January 8, 2008

Dear Partners,

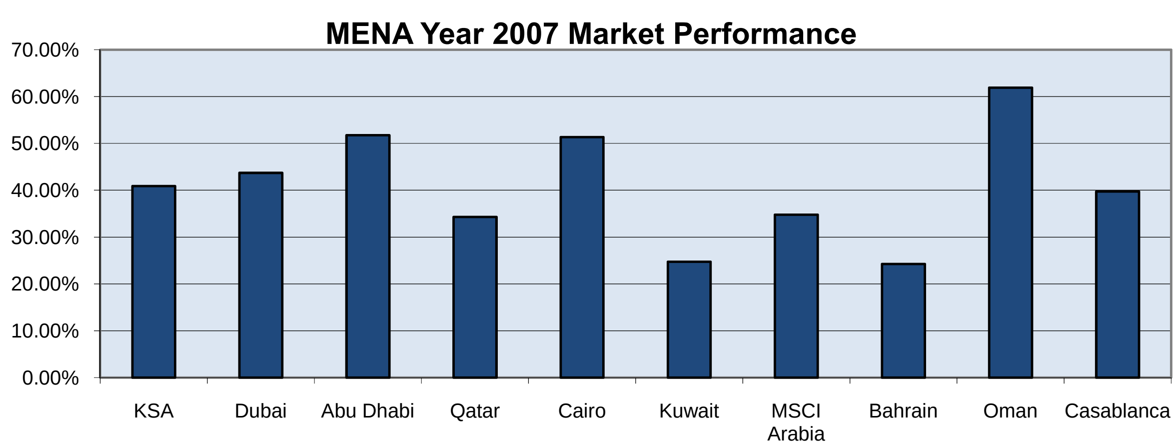
Happy New Years to all and we hope all of you enjoyed the holiday season. The Ajeej MENA Fund (AMF) returned **8.3%** net for the month of December 2007 and **25.8%** net for the 3 months since our launch on October 1, 2007. We would like to thank all of our existing and new investors who have shown support and confidence in the Ajeej MENA Fund. We are pleased to also share with you that we have crossed the USD100M threshold mark on our main launch on January 1st, 2008.

While we strongly believed in, and continue to believe in, the opportunity in the MENA markets from a long term perspective. We would have preferred to see the recovery be at a slower pace, however as always is the case, "investors' memory is too short"! We are seeing the momentum pick up considerably in the region and it is showing very little sign of slowing down; we expect, however, that volatility will increase.

The MSCI Arabia recorded a 12.6% composite return for the month of December (MSCI Arabia 3 month return: 23.7%). Again in the month of December, Saudi Arabia was by far the best performing market in the region with a return of 18.1%; above our expectation.

No one can argue that it was a respectable showing for the MENA markets in 2007 with solid performances from all markets. The Omani market topped the charts for the year with a performance just south of 62% and the bottom end of the table was held up by Kuwait and Bahrain with a showing of just over 24%.

The Dubai market had a great run in the month of December with a strong return of 10.8% for the month and a year end return of 43.7%; Emaar Properties far outperformed the index with a notable 20% return for the month of December. The volatility decreased slightly on the month, but that is largely due to a slowing pace of the local cabal and hedge fund players. However, it is worth noting that the Dubai market, in specific, is seeing a great deal more swing trading and a great deal of intra week trading, as we move forward.



The markets are still sprinting (closer to shuttle run actually)!!!! Do we need to change our pair of shoes?

"ان جن ربعك ما نفع عقلك"

A Jordanian saying which means: "If your community is all insane, your brain does not do you any good"!!

The sprint continues and is being pumped by steroids; unbelievable returns, and the velocity is just incredible. So what does this mean? We certainly don't think the community is insane; however, the sentiment is certainly driving the markets at an, albeit overheated, very fast pace. We expected to get here, but not this quickly!!!

Beta buying on relatively illiquid stocks drove up the banks, whereby they enjoyed a composite return of 22% in December and a whopping 42% return for the quarter.

We have always taken the view that we never short single companies in the MENA markets and had told this to investors early on. We have been around for too long to fall into such trap. However, any rational investor would be able to identify many opportunities which make all the sense to short. However, in this region they could lose their shirt doing so. Companies worth nothing may see their stock prices shoot up through the roof, and that is exactly the reason we strongly believe in the long-term strength of the strategy we follow: *invest behind fundamentally strong companies that we have strong belief in their ability to create value for themselves over the long-term.*

Markets are not yet rational, but if you dig deep enough, there is definitely value, and indeed very compelling value in many sectors across the region for long term investors.

