

ARAB MONETARY FUND  
PROJECT

ESTABLISHMENT OF A PRIVATE  
INVESTMENT COMPANY

ARAB MONETARY FUND

PROJECT

A MARKET DRIVEN APPROACH TO INVESTMENT MANAGEMENT

AN INVITATION FOR FOUNDING SHAREHOLDERS  
IN A NEW LONDON AND GENEVA BASED INVESTMENT  
MANAGEMENT COMPANY

INTRODUCTION

OVER THE NEXT SEVERAL YEARS, BILLIONS OF DOLLARS WILL FLOW FROM MIDDLE EAST SOURCES THROUGH FINANCIAL INTERMEDIARIES TO VARIOUS INVESTMENT OUTLETS IN THE WEST AND FAR EAST.

TO DATE, EXPERIENCE INDICATES THAT THERE ARE CRITICAL DEFICIENCIES IN THE DELIVERY SYSTEMS OF THE EXISTING FINANCIAL INTERMEDIARIES.

THESE DEFICIENCIES COULD BE CORRECTED THROUGH MARKETPLACE ENTRY BY A NEW AND DIFFERENT TYPE OF INVESTMENT MANAGEMENT FIRM WHICH SHOULD OPERATE WITH A DISTINCT COMPETITIVE ADVANTAGE.

FOR INDIVIDUALS AND INSTITUTIONS INVITED TO BE FOUNDING SHAREHOLDERS, AN OUTLINE OF THE CONCEPT AND STRUCTURE OF SUCH A FIRM, IS THE SUBJECT OF THIS DOCUMENT.

ARAB MONETARY FUND  
PROJECT

AN EFFECTIVE APPROACH TO INVESTMENT MANAGEMENT

IN OTHER WORDS; THE NEW INVESTMENT MANAGEMENT COMPANY SHOULD BE VERY PROFESSIONAL, HIGHLY SELECTIVE AND MARKET DRIVEN; IT WOULD BE A VEHICLE TO DELIVER A BROADER RANGE OF QUALITY INVESTMENT PRODUCTS TO A SPECIFIC TARGET MARKET THROUGH A MARKET ORIENTATED AND HIGHLY EFFECTIVE DISTRIBUTION SYSTEM.

## INVESTMENT OPPORTUNITIES

OVER THE NEXT SEVERAL YEARS, BILLIONS OF SURPLUS AND INVESTABLE DOLLARS WILL BE GENERATED IN THE MIDDLE EAST:

- \* Arab countries will remain a principal source of the world's petroleum products, accounting for 51.7% and 14.4% of the total world's provable oil and gas reserves, respectively.
- \* 1979 oil and gas revenues for Saudi Arabia, Kuwait, Qatar, Bahrain and the United Arab Emirates alone, totalled \$ 70 billion.

Despite huge domestic development efforts and substantial increases in consumption expenditures, these same countries had an estimated 1979 Current Account surplus of \$ 30 billion.

- \* This level of Current Account surplus is expected to increase over the next few years since oil prices will continue to increase and since most of the region's infrastructural and industrial development is expected to level off by 1985.

## INVESTMENT OPPORTUNITIES

THIS TREMENDOUS INVESTABLE WEALTH WILL TEND TO FLOW INTO VARIOUS OUTLETS OUTSIDE THE MIDDLE EAST:

- \* The governments of these oil states are increasingly encouraging the development of alternatives to this non-replaceable wealth, and therefore, these depleting assets must be converted into potential foreign exchange earning assets over the coming years.
- \* These same governments will continue to transfer much of this wealth to the private sector through internal recycling process, e.g. the former's purchase of land; use of private sector goods and services; execution of government expenditures, etc.
- \* Regional investment opportunities are significant and politically/ socially appropriate... but cannot absorb the magnitude of the resources available for investment ... the amounts are just too enormous...
- \* Significant amounts of this added wealth today are being invested in the United States, Europe and Japan where the markets have relative political and economic stability, as well as market size diversity, depth and efficiency.

INVESTMENT OPPORTUNITIES

OFF-SHORE, WELL-MANAGED AND DISCREET INVESTMENT IS BECOMING MORE IMPORTANT TO A WIDER RANGE OF MIDDLE EAST BUSINESSMEN AND INSTITUTIONS.

WHILE OFFERING SUBSTANTIAL OPPORTUNITIES FOR THE INVESTOR, THE MARKETS IN THE U.S., EUROPE AND THE FAR EAST ARE INCREASINGLY COMPLEX ... REQUIRING DEDICATED, INTENSE, AND INFORMED DECISION MAKING AND FOLLOW UP ...

THUS, A HIGHLY PROFESSIONAL, WELL MANAGED INVESTMENT FIRM IS NEEDED TO PERFORM THIS IMPORTANT INTERMEDIARY ROLE.

## AN EFFECTIVE APPROACH TO INVESTMENT MANAGEMENT

### IN RECAPITULATION: THE NEW FIRM WILL

1. Identify a limited but highly affluent group of high net worth individuals and institutions in selected geographic markets.
2. Establish resident Marketing Executives in proximity to their targeted investment groups.
3. Establish a central investment headquarters with highly qualified experts in addition to both full time and part time advisors. The objectives of this center would be to:
  - a) Identify and analyse a wide variety of investment products that might serve one or more of the needs of the targeted investors.
  - b) Formulate comprehensive portfolio strategies utilizing combination of these products and then implement those investment programs on behalf of the above clients.



## DEFINITION

THIS INVESTMENT COMPANY WILL PROVIDE AN OPPORTUNITY FOR INVESTORS AND SHAREHOLDERS TO OBTAIN HIGHEST QUALITY AND INDIVIDUALLY TAILORED INVESTMENT ADVICE AND ACCOUNT MANAGEMENT WITH THE OBJECTIVE OF PRESERVING CAPITAL AND ACHIEVING AN ACCEPTABLE RETURN ON FUNDS INVESTED, THAT MUST BE ACCOMPLISHED WITH COMPLETE PRIVACY.

FOR THE INSTITUTIONAL SHAREHOLDER, THE PROPOSED INVESTMENT COMPANY WILL SERVE AS AN EXTENSION TO AN IN-HOUSE CAPABILITY TO PROVIDE INVESTMENT ADVICE AND MANAGEMENT FOR VALUED CUSTOMERS, WHO NEED INVESTMENT SERVICES OUTSIDE THE MIDDLE EAST.

TO ACCOMPLISH THESE AIMS THE PROPOSED INVESTMENT COMPANY WILL HAVE A SMALL BUT HIGHLY PROFESSIONAL CORE, BACKED UP BY MODERN COMPUTER CONTROL SYSTEMS TO SIFT AND EVALUATE INVESTMENT INFORMATION PUT OUT BY SELLERS AND BROKERS, TO SORT OUT AND RECOMMEND OPTIONAL INVESTMENT PROGRAMMES FOR INDIVIDUALS AND GROUPED FUNDS, AND TO MONITOR AND MANAGE THESE INVESTMENTS IN A HIGHLY CONFIDENTIAL MANNER FOR THE BENEFIT OF THE INVESTORS.

## BENEFITS

FOR THE INVESTOR THIS MEANS :

- . Legal secrecy for investment/confidentiality in their handling.
- . Asset protection/risk diversifications.
- . Acceptable return on investments.
- . Tailored advice for individual and grouped off-shore investments.
- . Control over funds invested.

CUSTOMER LOCATIONS

- \* SAUDI ARABIA
- \* KUWAIT
- \* U.A.E.
- \* QATAR
- \* BAHRAIN
- \* OTHER MIDDLE EAST WEALTH CENTERS

## INVESTOR PROFILE

- \* High net worth individuals who wish to diversify their investments but lack the expertise and/or the time to devote the necessary attention and the required follow up capability.

These individuals are most probably very successful in their own lines of businesses and as a result generate surplus earnings that need to be professionally invested and managed in order to preserve their original value and allow for future growth.

- \* Institutions (banks, insurance companies, pension funds, etc) that need a professional and unbiased source of international expertise for sound and profitable employment of their own excess funds or to help special customers on behalf of the institution.

CUSTOMER SATISFACTION CRITERION

INVESTOR SATISFACTION WITH ANY INVESTMENT MANAGEMENT FIRM IS OF COURSE BASED UPON ACHIEVEMENT OF DESIRED FINANCIAL RESULTS, HOWEVER ... IT IS ALSO BASED UPON:

- \* Legal secrecy and the assurance of absolute confidentiality of the relationship both within and outside the investment manager's office.
  
- \* The accuracy and timeliness of order execution and reporting.
  
- \* Market perception of the firm's high degree of reliability, professionalism and stature.
  
- \* The ability of the firm to generate confidence by the size of its capital base and the prestige of its ownership structure.
  
- \* The quality, integrity and reputation of the people involved.

CONTINUED .....

CUSTOMER SATISFACTION CRITERION

- \* Frequency of contact but only at the investors convenience.
- \* The extent of the sophistication of the data base, information, and forecasting availability.
- \* Accessibility to the investment firm through its effective presence in key financial centers.
- \* Unbiased and tailored investment advice; not selling.

SHORTCOMINGS OF THE EXISTING SUPPLY SYSTEM

WHILE THERE ARE MANY INVESTMENT MANAGEMENT FIRMS CALLING ON THE TARGET MARKET, MOST HAVE NOT FULLY SATISFIED THE INVESTING COMMUNITY; SOLUTION TO THESE PERCEIVED SHORTCOMINGS IS REASON FOR THE CREATION OF A NEW TYPE OF INVESTMENT MANAGEMENT COMPANY. AMONG THE MOST NOTICEABLE SHORTCOMINGS OF THE EXISTING FIRMS, ARE:

- \* The questionable quality and professionalism of the marketing and investment advisory staff; top quality staff are either constrained by conflicting business priorities, or are inadequately trained and rewarded.
- \* Marketing people are not perceived as advisors - they are usually only salesmen.
- \* The frequency of in-person client contact has been less than desired, and the key people in the investment firm are often inaccessible - usually because they are covering too broad a geographic area.
- \* Existing firms often do not recognize the important difference between various discrete market segments within the investing community.
- \* Many firms are too large and organizationally too complex, to provide responsive, personalized service for this particular and important part of the world.

