

## Message from the Managing Director

Dear Readers,

I would normally start by wishing you all a prosperous New Year, however this year we have all entered 2009 in a grim mood. The news of global financial uncertainty, company re-structuring, and bailout plans seem to dominate our public and private lives. We all struggle to answer the million dollar question "when will we turn the corner?"

All of the above facts are undeniable. What is also undeniable however is that times of crisis are also times of opportunities. The investment sector in particular has historically made their best investments during economic crises and we believe that 2009 will provide the investment market with opportunities that will only happen once in a lifetime, and those that are brave enough to make those leading decision of investing in these times, will be the ones that are ahead of the game. We talk about this in detail in the Insider Story and in the Investment Corner we look at one such potential sector and analyse the pros and cons of investing in cleantech.

Despite challenging times we at FORSA strongly believe that 2009 will be a year of opportunities. Our investment team is working hard to analyse and

assess the markets and identify potential investment opportunities. We remain positive and convinced that this year like in past years we will continue to provide our investors with good returns.

Please feel free to share your comments and opinions with us, we are looking forward to your feedback.

Wishing you all the best in 2009,



**Shimi Shah**  
Managing Director

**He who lives by the crystal ball soon learns to eat ground glass.**

Edgar R. Fiedler

on AIM had fallen by 90% over the past year. Venture capital investment in cleantech fell at a similar pace, by 35% in Q408. This had a knock on effect on the industry, increasing the expected failure rate of cleantech companies from 20% to 40%.

**Technology:** Incubators of cleantech are focusing on technical solutions that break the critical barriers in the uptake of renewables, including energy storage and efficient grid management. Most of these technologies are still in the research phase, which translates into high risks of failure due to lack of probability. Also, their commercialization timeline is typically uncertain, and so is the timeframe when these new technologies turn revenue-generating.

**Political:** The Kyoto Protocol comes to an end by 2012, and there is still uncertainty about the follow-up regime. Additionally, incentives vary from country to country and risk being changed when governments do. Furthermore, most of the developing world still lacks strong regulatory frameworks to incentivise and monitor the reduction of emissions.

Keeping the risks in perspective, however, fundamentals of the cleantech industry are positive:

Firstly the need for action to stop climate change still remains: the world has to get off coal and replace oil with alternative sources of energy to stop global warming. Regulation and policy will continue driving this action i.e. the implementation of feed-in tariffs (price support), which has been determinant in the growth of the solar and wind sector in Germany and Spain.

Secondly, the economic recession is promoting cost saving technologies i.e. low energy appliances, heat recapture, and low carbon cement. Increasing energy efficiency could help cut by half the global energy demand growth by 2020.

Lastly, the financial crisis could end up benefiting cleantech in the long run: it helped elect Barack Obama, who has opened the door to a half-trillion-dollar stimulus plan; it is also experiencing a "constructive destruction" phase as of late: some companies will fail but surviving ones will turn out to be stronger.

## Insider Story



### Crunch Climbers

Repeat after me: "Wēiji", the word for "crisis" in traditional Chinese also means "opportunity"! Let's face one unifying and obvious phenomenon at this juncture. All of us are more than aware of the difficult and historical financial condition humanity is facing globally. We hardly need another newscaster or research reporter or banker or economist or strategist or family member to retort to us that we are living in turbulent uncharted times. So I will stop right there and use my time and FORSA's experience with frugal and steady intention to unwrap an opportunity through this article instead.

It is clearly the banks that have turned out to be the weakest link. Governments are taking over these, which means that significant capital in the public domain is repeating the cycle of earning and lending and repaying in different forms and rhythms as will continue through 2009. Meanwhile, consumer debt and lack of confidence has caused cyclical sectors such as the luxury space and the hospitality sector to take a dive globally. In addition, highly leveraged traditional safe havens like real estate have gone south in mass proportions while in turn causing further liquidity constraints.

That being said, there are always more buoyant parts of the economic world that flourish through difficult times, particularly taking advantage of a sense of insecurity and diminished faith in the monetary system. For example, security linked sectors should flourish as people rush to buy safes and physical gold while budget stores should sustain growth as consumers resort to cheaper basic goods. Basic needs are ultimately the backbone of the economy. Non cyclical such as healthcare and education will therefore be hailed the crunch climbers of 2009 as they are availed through good times and bad.

This brings us to identify an attractive investment opportunity or Wēiji based upon the relative dichotomies between emerged and emerging markets, in terms of expected GDP growth and average valuation multiples. It's a simple observation that requires patience, deep critical analysis and comfortable pockets to execute: private unlisted companies are less expensive to acquire in the emerged world than the emerging, yet revenues are expected to grow higher in the emerging. Therefore, an opportunity could be to move foreign crunch climbers to our growth rich region under local supervision and reach.

Whether this is a practical and executable action, is of course dependent on regulatory frameworks surrounding the sector of choice, population growth and the feasibility of retaining demand from neighbouring countries to our hub and the ability for the immense infrastructural work being pursued to successfully conclude on time. FORSA is presently examining this area of opportunity in greater detail to determine whether it is indeed as sound an investment opportunity to capture for our investors as it appears. Do watch this space. We welcome feedback and opinions from our active investor audience too.

*Beyond extensive quantitative in-house research and analysis, the writer was inspired by articles such as The Wings of the Ant by Nizar Alshubaily and The Trends Journal 2009.*

## Investment Corner



### Cleantech

There is a debate taking place these days about the outlook for the clean technology sector. Headlines such as: "Alternative Energy Faces Headwinds" (Financial Times); "Will Alternative Energy Run out of Gas" (cbsnews.com); or "Wind Shift for Alternative Energy" (Wall St. Journal), convey diminishing confidence in the industry. This article will both recognize the risks inherent to investing in cleantech and will also consider the long-term fundamentals of cleantech that have put it on the investment radar screen.

The risks tend to include key market drivers such as the price of oil:

**Macroeconomic:** Recently oil prices have fluctuated creating an inconsistent demand and interest level in cleantech. Projects that generate a positive NPV when oil prices are over 100\$ per barrel may need to be abandoned when prices drop under \$50. Due to this, by November 2008, 26% of the cleantech stocks listed

## FORSA News

### Dubai Marathon 10km run in under 1 hour

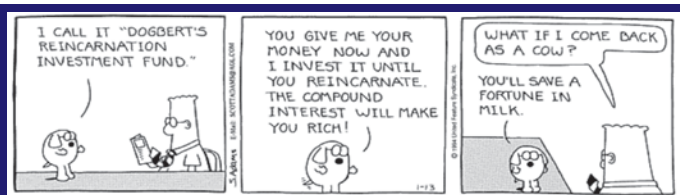
16th January saw the return of the Dubai Marathon with over 10,000 runners participating across the marathon, 10k and 3k runs.

Ethiopian Haile Gebrselassie won the marathon for the second consecutive year with the eighth best world result of 2h:5m:29s.

FORSA was also present on the day with Alexandra Thompson, Vice President and Head of Operations, participating in the 10k run together with fellow runners from Istithmar World. Alex raised over AED 5,000 in sponsorship for the Gaza Relief Fund and we are proud to announce she finished in an excellent 54:02 minutes!



For more information on this year's marathon and the results please go to: [www.dubaimarathon.org](http://www.dubaimarathon.org)



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