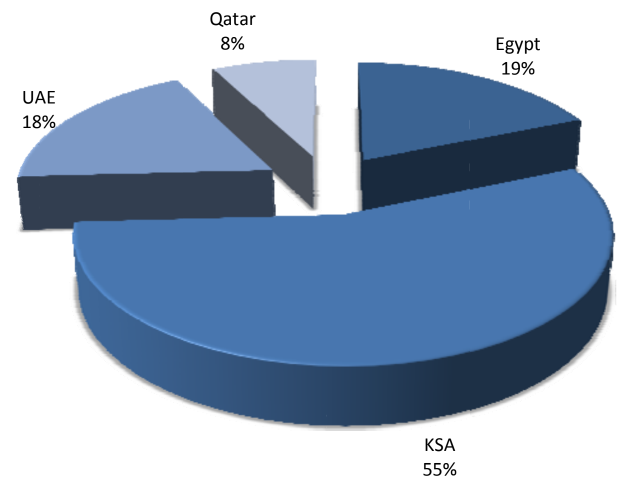
And here's what we did in December:

We continued to stay out of the Kuwaiti Market and maintained minimal exposure to Qatar. We do expect this to change in 2008 as we will be starting to build positions in various sectors in Kuwait in addition to adding exposure to Qatar.

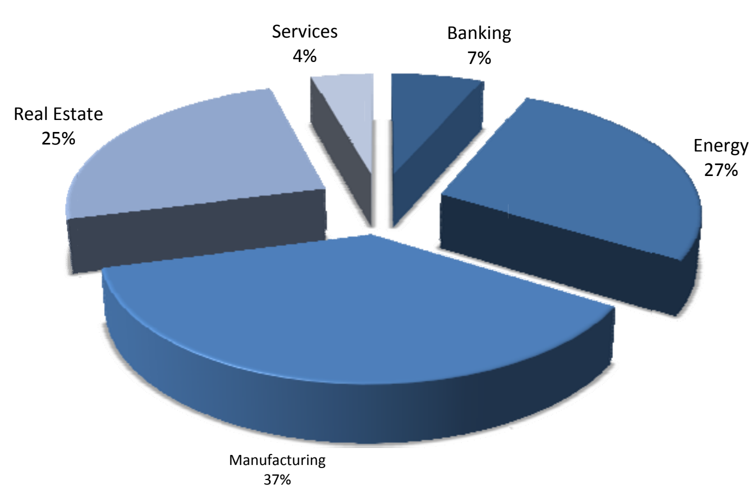
We reduced our exposure in Real Estate in this month and built up our sectoral contribution into the Manufacturing Sector. As discussed last month real estate was not expected to be a fertile ground for our bottom up approach of investing, but a substitution for the building of concentrated positions.

During the month we reduced our exposure out of Egypt and moved towards Saudi. This was expected as the Egyptian phenomenon was a short term play which did not achieve AMF's objectives, thus resulting into a fluid shift back into its Red Sea neighbor.

Geographical Breakdown - December 31, 2007



Sectoral Breakdown - December 31, 2007



So what are our views on recent news …

Oh! What a Budget:

Everyone has been so bullish on the budgetary numbers on Saudi and using it to fuel further optimism on the market. Realistically the numbers are not surprising and what is extremely interesting to see is that when investor confidence is so high any tidbits of good news are easily celebrated. If we go back to 2006 with a solid budget for '07 the excitement around it was muted for Saudi. For AMF it is neither here nor there and already built into the equation of Macro Economic strength, one which we have heavy conviction towards. However, with that being said we particularly like the concept of developing for the future and the new generations of Saudis. With over 40% of the overall budget allocated toward health & social development and education, it is clear that the welfare state of the 70's is now treading along the efficient path trying to provide a fertile ground of domestic and productive human assets for 2015 onwards. The biggest challenge to the next phase of development for Saudi Arabia is how a country with a skewed Capital / Labor ratio of future projects will be able to create sufficient job creation for Saudis. The high level answer by many is Economic Cities, but we will refrain from our views on the success of such projects at this point in time. One thing is for sure though, that until the country is able to have a healthy job creation solution, protectionism through a restriction on labor permits is not the answer and can hinder the execution for growth and necessary developments required at a period of heavy investment. Saudi Arabia is on the right track though and continues to be the economic engine for the region. The UAE will have a more difficult time in trimming the gap of regional economic supremacy as long as Saudi maintains its fiscal prudence. We will not talk about monetary prudence as there is just too much rhetoric on this front. **(We don't think Saudi will revalue currency in 2008 bottom line)**