OUR PROPOSED RESPONSE:

THESE SHORTCOMINGS CAN BE OVERCOME THROUGH THE  
MARKETPLACE ENTRY OF A NEW, UNIQUE INVESTMENT  
MANAGEMENT FIRM ...

WE ARE LOOKING TO YOU TO JOIN US AS FOUNDING  
SHAREHOLDERS IN THIS NEW INVESTMENT INSTITUTION.



## AN EFFECTIVE APPROACH TO INVESTMENT MANAGEMENT

### THE CONCEPT

Use a small but highly professional marketing and analytical group to intermediate between:

- a selectively targeted, relatively underinformed but highly affluent market,
- and
- the very best investment expertise available in the world today.

THE NEW INVESTMENT MANAGEMENT FIRM

THE PROPOSED NEW INVESTMENT MANAGEMENT FIRM  
SHOULD CAPITALIZE ON THE SHORTCOMINGS OF THE  
PRESENT DELIVERY SYSTEMS . . . .

THUS, IT MUST AVOID THOSE SHORTCOMINGS ...

AS FOLLOWS .....

AN EFFECTIVE APPROACH TO INVESTMENT MANAGEMENT

CURRENT DELIVERY DEFICIENCIES AS PERCEIVED BY THE MARKETPLACE TODAY

- . Questionable quality of marketing staff
- . Marketing responsibility of the staff over too broad a geographic area and operating from a remote base
- . Inadequate incentive compensation for better performers



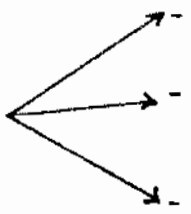
THE NEW FIRMS' RESPONSE

- Ensure knowledge, accessibility and quality of personnel.
- Recruit proven top performers.
- Provide full support to the marketing staff and give them a long term mandate to develop the image and presence of the firm in each of the specific geographic markets.
- Provide marketing staff with continuous flow of the best information and business intelligence in the world and keep them fully abreast of market changes.
- Give each Marketing Executive a direct equity type reward in accordance with demonstrated results.

**AN EFFECTIVE APPROACH TO INVESTMENT MANAGEMENT**

CURRENT DELIVERY DEFICIENCIES AS PERCEIVED BY THE MARKETPLACE TODAY

Investment organizations sell their standardized products and not necessarily what the investor feels he really needs.



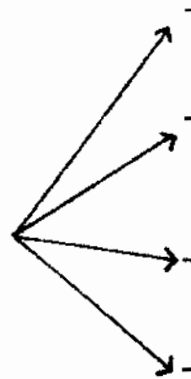
THE NEW FIRMS' RESPONSE

- Products should be provided as investors require them.
- The product menu must be constantly reviewed to cater to new and developing customer needs.
- Review and discuss all products with clients to ensure they are aware of their own changing needs and the on-going potential of the market.

## AN EFFECTIVE APPROACH TO INVESTMENT MANAGEMENT

### CURRENT DELIVERY DEFICIENCIES AS PERCEIVED BY THE MARKETPLACE TODAY

Lack of responsive, informative and personalized service.



### THE NEW FIRMS' RESPONSE

- Target a client base which remains small enough to allow a highly personalized attention.
- Ensure that the resident marketing staff build an effective rapport with the clients and gain their acceptance for the services offered by the firm
- Organize effective calling programs and other communication opportunities for the targeted markets.
- Utilize the most modern computer systems to track and evaluate world-wide investments and provide confidential detailed reports to the investors at pre-determined intervals.

DIFFERENTIATION : COMPETITIVE ADVANTAGE

THE PROPOSED FIRM WILL BE DIFFERENTIATED FROM THE COMPETITION:

- \* By specializing exclusively in investment counselling and account management, the proposed firm can concentrate all its management skill and expertise on effective investing without conflicting considerations.
  
- \* With an extensive marketing network in key surplus funds centers, the firm will establish unique and highly effective customer relationships which itself will generate marketplace confidence, and a means of keeping abreast of changing investor requirements.

PRODUCTS

THE PROPOSED INVESTMENT FIRM WILL BE ABLE  
TO OFFER TWO "PRODUCT GROUP" ALTERNATIVES; THE  
INVESTORS ACCORDINGLY, MAY CHOOSE:

BETWEEN INVESTING IN

PERSONALIZED PORTFOLIO MANAGEMENT

OR

POOLED RESOURCE MANAGEMENT

PRODUCTS

I. PERSONALIZED PORTFOLIO MANAGEMENT

Discretionary management of clients assets according to jointly established, broad, perimeters and overall investment objectives and strategies.

Available products, include:

- |                            |                                 |
|----------------------------|---------------------------------|
| * Real Estate              | * Fixed Income Corporate Issues |
| * Precious Metals          | * Foreign Currency Baskets      |
| * Commodities              | * Direct Investments            |
| * Money Market Instruments | * Art and Collectables          |
| * Treasury Instruments     | * Bank Accounts                 |
| * Equities                 |                                 |

Main Characteristics of Personalized Portfolios:

- . Management earns fees primarily from results not turnover or selling specific investments this gives them best reason for maximizing discretionary investors' account earnings and for securing principal.
- . Firm's high quality and wide ranging investment information as well as small tight management structure allows them to choose well among investment alternatives.
- . Modern computer systems to track investments and provide up-to-date confidential records.
- . Investor retains title to investment.



PRODUCTS

II. POOLED RESOURCE INVESTMENTS

The investor selects participation in one or more of the following joint funds in accordance with his own investment objectives and diversification preference

Available Funds, include:

- \* Real Estate Fund
- \* Precious Metals and other Commodities Fund
- \* Money Market and Foreign Exchange positioning Fund
- \* Growth Equities Fund
- \* Fixed Income Fund
- \* Venture Capital and Direct Investments Fund

In addition, two other funds which would be composed of diversified investments, would be available to the investor:

- \* Diversified Fund guaranteeing a fixed annual yield.
- \* Diversified Fund guaranteeing a minimum yield.

└ for further explanation of these two Funds →

PRODUCTS

- \* Fixed Guarantee Yield whereby clients are provided a fixed annual income irrespective of what the Fund would actually generate. Thus, the firm will end up either accepting a loss resulting from the subsidy or benefiting by retaining any incremental gain over and above the amount guaranteed.
  
- \* Diversified Fund with minimum guaranteed yield whereby clients are guaranteed a certain minimum level of income, while they would accept to share with the Firm any amount earned, over and above this minimum percentage.

MAIN CHARACTERISTICS OF POOLED FUNDS

- . Each of the joint funds will be composed of not only the equity belonging to the various investors but, a portion of the Firms' own capital.
  
- . Each of the funds will be leveraged to optimize gain and therefore, return on the funds invested.

## PRODUCTS

### NOTE:

FOR INDIVIDUAL PORTFOLIOS IN APPLICATION, IT MUST BE RECOGNIZED THAT THE GROWTH, EARNINGS AND SAFETY OF PRINCIPAL AS OBJECTIVES OF INVESTORS SEEKING INVESTMENT MANAGEMENT AND COUNSELLING WILL VARY; THUS THE STYLE OF INVESTMENT IN TERMS OF CURRENCY AND ASSET TYPE MUST BE CAREFULLY PLANNED AND EXECUTED,...

BASED UPON CLIENT PREFERENCES, AND THE EXPERTISE AND INFORMATION OF THE FIRM, A PORTFOLIO STRATEGY WILL BE DEVELOPED FOR EVERY TYPE OF INVESTOR AND THIS STRATEGY WILL BE EVALUATED AND REASSESSED PERIODICALLY AND ACCORDING TO A PRE-DETERMINED TIMETABLE.

THE ORGANIZATIONAL CONCEPTS

TO ACHIEVE THE TYPE OF EFFECTIVE INVESTMENT MANAGEMENT COMPANY REQUIRED BY THE SPECIAL MARKET OF THE MIDDLE EAST, THE RIGHT ORGANIZATION IS THE KEY TO SUCCESS.....

The overall market is extremely diverse...therefore an efficient organization is needed to divide it into manageable components ...

The most important factor for success is people ... and people must be organized efficiently if they are to be properly motivated and utilized...

The marketing and investment centers are thousands of miles apart ... therefore only good organization can weave these elements into one, efficiently and effectively functioning entity ...

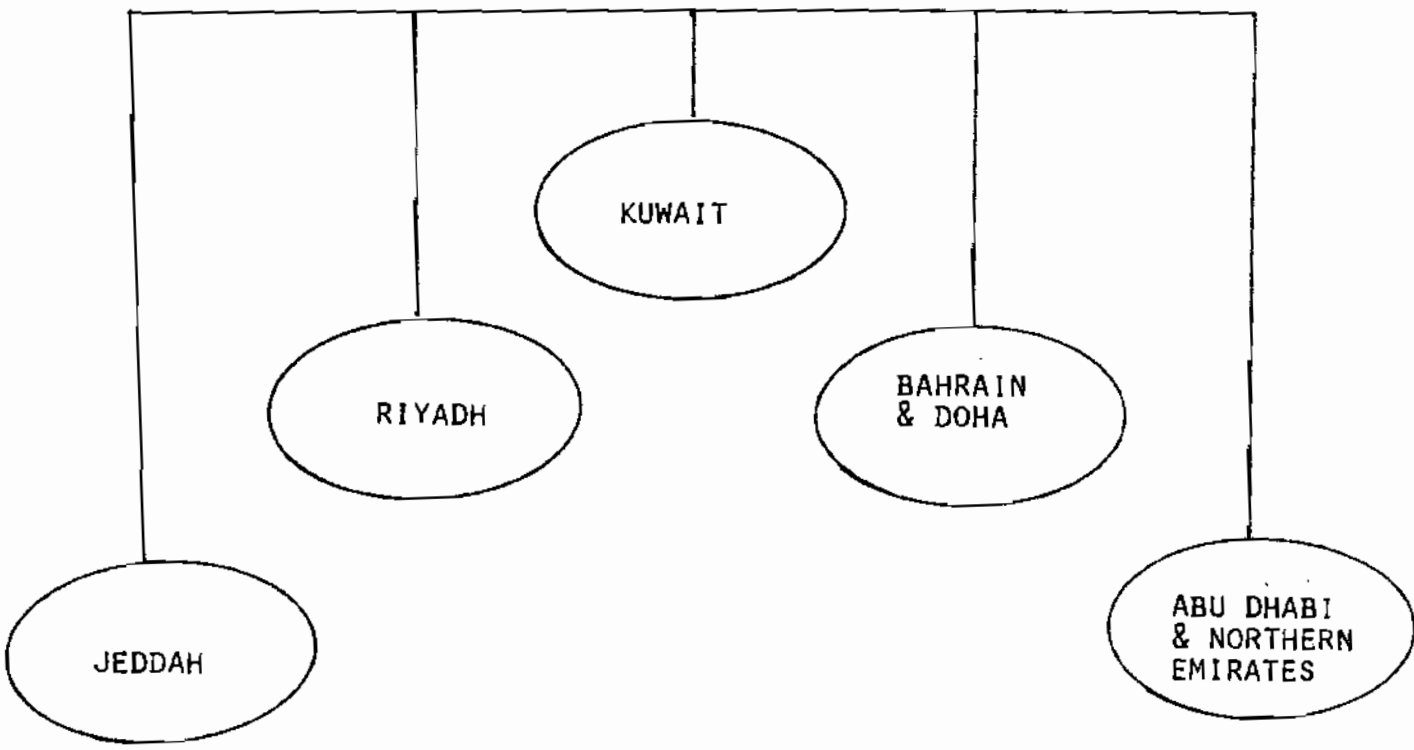
High performance in this field requires input from an extremely broad range of advisors and other sources ... organization facilitates this process ....

