



Market Commentary

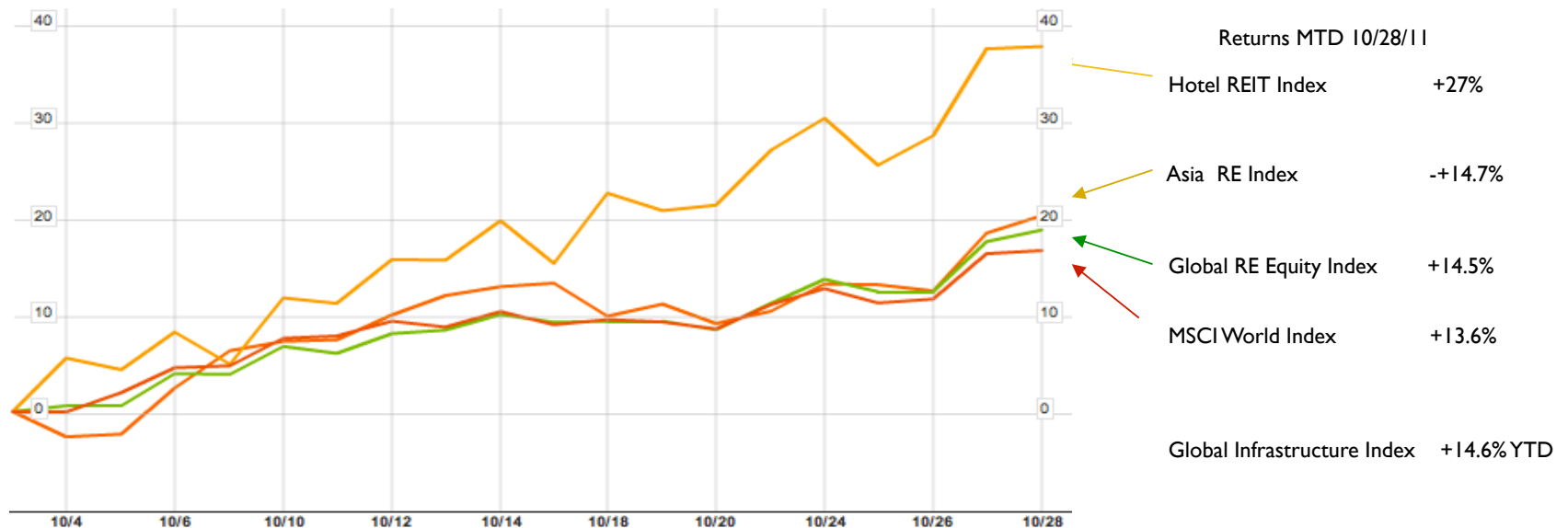
“ Cheers for the porcine catalyst”

October 31, 2011

The Global RE equity index rose +14.48% September to October 27. Global markets rallied +13.6% for the most in decades on the good news that the euro crisis solution was getting action. The last week of October was the best rally in 28 months. Outperformers were Asia, Hotels and Industrial sectors.

With Global Bond market Yield at a paltry 2.4%, it is not surprising that investors moved to real estate securities yielding 4% and Infrastructure. Global RE index was -6.3% August and +.14% YTD August. RE Equities valuations are the most attractive in a year, clients with long term investment goals should consider scaling in Direct RE and securities Q4 '11. We added Asia exposure Oct 3, took profit in Hotel holdings +19.

As discussed in our September commentary, Crisis = risk + OPPORTUNITY. Hong Kong RE securities +21% MTD 10/28/11. Long term investors should consider continuing to scale in RE securities, infrastructure and direct RE Q4 '11. We would like to discuss real asset market dynamics and strategies for investing for INCOME.



Global Equities, Hotel REITS vs EPRA Global Real Estate Index
 1 month to 10/28/11
 % Return

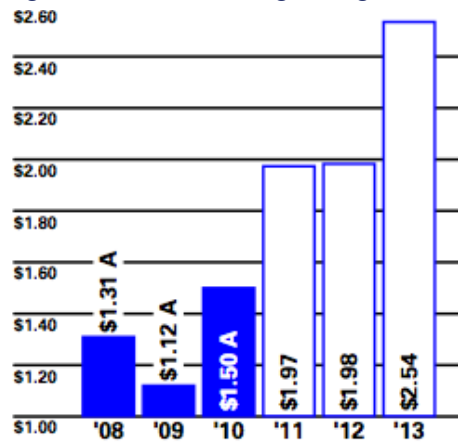
Growth & Income views

Hotel sector up nearly +37% since October 3, consider taking profits
...consider high Income equities, Infrastructure and REITS yielding over 7%

Some of the Best growth this year has been in niche real assets like pipelines, tower properties and hotels.

