

AVCJ Forum: Middle East 2008

Private Equity: Catalyst to Economic Growth

Family Offices: Different Strategies for Investing Family Assets: The SEDCO Experience

April 20-22, 2008

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MD – SEDCO Financial Investments

SEDCO is a leading private wealth management company based in Jeddah, Saudi Arabia, that conducts its business according to Islamic Shari'ah guidelines.

SEDCO is committed to entrepreneurial excellence, business efficiency and commercial integrity.

SEDCO has a wide and diversified spectrum of investments in Saudi Arabia and other countries around the world.

SEDCO has more than 2,500 employees across three business groups (including subsidiaries):

- Real Estate Investment Group**
- Financial Investment Group**
- Direct Investment Group**

- A. Develop an asset allocation model with breakdown by; asset class, geographic and sectoral allocations.**
- B. Select good investment managers & opportunities through conducting due diligence based on international best practices.**
- C. In public equities, we invest with reputable international institutions.**
- D. In private equity, we invest with managers with longstanding track record and experience.**

- E. Monitor and benchmark the investment performance against the appropriate Islamic benchmarks such as Dow Jones Islamic Indices (DJIM) and compare it against comparable peers as well.**
- F. Re-balance the asset allocation periodically whilst monitoring risks and major market developments.**
- G. Constantly visit and maintain close relations with investment managers to monitor risk and derive more business opportunities.**
- H. Follow best practices in corporate governance.**

DJIM components are selected by filtering the index universe through screens for business activities and financial ratios to remove stocks that are not suitable for Islamic investment purposes.

A. Screens for Acceptable Business Activities

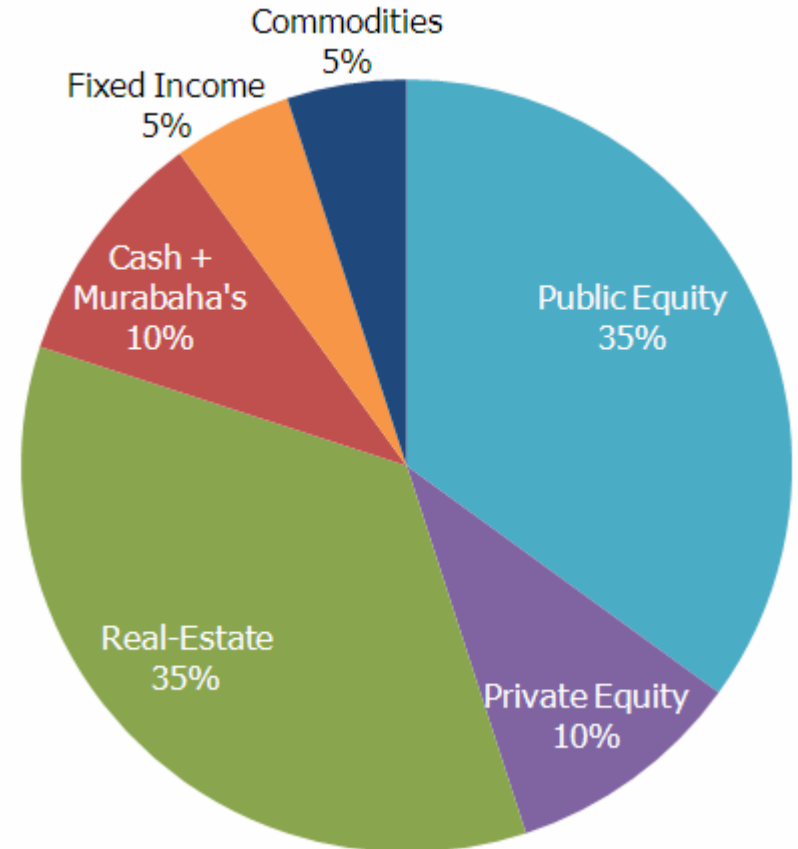
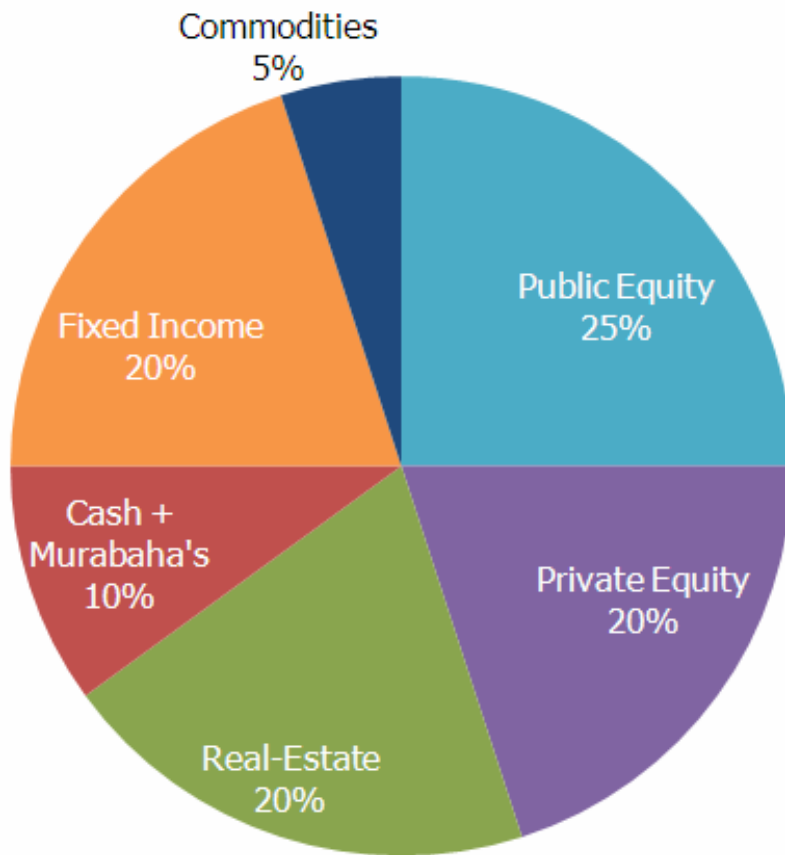
Based on the Shari`ah Supervisory Board established parameters, the businesses listed below are inconsistent with Shari`ah law.