The information flow in this business is huge ... therefore it must be managed through selection, synthesis and distribution which comes from good organization...

The founding shareholders contribution to the firm is important for success... good organization will optimize that contribution

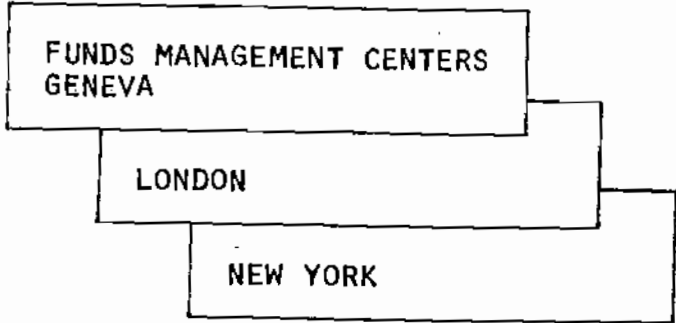
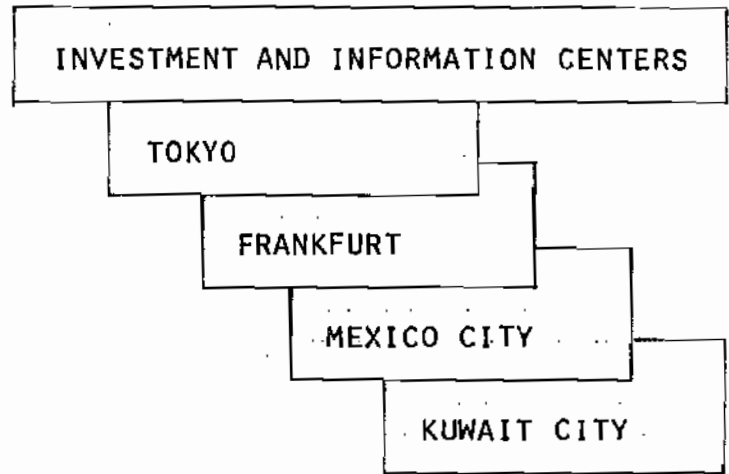
THE ORGANIZATIONAL CONCEPTS

THE KEY GEOGRAPHICAL MARKET CENTERS . . . .



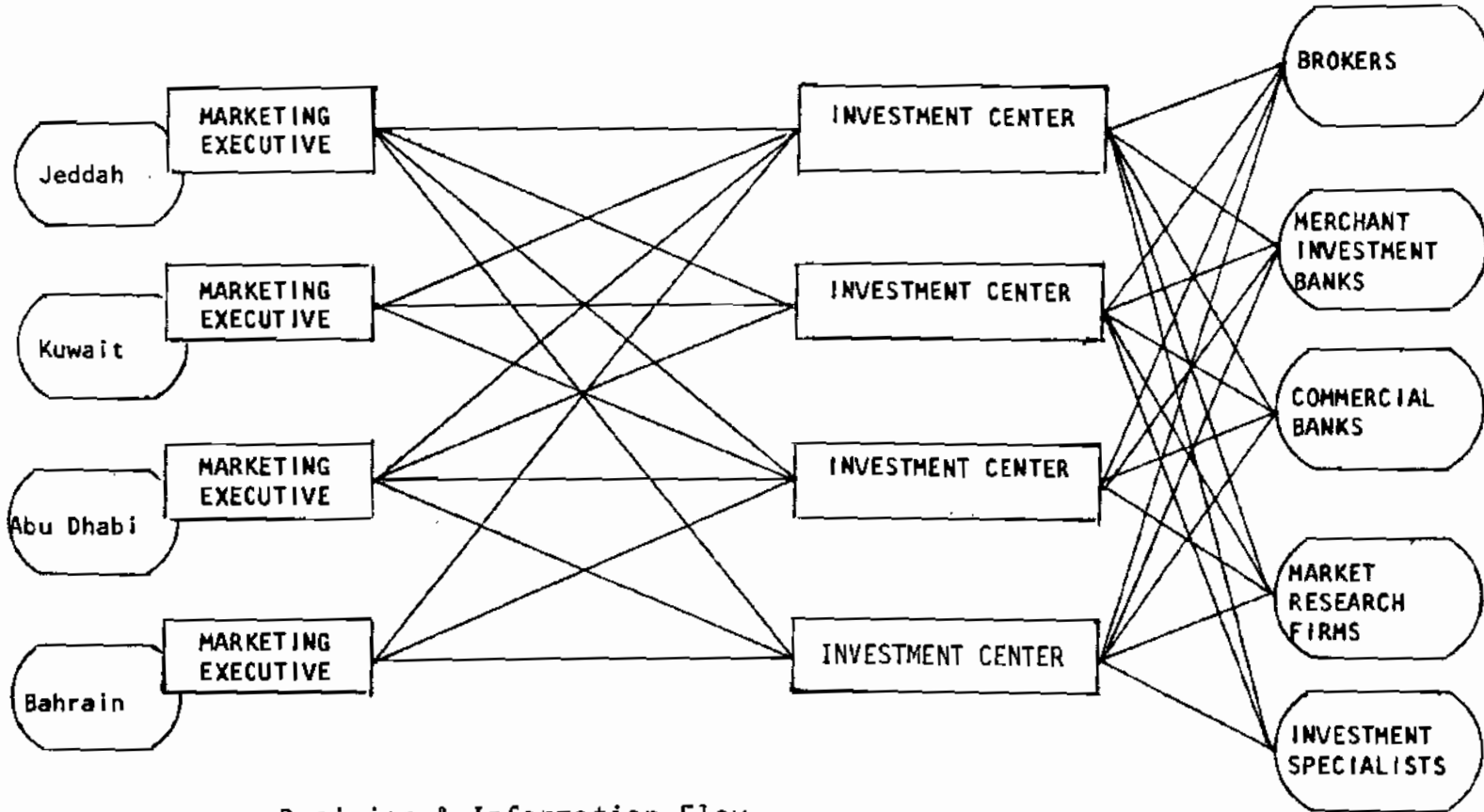
THE ORGANIZATIONAL CONCEPTS

INVESTMENT CENTERS



THE ORGANIZATIONAL CONCEPTS

MARKET AND INVESTMENT CENTER LINKAGE IS CRUCIAL . . . .



Decision & Information Flow

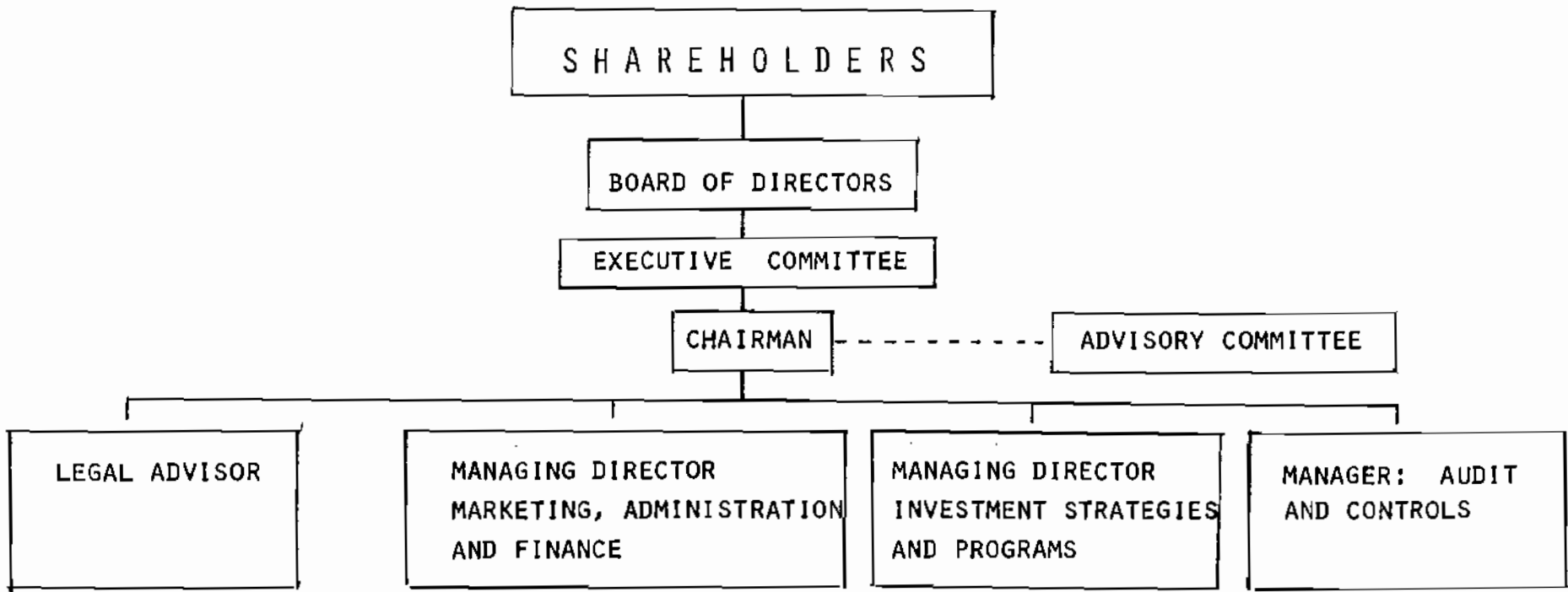
Information Flow

THE ORGANIZATIONAL CONCEPTS

- \* THE PROPOSED FIRM MUST HAVE A STRUCTURE THAT
  - \* FACILITATES DECISION MAKING, WHILE AT THE SAME TIME
  - \* RETAINS A LEVEL OF CONTROL WITH WHICH THE DIRECTORS ARE COMFORTABLE .

