changes.