- **Alcohol**
- **Tobacco**
- **Pork-related products**
- **Conventional financial services (banking, insurance, etc.)**
- **Weapons and defense**
- **Entertainment (hotels, casinos/gambling, cinema, pornography, music, etc.)**

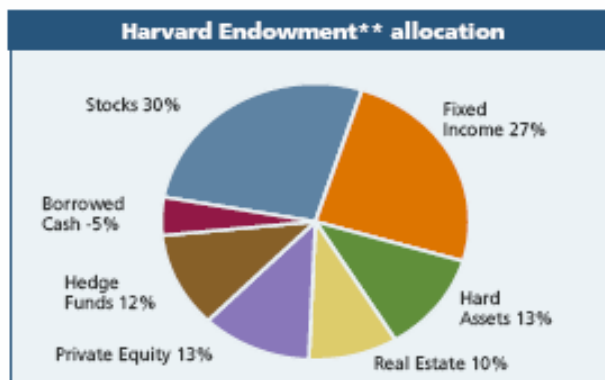
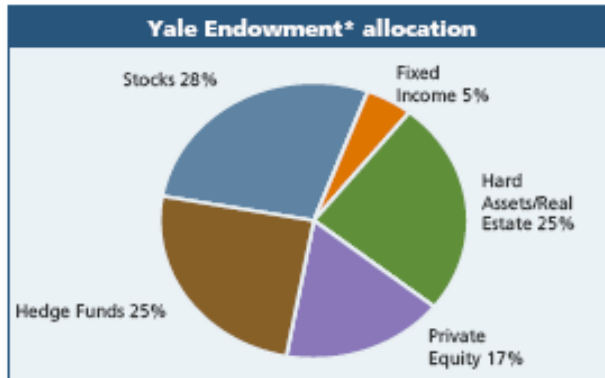
B. Acceptable Financial Ratios:

After removing companies with unacceptable primary business activities, the remaining stocks are evaluated according to several financial ratio filters. The filters are based on criteria set up by the Shari`ah Supervisory Board to remove companies with unacceptable levels of debts or impure interest income. All of the following must be less than 33%:

- Total debt divided by trailing 12-month average market capitalization
- The sum of a company's cash and interest-bearing securities divided by trailing 12-month average market capitalization
- Accounts receivables divided by trailing 12-month average market capitalization