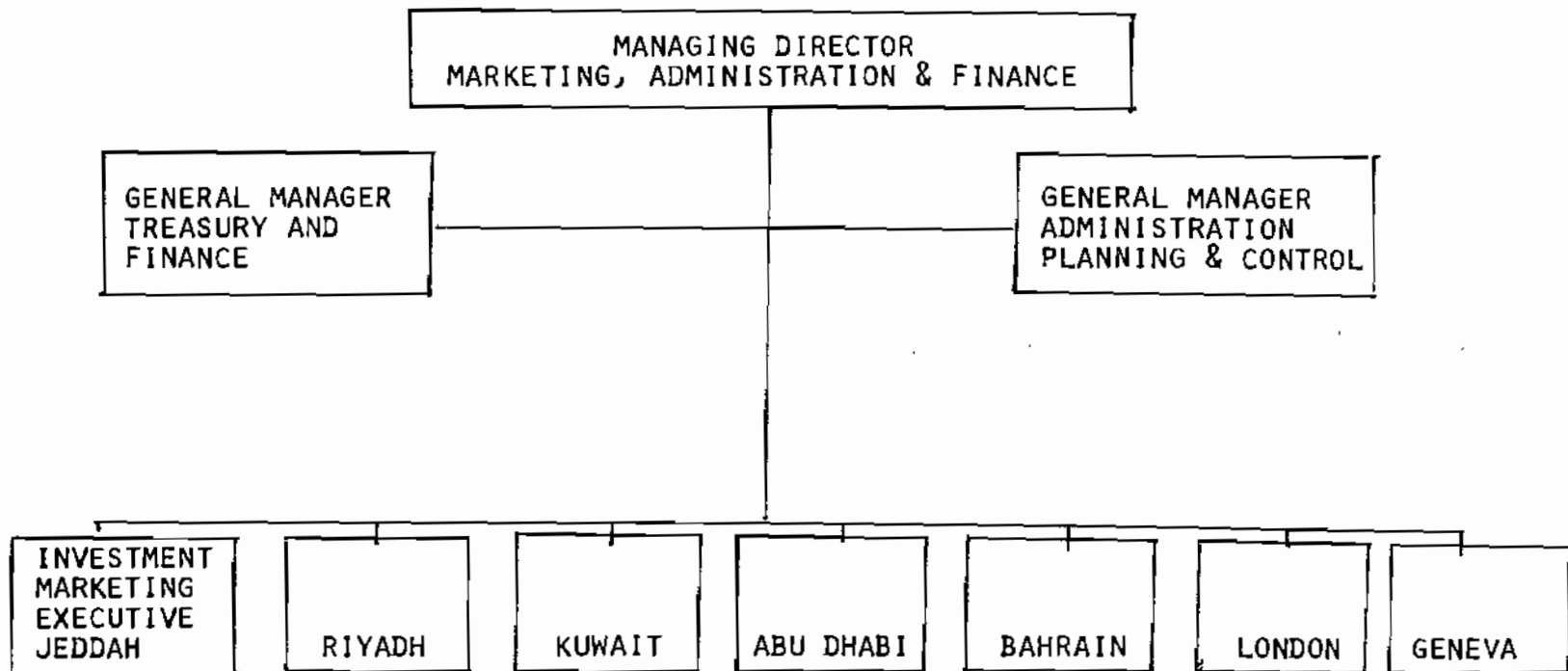


ORGANIZATION OF THE FIRM

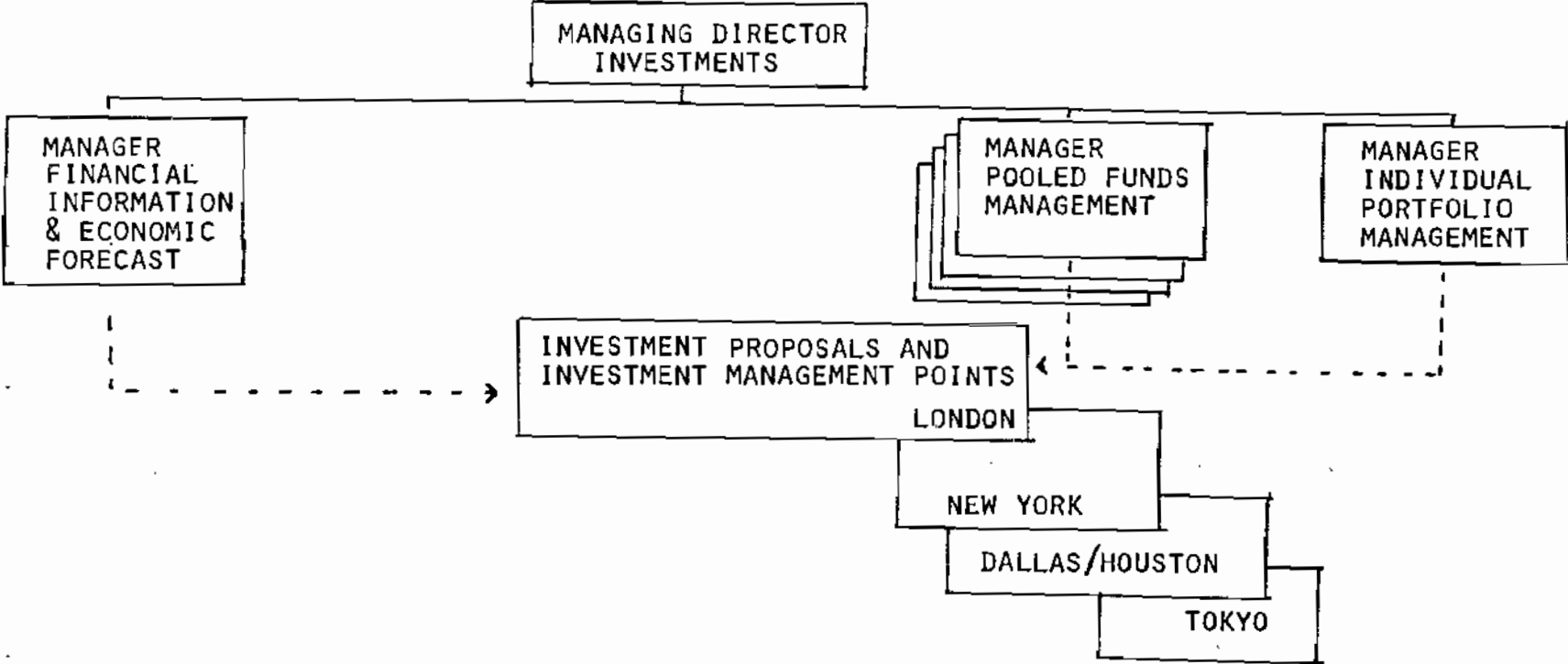


ORGANIZATION OF THE FIRM

MARKETING, INVESTMENT CONSULTING AND FUNDS RECEIVING ...



ORGANIZATION OF THE FIRM



MANAGEMENT STRUCTURE

OVERALL MANAGEMENT OF THE FIRM WILL BE AS FOLLOWS:

- \* Board of Directors - The highest authority in the firm, it will meet periodically to set policy, review performance and ensure direction.
- \* Executive Committee - With delegated broad authority to closely monitor and review the ongoing investment performance of the firm.
- \* Advisory Committee - To provide a broad range of outside perspectives of the various investment markets at frequent intervals and to review and direct overall investment policies.
- \* The Chairman and Chief Executive Officer - Heads the Board and the Executive Committee, with responsibility for directing the firm and building and maintaining its external image and market stature.
- \* Controller - Reporting to the Chairman to ensure fair and independent valuations are made on a routine basis of all individually managed and grouped investments and that a wall of confidentiality is maintained around all accounts.

## MANAGEMENT STRUCTURE

THE BOARD OF DIRECTORS, CONSISTS  
OF THE COMPANY'S CHAIRMAN, TWO  
MANAGING DIRECTORS, AND EIGHT  
SELECTED SHAREHOLDERS.

RESPONSIBILITIES

AN ADVISORY COMMITTEE OF PRESTIGIOUS INTERNATIONAL NAMES IN THE FIELDS OF INVESTMENT, BANKING, BUSINESS, GOVERNMENT, ECONOMICS AND EDUCATION WILL BE AVAILABLE TO:

- \* Add an orderly, organized, meaningful, and multi-discipline direction to the firm's portfolio strategy and overall investment process and policy.
- \* Increase the scope of the firm's global contact with important personalities involved in investment.
- \* Improve the perception of the firm in the areas where investments are to be pursued.
- \* Increase the firm's prestige.

RESPONSIBILITIES

THE INVESTMENT MANAGEMENT FUNCTION IS RESPONSIBLE FOR:

MANAGEMENT

- \* Investment Strategy
- \* Selection and Monitoring Investment Managers
- \* Management of the Investment Centers

INFORMATION

- \* Economics Research
- \* Forecasting
- \* Consulting
- \* Information Preparation

RESPONSIBILITIES

THE MARKETING, ADMINISTRATION AND FINANCE FUNCTION IS RESPONSIBLE FOR:

- MARKETING

- \* Management of Business Development Thrust
- \* Customer Relationships
- \* Advertising and Promotion

- ADMINISTRATION, PLANNING AND FINANCIAL CONTROL

- \* Planning and Budgeting
- \* Accounting
- \* Personnel
- \* Premises and Insurance
- \* Management Information System
- \* Communications

- FINANCE

- \* Corporate treasury and liability management



## RESPONSIBILITIES

### AUDITING AND CONTROL FUNCTION

Will audit the operations of the firm at all levels and as frequently as feasible to ensure proper conduct and total adherence to Board and regulatory policies ...