The trillion dollar question and 3 positive first-timers (1st) in Saudi Arabia…

Good news, PetroRabigh will be the **1st** Aramco subsidiary to go public in history. The Sumitomo-Aramco petrochemical and oil refining joint venture will go public in January at a price of SR 21 which we believe is in the money. The company will operate one of the world's largest refining and petrochemical projects with a capacity of 17m tons of oil products and 2.4m tons of petrochemical products; a $10b project. The company also currently operates the largest refinery in the world, a 400,000 bpd refinery which will be upgraded to a complex refinery. What is very interesting is that for the **1st** time, a Saudi government-majority owned company will offer its employees equity exposure. And this will be the **1st** government-owned company to go public and have a tranche of the IPO go to institutional investors. These are all very positive developments and quite encouraging. While we would like to see higher allocation to institutional investors and to included non-funds as well, this is still a good start. The trillion dollar question though is "will we see Aramco go public in the foreseeable future?" We don't think so, if it happens however, it will be the largest company in the world.

And positive decisions for the Gulf Cooperation Council… but will they be implemented?...

> DOHA, 5 December 2007 — Leaders of the six-member Gulf Cooperation Council (GCC) announced on December 4th their plan to launch a common market in January 2008 and a currency union by 2010 in addition to

> maintaining their currencies' peg to the US dollar. "The Gulf Common Market aims to create one market ... raising production efficiency and optimum usage of available resources and improving the GCC's negotiating position among international economic forums," said a final communiqué at the end of the two-day summit. GCC Secretary-General Abdul Rahman Al-Attiyah called the decision to create the common market "a historic declaration." He told reporters, "We want to have equal opportunities for all GCC citizens." These include the right to work in all government and private institutions in the GCC, buy and sell real estate and make other investments, move freely between the countries, and receive education and health benefits, the communiqué said.

Someone would expect if Europe made it with its not so distant world war history and with the high divergence in languages and geographies, the GCC should be in a much better position to make it happen. We won't hold our breath though and hope for the best. It is, however, a good sign that there seems to be commitment from the top leaders.

Saudi is ranked no. 1 on the World Bank's "Ease of Doing Business Rank"!!... Is it realistic?
Saudi is now ranked no. 23 out of 178 global economies! While we are very bullish on Saudi Arabia and believe there are significant positive developments in the country, that ranking really does come as a pleasant surprise. Even more interestingly, Saudi is ranked no. 1 within 17 MENA economies! Dubai will surely not be happy about missing out on the top rank for something! However, truth be told, we really do wonder how Saudi managed to pull this one out of the hat. The world rank of 23 for Saudi Arabia compares with 38 last year, and being here on the ground, we are perplexed.

Year 2008: the year of IPOs in the GCC?

2008 is set to be a record breaking year in terms of IPO activity. Over 80 IPOs are expected for the region this year; over 42 companies have assigned a share issue manager for their float, while more than 41 have announced their intention to carry-out studies for an IPO. The table below highlights the strong IPO momentum in the GCC markets. But first, we've provided commentary on some of our favorites.

- Saudi Arabia is going to be kick starting the year with its PetroRabigh IPO. A joint venture between Japan's Sumitomo Chemical, and Saudi Arabia's very own Aramco, PetroRabigh is not likely to be a lame duck. If the last petrochemical IPO is anything to go by (SABIC subsidiary Saudi Kayan last June) then buckle up for one hell of a ride! Kayan recorded a 108% return in the final quarter of 2007, and it's not even operational. With an offer price of SAR21, PetroRabigh (PR) will have a market capitalization just shy of USD5 billion. We expect PR to be a catalyst in the reinvigoration of the Saudi retail investor, who has been quietly nursing his wounds after the market crashed about a year ago. (PR is offering a 25% stake, 219million shares at SAR21)
- Also in the pipeline is Al Inma Bank, which is set to list early in the second quarter. The size of the offering is the main attraction here: 1,050,000,000 shares at a par value of SAR10, which comes to 70% of the company. This makes the bank's listing the second

largest IPO in the history of the region, after the ill-fated DP World, which incidentally is currently trading 10.8% below its offering price. In contrast, pundits are forecasting that Al Inma will be a 2 or 3 bagger…we can only keep our fingers crossed for now.

- MTC (Zain), Kuwait's largest mobile phone operator, is listing shares for its Saudi operations in February. The offer size will be SAR7 billion comprising of 700 million shares offered at par value, which amounts to 40% of the company market cap. Again this IPO is not a small one, and will serve to further push the golden gates of retail apart, which have recently begun to crack open once more.