We continue to favor Income strategies for clients seeking attractive returns with less volatility.

Hotel sector “bottomed” in ’09.
Earnings and REVPAR now growing example:

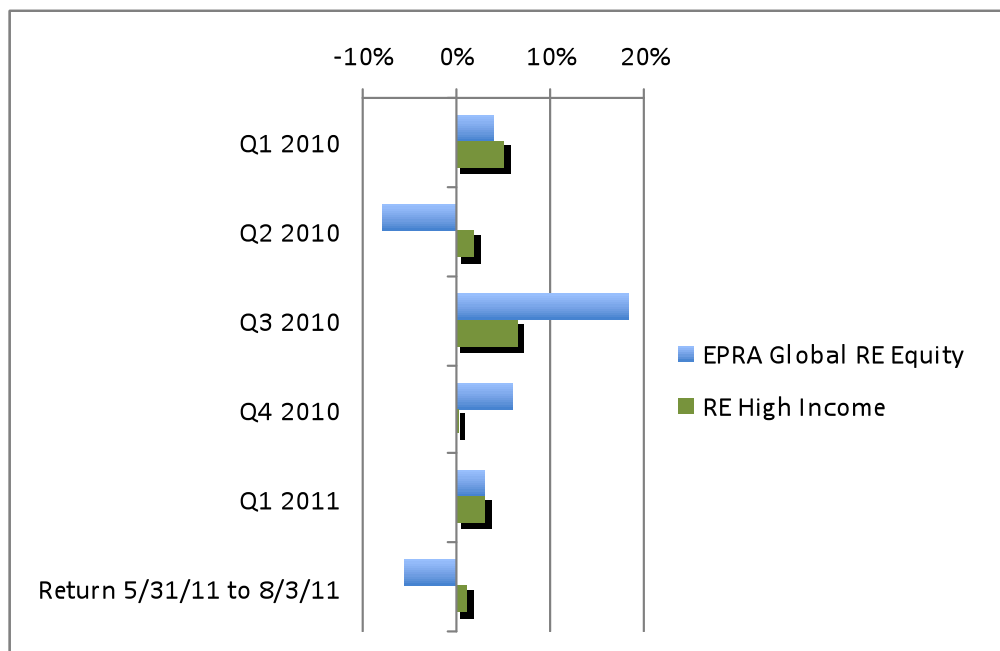


Source:
First Call actual and projected earnings

HIGH INCOME RE securities

With dividends over 4% and Cap rates compressed near 4%... consider now, a portfolio yielding 7%, Liquid securities