The controller will liaise with the outside auditors who will report directly to the Board on a yearly basis and with various qualified valuers, who will be responsible for evaluating the worth of each investment on an ongoing basis.

Additionally the controller will ensure that the computer control systems are the most sophisticated and most capable of maintaining absolute customer confidentiality.

This function is directly responsible for the safety of the customer funds and shareholder interests.

The head of the function will report to the Chairman of the Board directly and will have to report periodically on constant tests and examinations that would be conducted. These reports will be on a complete basis and will not refer to individual confidential customer records.

RESPONSIBILITIES

THE LEGAL ADVISORY FUNCTION IS RESPONSIBLE FOR:

- \* Client Tax Advice
- \* Holding Company Formation
- \* Documentation
- \* Corporate Legal Matters
- \* Attorney Relationships

RESPONSIBILITIES

OTHER SUPPORT FUNCTIONS ARE RESPONSIBLE FOR:

- \* Information centre - research activities; data collection, library, etc.
- \* Communications - telephone, telex and facsimile, data links and information security internal and with clients.
- \* Data processing - function, capacity, configuration and tie-in with other facilities.
- \* Management systems - Management Reporting, Finance and Accounting, and clients' confidential records.
- \* Operations - Perform the entire range of all necessary back-up and production; accurately maintain all documents, records and books of the corporation.

RESPONSIBILITIES

- \* THE PROPOSED FIRM WILL HAVE PEOPLE WHO
  - \* Instill confidence in the investing public
  - \* Can establish the right channels and relationships that can bring attractive investment opportunities to its notice
  - \* Have the professional competence to make key investment decisions
  - \* Understand changing investor requirements and the extent to which they are being satisfied by competing organizations
  - \* Forecast changes in regulatory requirements, political environmental and economic conditions
  - \* Take a long view of the investment opportunities of the future

INCORPORATION

THE FOUNDING SHAREHOLDERS WILL DECIDE ON  
THE LOCATION OF INCORPORATION OF THE ENTITY  
E.G. BAHRAIN, LUXEMBOURG, ETC. . . . . BASED  
UPON:

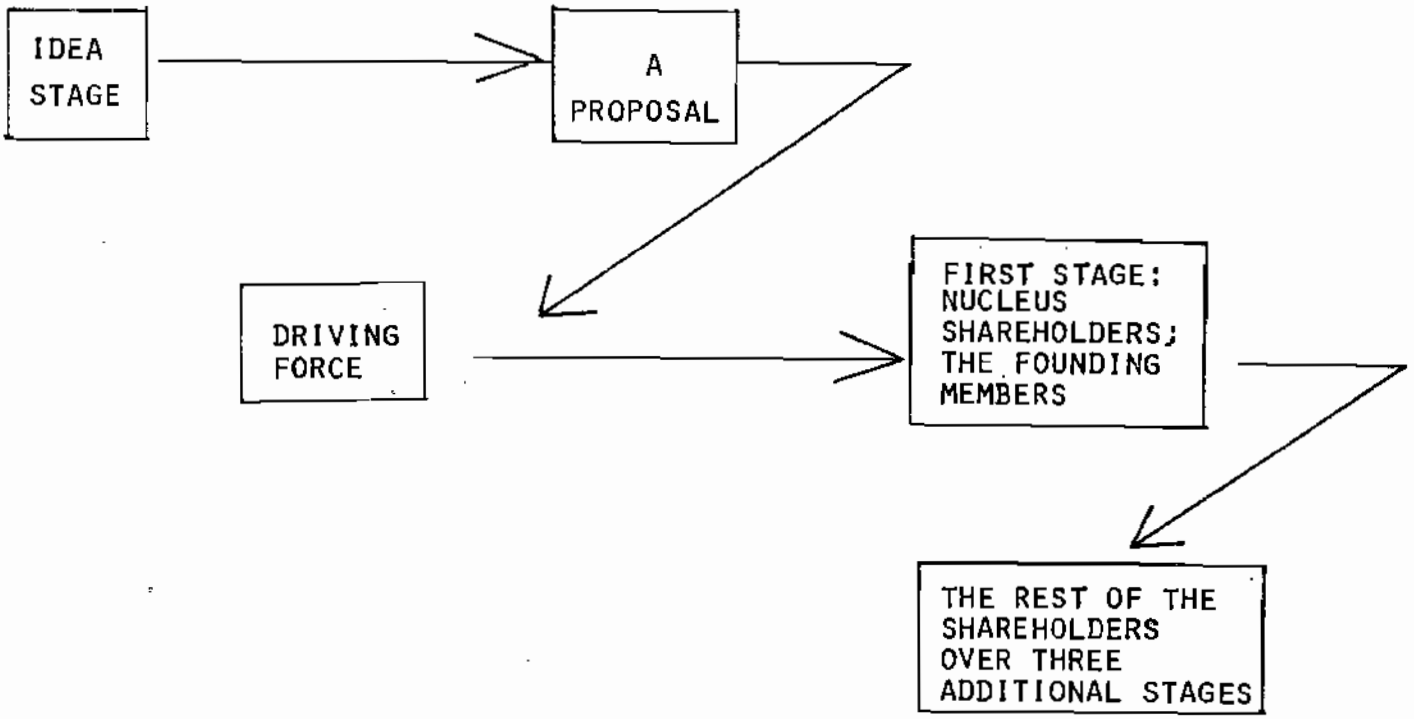
- LEGAL AND TAX  
CONSIDERATIONS
  
- MARKET PERCEPTION;  
CLIENT SENSITIVITIES  
AND PREFERENCES

CAPITALIZATION AND OWNERSHIP PLAN

THE CAPITALIZATION AND OWNERSHIP STRUCTURE  
IS OF COURSE CRUCIAL TO THE SUCCESS OF OUR  
PROPOSED INVESTMENT MANAGEMENT FIRM .....

IMPLEMENTATION: THE STARTING POINT

THE CREATION PROCESS OF THE PROPOSED INVESTMENT COMPANY WILL BE AS FOLLOWS:



SHAREHOLDERS: COMPOSITION & PROCESS

THE SHAREHOLDERS WILL BE ATTRACTED IN FOUR STAGES:

- STAGE ONE           \*    Up to 10 highly prominent and leading personalities will be individually selected and invited to participate as founding shareholders.
  
- STAGE TWO           \*    Each of the above individuals could invite up to three additional outsiders to join as equal founding shareholders in order to achieve broader geographic representation and prominence.
  
- STAGE THREE        \*    Invite up to five strategically located leading indigenous commercial banks in the key business centers which constitute the primary markets of the firm to join as founding institutional shareholders.
  
- STAGE FOUR         \*    The balance of the shareholding base will be made available to investors at large through public offering.

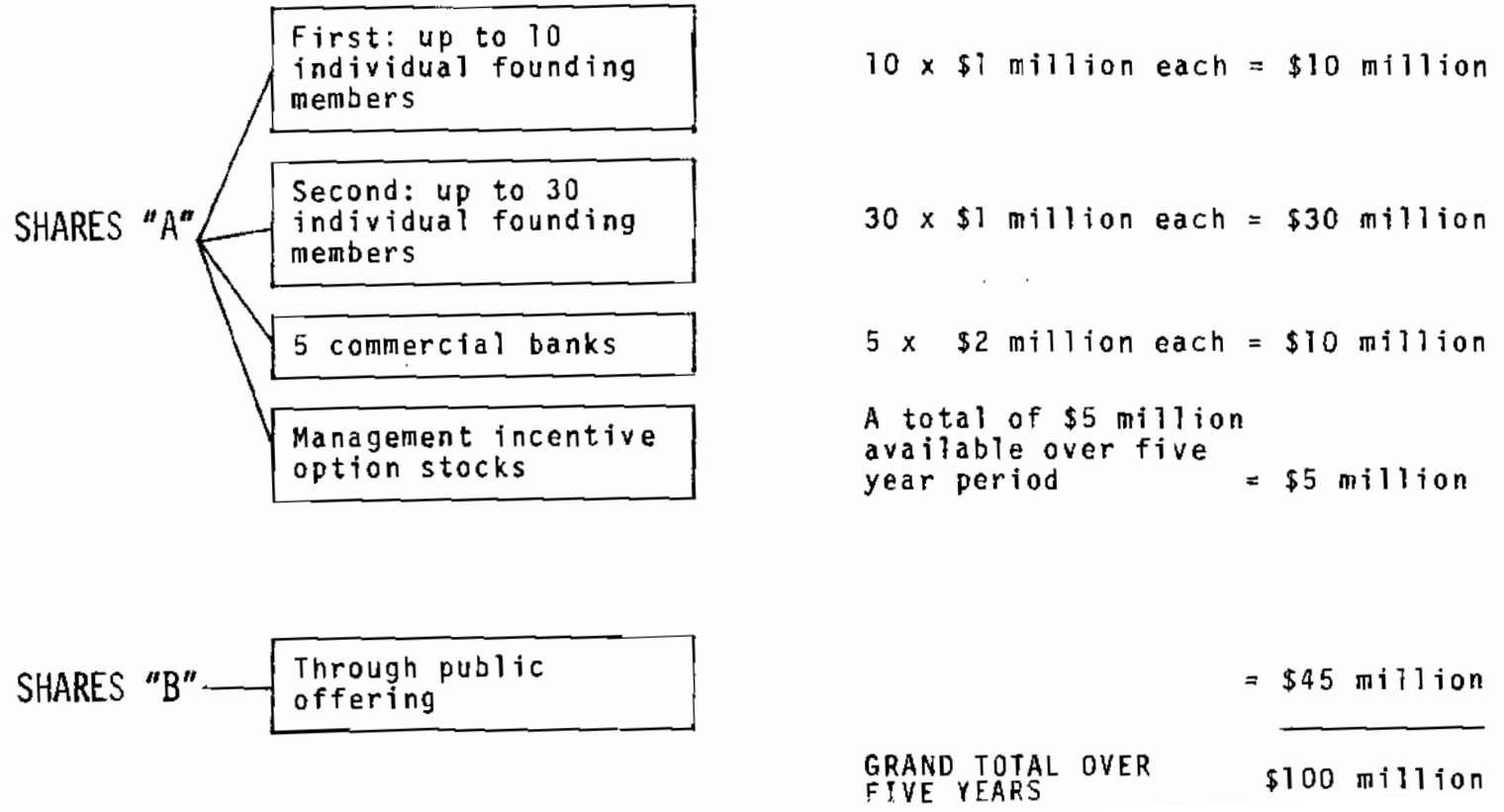


CAPITAL STRUCTURE

EVENTUAL TOTAL CAPITALIZATION

U.S.\$ 100 MILLION

THE ABOVE CAPITAL TO BE DERIVED FROM THE FOLLOWING SOURCES:



CAPITAL STRUCTURE
-------------------

## EXPLANATION . . . .

- \* "A" SHARES: These shares would be acquired and retained by the founding members for at least three years in order to ensure stability and maximum commitment to the corporation during the establishment period. Within the three years, these shares could only be sold back to the corporation, should any stockholder wish to liquidate his interest in the organization. However, if the shares are maintained by the stockholders until after three years elapse, the above restriction will no longer remain valid and the "A" shares, therefore, would then become totally marketable.
  