YEAR	2005	2006	2007	2008
Number of IPOs	22	23	33	80+
Total Value (USD billions)	6	7.5	10.5	N/A

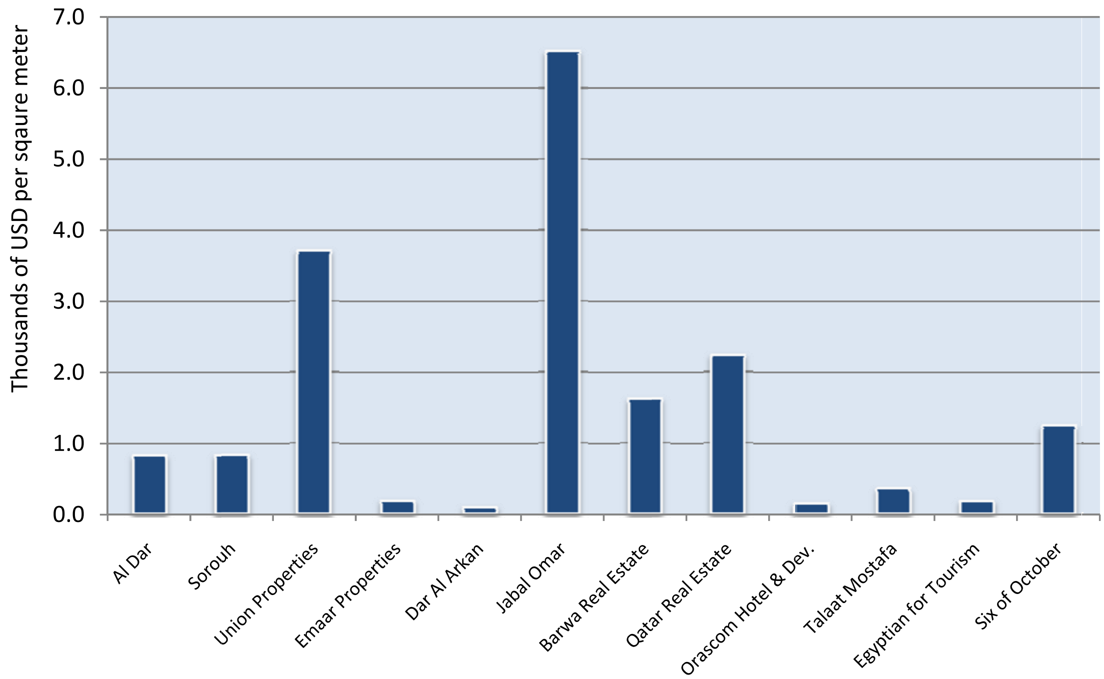
Another positive trend is the variety of sectors of IPOs. In the past IPOs were mainly concentrated in a limited number of sectors, but the recent trend has shown a change, expanding to new avenues like financial services, which top the floats, followed by oil and gas, real estate, construction and food companies.

And so what about Real Estate?

Last month Real Estate stocks comprised approximately 40% of our portfolio, and we explained that the reason for this was that we saw the sector as a good parking ground, whilst we built up the conviction in our core investments. As expected in December we did in fact reduce our exposure to the sector, dropping it down to 25% of our holdings. That being said though, we still think that given the current economic boom in the region, it's a no-brainer that real estate will grow strongly. So here are some interesting facts:

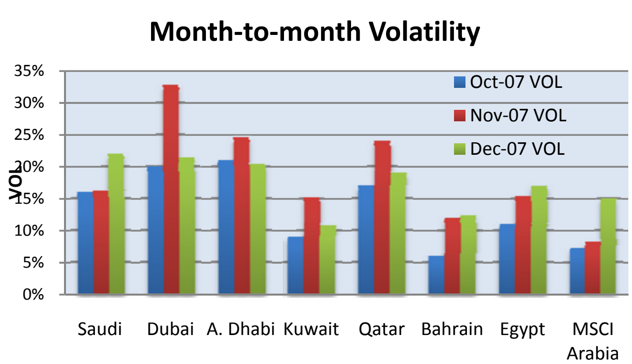
- Jabal Omar in KSA, is selling land for as much as USD50,000 per square meter in comparison to average London and Monaco prices, which stand at USD14,522 and USD24,900 respectively.
- Emaar's non-proportional land bank equates to only 76% of the entire area of Bahrain, yet its market cap is 40% larger than the GDP of the small island nation. Perhaps, we should have Emaar's management go to Bahrain as governmental advisors, and see if they can help optimize the country's output. Just a joke of course, Emaar has its own problems when it comes governance towards its shareholders, and constantly reinventing their strategy.
- Over 800 million square meters will be developed by 2010 in this arid part of the world, and we expect this number only to grow. That's a lot of sand to move; in fact if you were to take all the grains of sand and lay them down in a straight line, you would cover the distance from Earth to the Sun 6,850 times.