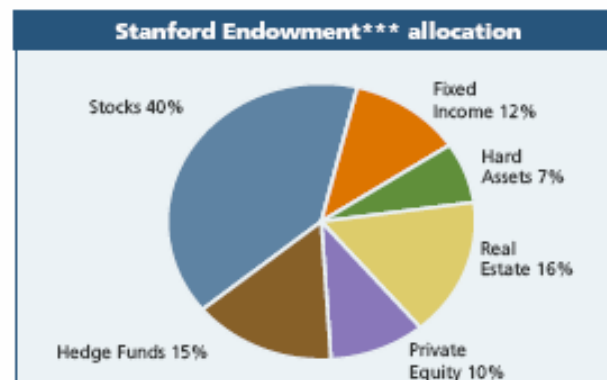


Appendix V: How does this compare to a US endowment fund;
 Yale, Harvard, and Stanford's endowment investment allocations rely on an absolute return approach to beat the market



	Return <u>2004-2005</u>	10 year Annualized Return
Yale	22.3%	17.4%
Harvard	19.2%	16.1%
Stanford	19.5%	15.5%
MSCI World	14.3%	7.0%
S&P 500	6.3%	10.0%

Return data for the fiscal year ended June 2005, returns in USD
 Source: Bloomberg and Wall Street Journal



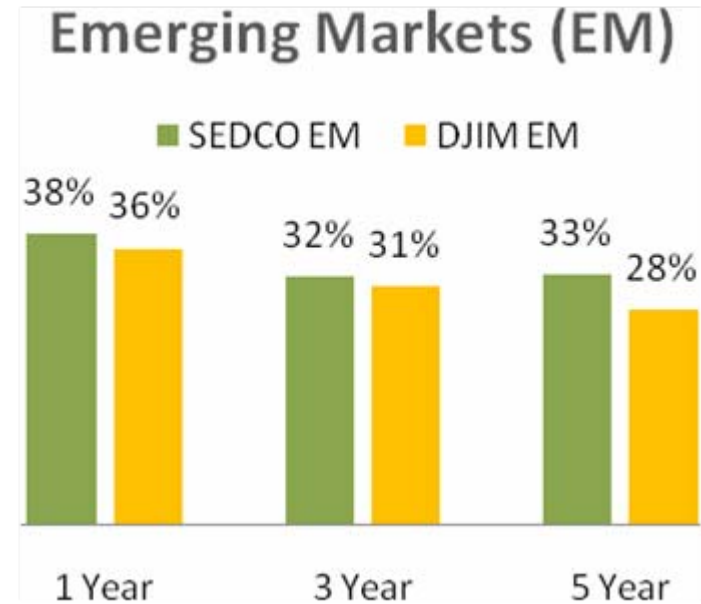
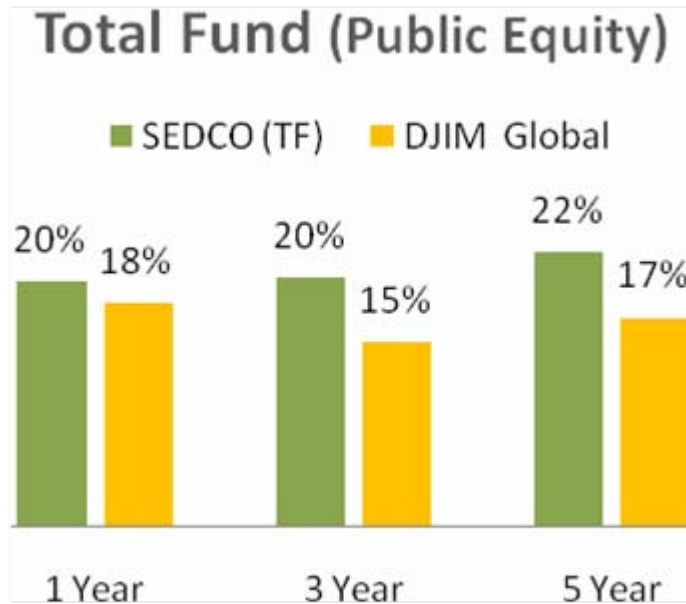
* Asset allocation targets for 2005 as reported in Bloomberg Magazine – January 2006

** As of 2004 as reported by The New York Times – May 22, 2005

*** As of June 30, 2005 as reported in the Wall Street Journal – January 23, 2006

Note: Stocks include both foreign and domestic stocks as well as emerging markets stocks. Fixed Income includes domestic and foreign bonds and inflation indexed bonds

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(TF): Total Fund.