- \* "B" SHARES: This category of shares would be floated in the open market from the start, and would be available to the general investors at the prevailing market price. Such public floatation should be pursued only after all of the individual founding members and the 5 commercial banking institutions have completely joined and upon careful consideration by these founders of the right timing and the right markets in which the issue is to be floated, in order to ensure maximum success.

CAPITAL STRUCTURE

EXPLANATION . . . .

TOTAL COMMON STOCK "B" SHARES THAT WOULD BE AVAILABLE IMMEDIATELY AS MARKETABLE INSTRUMENTS WOULD BE EQUAL TO U.S. DOLLARS 45 MILLION.

OF THIS \$45 MILLION

- \* up to \$20 million would be made available as an incentive option to individual founding shareholders at par prior to floatation.
- \* up to \$10 million would be made available to the senior management group at par and would be exercisable anytime during the first three years of the establishment of the firm at the individuals own discretion. The allocation of the shares would be made by the Board of Directors and based on the terms and conditions of the employment contract of each eligible individual.
- \* Remaining \$15 million (or more) would be floated in the leading Gulf stock exchange markets for general public participation. It is anticipated that, given the above strong shareholding base, and with an effectively engineered market publicity, there would be significant acceptance of this issue in the marketplace and therefore, a good possibility of over subscription. That, by itself, should mean an attractive boost for the market price per share almost right from the start.

CAPITAL STRUCTURE

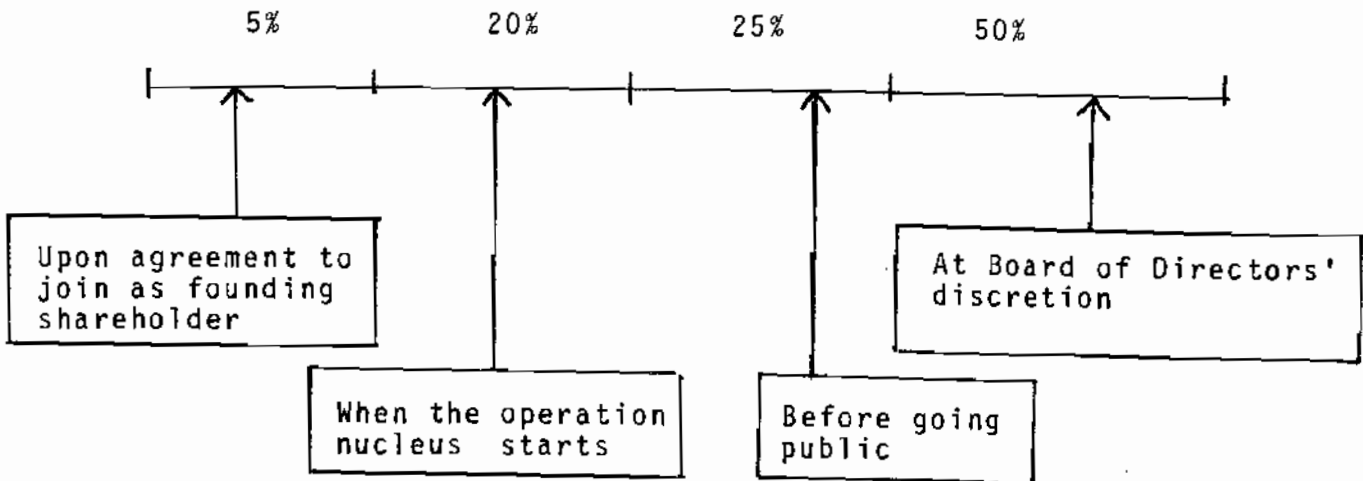
EXPLANATION . . . .

MANAGEMENT GROUP INCENTIVE STOCK OPTIONS WOULD BE COMPOSED OF A TOTAL OF U.S.\$5 MILLION OF "A" SHARES AND U.S.\$10 MILLION OF "B" SHARES.

- \* "A" shares of a total aggregate of \$5 million would be made available to some 15 individuals who would make up the management structure of the organization and exercisable over a period of five years ... These individuals, therefore, will be given the opportunity to become shareholders in the organization in due course, and thereby should assume their responsibilities as partners, as well. Members of the management team would work against pre-established business plans and targets, and upon accomplishment of successful results they would be compensated with a healthy cash bonus. Management members who would be entitled to such program would then be allowed to purchase a certain amount of common "A" shares, at par, if they so wish. The amount of the shares to be purchased under this plan should not exceed the amount of the bonus received by each individual. The total sum that would be available for the entire management group of common "A" shares, at par, over the five year period should not exceed the \$5 million mentioned above.
- \* "B" shares of a total aggregate of U.S.\$10 million would, additionally, be made available to the founding senior management members, at par, and exercisable anytime during the first three years after incorporation. This should be a reward/incentive for joining the new entity while giving up their existing prestigious positions at some top tier international organizations.

SHAREHOLDERS: CAPITAL CONTRIBUTION

EACH INDIVIDUAL AND INSTITUTIONAL SHAREHOLDER WILL BE REQUESTED TO PAY UP HIS/ITS EQUITY COMMITMENT IN FOUR STAGES - AS FOLLOWS:



CORPORATE OBJECTIVE

IT IS THE OBJECTIVE OF THIS NEW INVESTMENT COMPANY TO GENERATE FOR ITS SHAREHOLDERS A CONSISTENT RETURN IN EXCESS OF THAT ORDINARILY RECEIVED ON INTERNATIONAL INVESTMENTS OF COMPARABLE SAFETY AND PRUDENCE, OVER A LONG HORIZON OF TIME PERIOD, THROUGH BOTH DIVIDENDS DECLARED AND CAPITAL GAINS ON SHARES.

CORPORATE OBJECTIVE

THE FIRM EXPECTS TO ACCOMPLISH THIS BY:

- \* Attracting and retaining a large customer base that would contribute to the generation of considerable and expanding fee income.
- \* Obtaining favourable average interest and dividend yields on capital through careful selection of securities and prudent risk diversification.
- \* Generating profits from capital gains which result from invested talent, alertness and expertise.
- \* Additional leveraging through use of debt funding.

FINANCIAL STRUCTURE

- \* The balance sheet of the proposed firm would reflect the following liabilities:
  - Capital funds
  - Direct borrowings
  
- \* The asset structure should reflect the firm's strategy of how to utilize the above total sum of funds most prudently and advantageously considering
  - Liquidity
  - Asset diversification (over the short and long term)
  - Participation in all of the pooled funds.



FINANCIAL STRUCTURE

\* THE FIRM'S EARNINGS WILL BE GENERATED FROM THE FOLLOWING SOURCES:

- All earnings on Capital funds.
- Incremental earnings on Guaranteed Income and Profit Sharing funds that exceed the customer share.
- Earnings generated by borrowed funds that exceed interest cost.
- Discretionary Portfolio management annual fees plus any additional incentive fees; this fee will be according to scale and would be based upon the increase in the capital value of the entire portfolio per each customer.
- Pooled Funds Management Fees plus any additional incentive fees.
- Front end, one time, arrangement fees collected at the time of the establishment of all customer accounts.
- Foreign Exchange, money market management, and other treasury earnings.
- Earnings generated from capital gains, deals, and all other one time and or repeating business transactions.

THE FIRM IN ACTION

THE DYNAMICS OF THE FIRM WILL COME FROM TWO PRINCIPAL THRUSTS:

MARKETING: creating a consistent stream of incremental customer funds and servicing of existing customer needs on an ongoing basis.

INVESTING: effective employment of those funds to achieve optimum results over a prolonged period of time.

THE FIRM IN ACTION

THE MARKETING FUNCTION WILL BE PRIMARILY DISCHARGED BY THE MARKETING EXECUTIVE IN THE FIELD; EACH WOULD BE TOTALLY DEDICATED TO HIS OWN GEOGRAPHIC SECTOR.

THE MARKETING EXECUTIVE WILL HAVE TO:

- \* Understand the total market and define its size, attractiveness, characteristics, needs, factors for customer satisfaction, competition, reasons for competitive success or failure, market pricing, products desired, market change, regulatory changes, political influences, economic environment, etc. ....
- \* Focus on that market segment which offers the highest attractiveness and for which gaining market share would be feasible.
- \* Achieve annual business development targets in a most cost effective manner.

## THE FIRM IN ACTION

THE INVESTING ARM, WILL HAVE THE TOTAL ASSET AND ALL CUSTOMER FUND MANAGEMENT RESPONSIBILITY FOR ACHIEVING HIGH PERFORMANCE WHILE MAINTAINING SAFETY. TO DISCHARGE THESE RESPONSIBILITIES, THE INVESTMENT GROUP WILL:

- \* Develop and maintain the most sophisticated information base and forecasting system.
- \* Draw up an asset diversification strategy consistent with the firm's philosophy and customer preferences.
- \* Negotiate and subcontract the direct management of some of the assets and customer funds to premier institutions and money managers who command absolute top class reputation and who have the high degree of specialization and expertise in the management of those particular types of assets.
- \* Monitor the performance of the above managers on a timely basis and ensure that the relationship continues only if the results are highly satisfactory and must be judged against the performance of the leaders of the industry.