The graph below compares some of the major real estate stocks' enterprise values to their land banks. Although it doesn't perfectly take into account the effect of high-rise developments, it does give some indication of how well the companies are optimizing their lands, and what potential gains might still be out there.

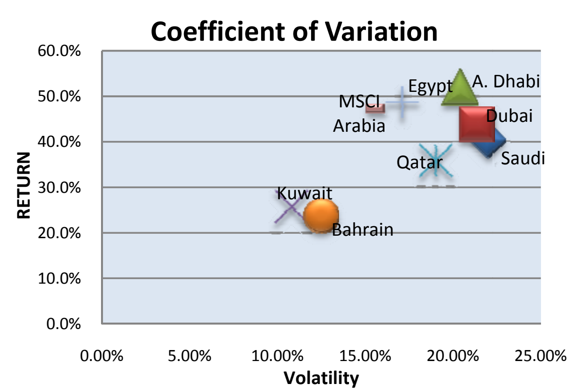


And how do the statistical metrics on our fund and respective markets look?
How volatile are the core markets where we are invested?

The volatility picture has changed slightly this month, with Saudi taking the honors in the highest volatility stakes. Notably Dubai relaxed a bit, dropping to record a relatively meek 21.35% volatility. We expect the region's volatility at the start of FY08 to be closer to that of October.



* 30 day volatility annualized



* YTD returns for respective markets

And how does our portfolio compare?

The below analysis covers the period of December 01–31, 2007:

Ajeej MENA Fund	Oct-2007
Return (monthly)	8.3%
Volatility (Monthly 30 Day Annualized)	12.4%
Sharpe Ratio	3.9
Alpha (December)	-4.4%
Alpha (October – December)	2.0%
Value at Risk (VaR) - % (30 days holding period)	7.1%

For the calculation of Alpha, we used the MSCI Arabia as a benchmark and not the risk free rate set at 5%
VaR based on 5% probability
Sharpe ratio is calculated based on 3 months performance of the portfolio and all underlying values are broken down at 3 months intervals

And what's our view for the Year 2008 for our core markets?

Saudi Arabia
Looking strong, dynamics and sentiments will lead the market to new levels and we expect the bulk of returns for the year to be made in the first half year if not the 1st quarter. We don't expect a major correction during the year, but we will have gyrations in the market. The investor base in the Saudi Market has been developing favorably with institutional and family offices taking the lead (big GCC institutional money entering). With PetroRabigh listing in the latter part of January it will open up and revive the retail base of investors in the market. This will dilute the positive effect on the composition of the market that has happened thus far, so one will need to be more cautious. We continue to be overweight on Saudi.

UAE
I guess it's not fair to lump sum the markets. That being said, we think that there are opportunities in the UAE and the market looks solid, we see the financial services sector and real estate continuing to do well in the market. However we will expect to see a great deal of intra month trading taking place specifically in Dubai, with less buy and hold strategies in place.

Kuwait
The clarification on the tax code and removing the grey cloud surrounding capital gains taxes certainly improves the dynamics related to Kuwait, and this was a necessary step to potentially remedy an otherwise lack-luster forecast for performance in 2008. The market should perform decently and we believe that there are opportunities from a bottom up approach, however we see the Kuwaiti investor eyeing opportunities outside of his own back yard. Mid-sized financial services look interesting and certain segments of the real estate may be good plays for 2008.

Egypt
Can the best performing market in MENA over the last four years actually have another stellar performance? Perhaps, but our appetite for Macro Egyptian risk is not as high in 2008 for political and other reasons best left unmentioned! However, some of the best bottom-up opportunities continue to lie in this market.

Qatar
This is likely to be one of the best performing GCC markets in 2008. In spite of a tepid Q4 (barring October) relative to other GCC markets, a great deal of potential lies in this market with interesting opportunities in financial services and real estate

Other Markets
Within this category we find Oman, the MENA region's best performer for 2007, posting a net return just shy of 62%. However it fell short on liquidity and therefore has ranked lower on our list of viable opportunities. We do however plan to start investing in scouting positions in some of these smaller markets, but our focus will be limited mainly to franchise names, and blue chips of respective markets.

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