How Did SEDCO's Public Equity Program Do?

As of December 31, 2007

SEDCO Returns vs. the DJIM Global Index

	1 Year	3 Years	5 Years
Total Fund	20.22	20.33	22.03
DJIM Global	18.21	14.98	16.96
MSCI	9.04	12.75	16.96
Alpha (DJIM)	+2.01	+5.35	+5.07

Percentile Ranking vs. Morningstar World Stock Universe *

	1 Year	3 Years	5 Years
Total Fund	8	4	16
DJIM Global	13	30	62

* Contains roughly 660 funds that invest in equities throughout the world

Annualized Net Returns for Periods Ended June 30, 2007

Compared to Cambridge Associates' Endowment and Foundation Clients Larger than US\$ 1 Billion

	Assets US\$ m	1 Year	3 Years	5 Years
1 Carnegie Corpn. Of New York	3,020	● 29.10	◐ 21.10	◐ 17.00
2 SEDCO (FIG Public Equity Prog.)	N/A	● 28.61	◐ 22.15	◐ 17.95
2 Yale University	22,500	◐ 28.00	● 24.40	● 20.10
3 Amherst	1,661	◐ 27.80	◐ 22.20	◐ 17.50
4 Duke University	7,678	◐ 25.60	◐ 21.30	◐ 17.50
5 Univ. of Michigan	6,918	◐ 25.40	◐ 20.20	◐ 17.20
6 Univ. of Virginia Invst. Mgmt. Co.	4,342	○ 25.20	○ 17.90	◐ 15.10
7 Northwestern Univ.	6,440	○ 25.10	◐ 19.20	◐ 15.70
8 Princeton Univ.	15,876	○ 24.70	◐ 20.40	◐ 17.10
9 Dartmouth College	3,690	○ 24.40	○ 17.80	○ 14.60
10 California Institute of Technology	1,803	○ 24.40	○ 17.90	○ 13.70
85 Enowm.	Top Quartile	23.00	17.90	15.00
	Median	20.60	16.10	13.80
	Average	21.20	16.40	13.90
	Bottom Quartile	19.40	14.40	12.60
Benchmarking	SEDCO'S FIG Pub. Equity RANKING	2nd	3rd	3rd
	SEDCO (FIG Public Equity Prog.)	28.61	22.15	17.95
	DJIM Global	25.03	16.01	13.32
	MSCI Bara (World Index)	23.59	16.73	14.00
	S&P 500	20.60	11.70	10.70
	Lehman Aggregate	6.10	4.00	4.50

- P/E is an important and recognized asset class.
- There are thousands of P/E groups worldwide with varying strategies.
- P/E is specialized and heterogeneous.
- P/E varies in geographic focus, investment style, size of fund, types of portfolio companies, sectors.
- P/E is an alternative asset class that should be strongly considered for long term Shariah compliant investors, who seek to outperform public equities and add portfolio diversification.

SEDCO Asia PE FoF II

LEADING FUND OF FUNDS MANAGER

- SEDCO started its PE program in 1997. To-date invested in 48 Funds; its Asian PE Program started in 2003 with 19 Funds and 4 co-investments.
- SEDCO structured three Shari'ah Compliant Parallel Funds:
 - "VenturEast SEDCO Proactive Fund"
 - "STIC-SEDCO Technology Fund"
 - "AIF Capital SEDCO First Asia Islamic Fund"

SEDCO Asia PE FoF I Track Record (SAPFF I)

- SEDCO's Asian PE Program generated an IRR of 54% (*as of 31 December 2007*)
- Co-investments generated an IRR of 201%

CASE FOR ASIA

On an average Asian Funds are fully invested in 2-3 years and are returning the principal amount in 3-4 years.

SEDCO Asia PE FoF II

SEDCO Private Equity Team

- ✓ More than 60 years of cumulative experience in finance industry
- ✓ Working together for the *last eight years*
- ✓ *In-house due diligence capabilities* in Private equity investments
- ✓ Developed an extensive investment network with private equity firms in Asia - access to more than 150 Funds.
- ✓ Invested in > 48 Funds and 42 co-/direct investments
- ✓ Generated very attractive returns on its Asian Private equity investments



THANK YOU