## ACTION PLAN

IMMEDIATELY AFTER INCORPORATION A MORE DETAILED PLAN SHOULD BE DRAWN TO REFLECT THE FOLLOWING:

- \* Corporate Structure
- \* Functions of the Board
- \* Corporate staff functions
- \* Staffing levels
- \* Profile of key jobs
- \* Central service resources
- \* Planning and control systems
- \* Management reporting
- \* A Business Plan ...

**BUSINESS PLAN**

AFTER ESTABLISHMENT OF THE FIRM AND DEFINITION OF THE OVERALL GOALS AND BUSINESS METHODOLOGY BY THE FOUNDING SHAREHOLDERS, SPECIFIC PLANS WILL BE PREPARED BY MANAGEMENT.

\* FIVE YEAR PLAN

1. Annual targeted customer funds both by products and geographic marketplace.
2. Establish a clear business mission with a list of programs by type of investment and by area. Generate proforma cash flows and financial assumptions. Describe the general implications of the programs in terms of corporate structure, personnel and other resources.

\* ONE YEAR PLAN

Upon approval of the five year plan, a one year action plan would be developed with specific activities and milestones. This would establish budgetary requirements for the marketing efforts, operating expenses, and finally a comprehensive investment strategy.

## BUSINESS PLAN

THE BUSINESS PLAN WILL REFLECT STRATEGY AS TO:

- \* Financial - leverage and source of funds.
- \* Fiscal - tax implications in different businesses and different countries and programmes to minimise tax
- \* Legal - corporate structure to provide operating flexibility and minimise asset risk.
- \* Fund Managers - selection and continuing evaluation of external top quality investment management institutions for each line of investment.
- \* Currency risks
- \* Exchange control

The policies will form the management thrust of the company and set clear limits for its business practice. Specialist outside counsel will be used in some of these areas.

AND FINALLY . . . .

YOU ARE INVITED

. . . . .



INVITATION

YOU ARE INVITED TO BE A FOUNDING SHAREHOLDER

- IN A PROFITABLE INVESTMENT
- IN A NEW UNIQUE INVESTMENT MANAGEMENT CONCERN DIRECTED TO MIDDLE EASTERN NEEDS DEDICATED TO OBTAINING THE BEST ADVICE FOR ITS CLIENTS AND THEREFORE THE HIGHEST RETURN COMMENSURATE WITH THE PRESERVATION OF CAPITAL.

## APPENDIX I

### **OBSERVATIONS:** CHARACTERISTICS OF ARAB INVESTMENTS

- \* Petrowealth has percolated downward in Arab Countries, so there is a specific trend of the emergence of more and more small unknown investors.
- \* There is an inevitable filtering down of money from the Arab central banks to large corporations to individuals. As these individuals get their hands on large sums, some of it is inevitably being moved abroad.
- \* Nondescript bourgeois Arab businessmen may not be fabulously wealthy but certainly possess plenty of excess funds to invest.
- \* The new generation of Arab investors is a much larger group than its predecessors, and is beginning to look abroad for new investment opportunities.
- \* Most Arab investors remain as wary as ever of directly shouldering risks or directly selecting investments - even as they become increasingly convinced that they are not well served by those who do propose to do the job for them.

- \* It is not a flood of money that is channeled to investments overseas today, primarily because profits and returns available locally are still substantially higher than in the West.
- \* You are dealing with a social structure that is both patriarchal and personal, with basically simple individual human beings who want to invest based on human relationships. There are however signs that this will be quickly changing. The new Arab foreign investors are less likely to be those with royal blood than those who have achieved success in operating a business. They prefer to invest in things they already understand, such as real estate, oil and gas, construction or agribusiness and food distribution. It also means instead of simply reacting to proposals that private investors now actually have teams analyzing specific areas. People are now talking about investment programs and looking at sector X over a long period.
- \* More and more the Arab investors are diversifying geographically; they are going outside the U.S. and Western Europe, to the Far East, Latin America and Australia to try and set up hotels in Mexico for example, or forest plantations in Malaysia or companies in Hong Kong. More cement factories are established in Pakistan than investments in Eurobonds or U.S. equities.
- \* Old preferences for dealing one-to-one with familiar faces and the aversion to pooling resources through investment funds are also breaking down.
- \* There is still an ever important need for the personal approach - the indication of a personal relationship with the client.

- \* The Arab investor is finding that with so many things happening he is spread terribly thin. There are only 24 hours in the day and he cannot meet face to face with everyone he does business with.
- \* The criteria for Arab private investment have become more sophisticated. They no longer limit themselves to short-term investments and are more willing to accept components previously alien to them. They have become interested in the electronics industry and agricultural projects for example because they can see some applicability and relevance to the Middle East.
- \* The question everyone continues to ask is what will the Arab Governments do with their money, which has always been difficult to answer because of the Middle Eastern penchant for secrecy.
- \* Arabs have had a natural tendency to deal with people in institutions they know.
- \* The governments of Saudi Arabia and Kuwait have been - and continue to be - the investors with the largest surpluses to invest abroad, and the contrasting investment styles of these two countries will probably continue to define the boundaries for other official Middle Eastern investors.
- \* While the overall patterns of Arab investment have remained fairly consistent over the years, there are some signs of important changes taking place. Arab investors are probably moving away from the battered U.S. dollar; there is no flight, but new investments are being made in other currencies, as well, to diversify the currency base of the portfolio. There is the fallout from the U.S. government freeze on Iran's official dollar deposits in American banks. This clearly disturbed Arab investors, and initially, at least, led to some shift of Arab official deposits to non-American banks. Some indicate the freeze will have a lasting effect on U.S. banks.

- \* The Iran asset freeze-and-seizure, however, seems to have had less effect on private investors who note that Iranian private accounts were not affected.
- \* Despite the Arabs' history of avoiding direct or long-term risks, there is growing evidence of an evolutionary trend finally leading them away from the focus on liquidity.
- \* There is a feeling of comfort, a new notion of higher risk tolerance among official investors, because they have acquired a substantial cushion to absorb losses, should they occur.
- \* Arab holdings of corporate equities have also been increasing but once again in a very conservative manner.
- \* The Arabs have generally favoured real estate "because they can see it, walk around it, and kick it". Arab investors it turns out have a particular fondness for hotels, and recently such Arab owned hostelries as London's Dorchester have been joined by others in the U.S.
- \* Arabs are among the most passive, low-key foreign investors. They are not interested in controlling anything, they are looking for a good rate of return and growth.
- \* When Arabs make a direct investment they would like board representation but are not interested in an active management role.
- \* The majority of leading Arab investors have preferred the policy of making an investment and then giving total support to management. They do not plan to take over the responsibility of managing them.

- \* There will be a lot of opportunity in the next couple of years in the U.S. to buy troubled companies that will bounce back.
- \* According to some leading Arab investors, sometimes the rate of return in the U.S. is not as good as one can get elsewhere but that is compensated by the accuracy of the reports that they receive from management and the knowledge of what they are buying, generates greater confidence.
- \* Some Arab investment strategy has been to go for stocks with a low price/earnings ratio, understated real value and high yield.
- \* Other Arab investment strategies have been to combine the income with small but continuous growth, and reinvest the income back.
- \* The international negative publicity wave - from Japan, across Europe, to the U.S. - of incriminating Arab financial or investment behaviour is creating a feeling of distress and resentment among Arab investors.

## APPENDIX II

### INVESTMENT CHARACTERISTICS: BY COUNTRY

#### SAUDI ARABIA

- \* Saudi Arabia has always looked particularly stolid. Last October, SAMA reported overseas assets of \$57 billion, most of which was held in U.S. dollars. 99.9 percent of its funds are managed by international - but not Arab - banks. Saudi official funds continue to be poured into short term bank deposits, U.S. Treasury bills, U.K. gilts and other conservative and generally short-term investments. When Saudi official institutions have departed from this pattern, it has been to buy gold or high-quality corporate securities. Saudis are also the world's largest holders of silver with an estimated 600 million ounces.
- \* In Saudi Arabia the downward percolation of petrowealth is intentional. One Arab financier insists that the country's leaders recognize they may not be able to complete their grandiose development plans but they intend to use the plans as a way to distribute the cash more evenly. That means more money in private hands.

- \* It has been published that Morgan Guaranty was managing portfolios valued at \$600 million for Saudi Arabia.
- \* Since the mid-70's Saudi Arabia and Kuwait have staked out the two poles of Arab overseas investment. Most of the other states have fallen between them, clustered if anything closer to the Saudi model of conservatism. Many private Arab investors have been as cautious as the Saudi government, despite the attention focused on a few of the more adventuresome entrepreneurs.
- \* Saudi Arabia's interest in diversifying away from the dollar was demonstrated in early July 1980 when the central bank bought almost a third of the World Bank's DM700 million bond issue. But that investment also suggested SAMA had been rethinking its other investment policies. The Saudis' DM200 million slice of the issue was twice the 15 percent limit SAMA had unofficially set on its participation in any issue, and the 10 year maturity went beyond SAMA's unofficial eight year limit.
- \* The Saudis have also joined other Arab investors in showing greater interest in corporate debt. Its rare forays into corporate paper had tended to be limited to triple-A companies like AT&T which sold SAMA \$100 million worth of six-year notes about five years ago. SAMA's largest publicized investment in U.S. corporate debt came last December, when it bought \$300 million worth of seven year IBM notes at 10.8 percent interest. But recently Saudi Arabia has also been investing \$50 to \$100 million at a time in lower-rated companies. Lately, it has not only been involved in a \$160 million private placement for Du Pont, but also private deals for Kimberly-Clark and Procter & Gamble, both double-A companies. And SAMA has also provided some cash for Dow Chemical, which has a split rating of Aa/A.



- \* SAMA, with total reserves theoretically available for medium-term investment well in excess of \$60 billion, undoubtedly remains the world's last major untapped investment pool.
- \* SAMA has always aimed to build a portfolio diversified by currency, credit, maturity and investment instrument so as to spread risk.
- \* The accumulation of Saudi Arabia's foreign-exchange reserves represents the exchange of a real resource - oil - for financial assets. In an ideal world, this exchange should be costless, and the aim of investment policy would be to maintain the value of the financial assets in relation to oil.

Obviously, this has not been the case. Even the maintenance of the value of reserves in relation to the price of imports has been a hard task. Currency fluctuations, negative real interest rates and restrictions on access to certain national markets have made the implementation of investment policies difficult. In this sense, the easier it is to invest worldwide and achieve real returns, the easier the decision to accept financial assets in place of oil. It is, however, worth remembering that the investment of the surpluses has been achieved despite these difficulties in a wide range of instruments without disturbance to national or international markets. SAMA places particular emphasis on this objective, because of its broad-based desire to preserve world financial stability.

- \* According to SAMA the world has perhaps already moved to a multicurrency reserve system. The removal of some restrictions on foreign investment into the domestic capital markets of Germany, Japan and Switzerland is obviously an important factor and removes some of the limitations to investment policy.

- \* SAMA as custodian of the financial assets for the government, has an obligation to maintain the value of these assets. This obligation will entail that investments will generally be limited to those of prime quality.
- \* Saudi Arabia is expected to increase its imports of goods and services, and the budget for the fiscal year 1980-1981 has already been increased by 30 percent to \$75 billion.
- \* Ghaith Pharoan of Saudi Arabia owns 98.5% of the National Bank of Georgia, and his Saudi Arabia Research and Development Corp. owns 45% of an office complex in Dallas, and 50% of a 32,000 acre tract in Louisiana.

## KUWAIT

- \* This time around the bulk of the OPEC surplus to be invested abroad will be concentrated in two countries, Saudi Arabia and Kuwait.
- \* It has been published that Morgan was managing portfolios valued at \$700 million for Kuwait; Citibank has had short term funds management responsibility for some \$2 billion.
- \* So far Kuwait has generally been the most active and aggressive official Arab investor - a fact amply illustrated by its recent \$1 billion bid for a 15 percent stake in America's Getty Oil. It has also developed one of the most comprehensive and elaborate mechanisms for channeling funds abroad. The multilayered apparatus for handling the Kuwaiti government's investments includes not only the finance ministry (a wing of the ministry, the Kuwait Investment Office, actively made the Getty bid, which eventually was not accepted), but an official Kuwait Investment Office in London, the Kuwait Real Estate Investment Consortium, of which the finance ministry holds 20 percent, and the country's three largest investment companies - the celebrated "three K's" - The Kuwait Investment Co., (50% government owned); the Kuwait Foreign Trading, Contracting and Investment Co. (85% government owned); and the Kuwait International Investment Co. (a privately owned merchant bank and holding company).

The Kuwait Investment Company's investments have been largely property-oriented, and include ownership of the Ramada Hotel in Bahrain, a hotel and exhibition complex in Atlanta, Georgia, and Kiawah Island off South Carolina. KIC also has its own shipping fleet and numerous banking participations around the world. It is also involved in running portfolios and managing syndicated loans and international bond deals.

The Kuwait International Investment Company is also an international leader and underwriter in addition to having extensive corporate investments. KFTCIC has concentrated on making investments for the Kuwait government in the third world. It manages Kuwait's stake in the Kanana sugar project in the Sudan, the SUMED pipeline in Egypt and an assortment of joint ventures throughout the world. KREIC remains the most important vehicle for Kuwaiti government investments in real estate. And one of its shareholders, the Kuwait Hotels Company, owns the Hilton in Kuwait and has a majority interest in the Khartoum Hilton.

Kuwait has also made several major direct investments in Germany, starting in 1974, when it startled a world still reeling over oil-price hikes by acquiring a 14% interest in Daimler-Benz. The following year Kuwait bought 25% of Korf Stahl, a steel concern, and in May 1980 it acquired 10% of Metallgesellschaft, a Frankfurt metals and engineering firm, for about \$63 million. In June 1980, Kuwait became a partner of Volkswagen by acquiring 10% of Volkswagen do Brasil for \$115 million from Monteiro Aranha, a Brazilian investment company.

However, Kuwait's official investments are even more concentrated in the U.K. which has longstanding historical ties to Kuwait. In July, 1980, Kuwait gained control of 51.1% of Hay's Wharf, a diversified London company. The Kuwait Investment Office already held a one-third interest in Hay's since 1974 when KIO outbid Commercial Union Insurance to acquire St. Martin's Property Corporation, which owned the Hay's stake. KIO paid £100 million for St. Martin's, its biggest takeover in the U.K. Acting through the Kuwait Investment Office, official Kuwaiti shareholdings also have been acquired in Guardian Royal Exchange, Union Discount, Legal and General, Sun Life Assurance, Bank of Scotland, Provident Financial, the broking firms of Alexander Howden and Stenhouse Holdings Ltd., and a holding company, Trafalgar House Ltd.

In addition there are Kuwaiti interests in such U.K. investment trusts as London and Montrose, Caledonia Investments, Lakeview, Scottish American and Cardinal. And last February, a private Kuwaiti family acquired 10% of Grindlay's Holdings. The British Companies Act of 1976 required disclosure of all shareholders owning more than 5% of a company's stock, and this showed KIO's portfolio worth about £250 million.

- \* In addition to substantial holdings in London and the U.K., this spring, a largely Kuwaiti group bought an office complex on the Avenue Montaigne in Paris for Ff.550 million, the largest real estate deal in French history.
- \* The Governments of Kuwait and Saudi Arabia have been - and continue to be - the investors with the largest surpluses to invest abroad, and the contrasting investment styles of these two countries will probably continue to define the boundaries for other official Middle Eastern investors.
- \* The Government of Kuwait acquired the Tour Manhattan office block at La Defense, just outside Paris, for a reported Ff.110 million.

## ABU DHABI

- \* It has been published that Morgan Guaranty is managing portfolios valued at \$900 million for Abu Dhabi.
- \* Abu Dhabi had become the largest shareholder in Eastern Air Lines after the Rockefeller family, with a stake approaching 4%, while also having substantial holdings in TWA, United, and Seaboard World Airlines.

## U.S.A.

- \* According to U.S. Government statistics, at the end of 1979 Middle East oil exporters had invested \$49.5 billion in the U.S. This included \$6.6 billion in short term Treasury bills and certificates, \$12.0 billion in other U.S. government securities, \$15.3 billion in commercial bank deposits, \$6.9 billion in corporate stocks, \$2.9 billion in corporate bonds and only \$354 million in direct investments. In addition, Middle East oil exporters had deposits of \$33.1 billion in foreign branches of U.S. Banks.
- \* Arab holdings of corporate equities have also been increasing, but once again in a very conservative manner. Middle East investors bought \$656 million worth of stock in the U.S. last year, bringing their total holdings to \$6.8 billion.
- \* Arab investors are also still actively bidding on U.S. banks. In June four Kuwaiti investors paid \$40 million to the Patagonia Corp., and Arizona bank-holding company, to acquire the Great Western Bank and Trust Co. of Phoenix, with assets of \$487 million.
- \* This summer Arab investors acquired Financial General Bankshares Inc., a Washington-area bank-holding company with about \$2.3 billion in assets.
- \* A lack of information is not the only problem for Arab investors in the U.S. That comes first but the second most serious factor is unnecessary adverse publicity and the tax problems caused by the U.S. withholding tax on investment income.

## FRANCE

- \* Arab investors are looking more seriously at France than they used to, as evidenced by the Ff.550 million real estate purchase this Spring 1980.
- \* Several Arab banking ventures have been established in Paris which following London constitutes the second most important business traffic center for Arabs in the developed world.
- \* A largely Kuwaiti group bought an office complex on the Avenue Montaigne in Paris for Ff.550 million, the largest real estate deal in French history.
- \* The Government of Kuwait acquired the Tour Manhattan office block at La Defense, just outside Paris, for a reported Ff.110 million.



## UNITED KINGDOM

- \* Arab investors looking at the U.K. see the financial sector as the most highly sophisticated and highly organized area.
- \* Kuwait Investment Office paid £107 million for St. Martin's Property Corp., its biggest takeover in the U.K. Acting through the Kuwait Investment Office, official Kuwaiti shareholdings also have been acquired in Guardian Royal Exchange, Union Discount, Legal and General, Sun Life Assurance, Bank of Scotland, Provident Financial, the broking firms of Alexander Howden and Stenhouse Holdings Ltd. and a holding company, Trafalgar House Ltd.

In addition, there are Kuwaiti interests in such U.K. investment trusts as London and Montrose, Caledonia Investments, Lakeview, Scottish American and Cardinal. And last February, a private Kuwaiti family acquired 10% of Grindlay's Holdings. The British Companies Act of 1976 required disclosure of all shareholders owning more than 5% of a company's stock, and this showed KIO's portfolio worth about £250 million.

- \* Arabs feel more at home in London than in any other major financial center. Significant numbers of leading Arabs own residences in London and use the City as a primary contact point for their worldwide business and investment transactions.

## JAPAN

- \* It has been published that a leading securities house in Japan estimates that OPEC investments in that country totalled \$12 billion at the end of 1979. Of this sum, 42% was in bank deposits, 8% in CD's, 42% in bonds and 8% in stocks. According to this estimate, OPEC investments accounted for 42% of all non-Japanese investments in Japanese bonds and 17% of foreign investment in stocks.
- \* Arab investments in Japanese stocks have reached \$1.2 billion and during this year \$1 to \$1.5 billion will be added. Most Arab securities orders are placed through either American or European fund managers, financial institutions or securities firms. Even when a final investor places orders directly, it is most likely the investor will hire a Westerner as an investment adviser.
- \* Arab investment will move from bank deposits to Japanese national bonds and further to the gensaki market (the bond repurchase market), to long term debentures and stocks, in that order. Indeed, an officer in Nomura Securities' bond department confirms that OPEC investors have been purchasing Japanese government bonds, usually those with maturities of ten years or longer. Besides going into the market, oil-producing countries have also bought bonds directly from the Bank of Japan. Of this direct sale, Toyoo Gyohten, assistant vice finance manager for interanational affairs, says the direct sale window was opened because the current Japanese secondary market is not mature enough to supply what oil-producing countries want to buy at any time. He insists that the total sale of government bonds to OPEC countries, both via the Bank of Japan and the market, counting only those (buyers) who are identifiable, will amount to several million dollars a year. Japanese officials will not disclose the identity of the buyers but many industry sources believe SAMA is the biggest buyer through this channel. This direct sale opportunity comes, of course, at a time when Japan is facing a trade deficit and is interested in importing capital.