Returns Comparison: High Income, less Risk

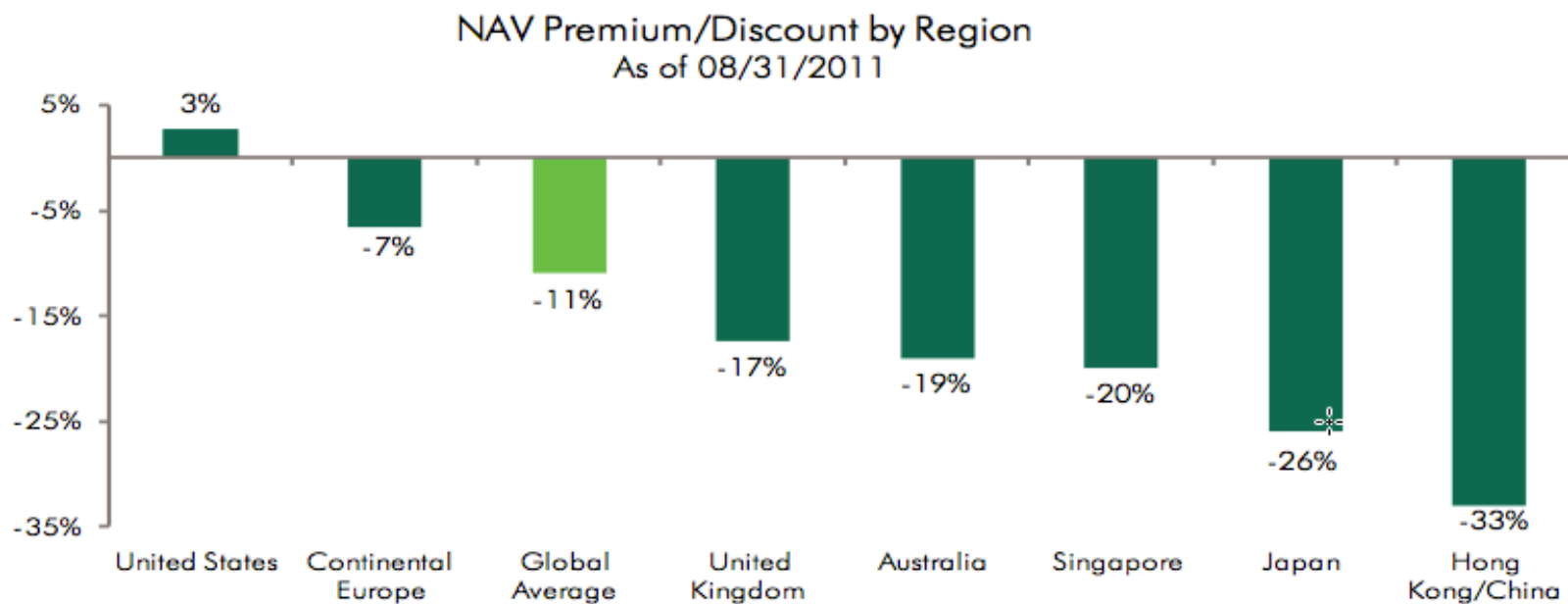


INCOME, CF, LIQUID

Example index returns for the strategy: less Volatile than equity, similar Return
 5/7/10 to 10/30/11 RE High Income +13% Return, includes 6.95% current income.
 Global AGG yield is now only 2.4 %

RE securities, especially Asia...Were Cheap to NAV Oct 1

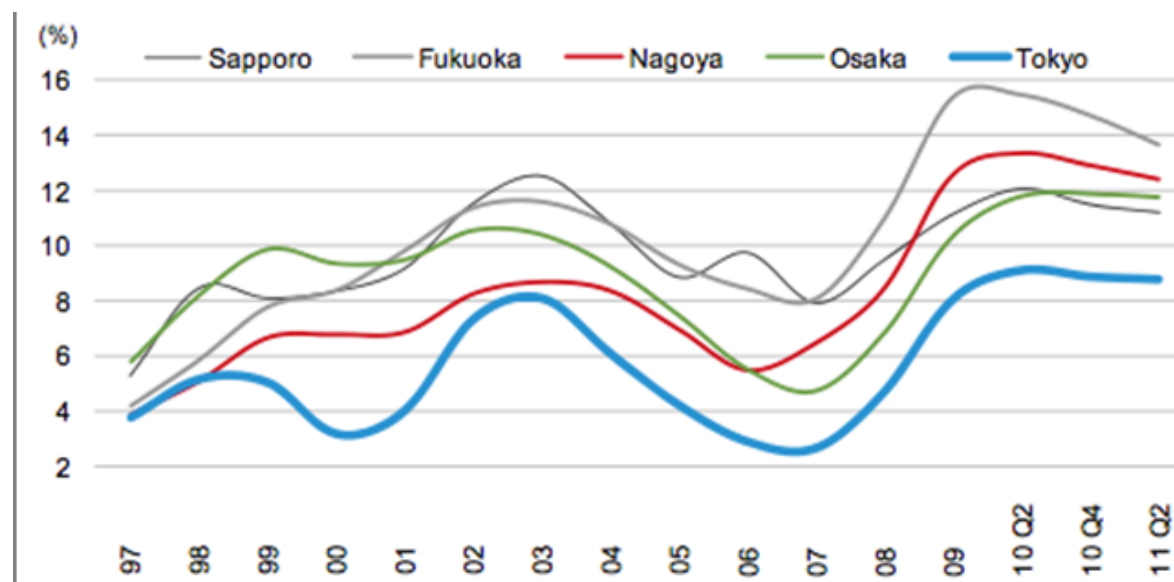
With Tokyo Cap rates near 3% and public securities 26% cheap to the property Asia performed well +14.74 MTD 10/28, compare vs GCC real estate or GCC200 index +1.49% MTD 10/30/11.



Quality property in Hong Kong 5.1% Cap rate... Equity, liquid Honk Kong RE securities imply 6.4% Cap Rate
We added Asia exposure in October, look to add further as appropriate

Japan recovery and HK Growth ... 2 speeds Hong Kong RE index was +19.7% in October

Top Japan Market Office Vacancy

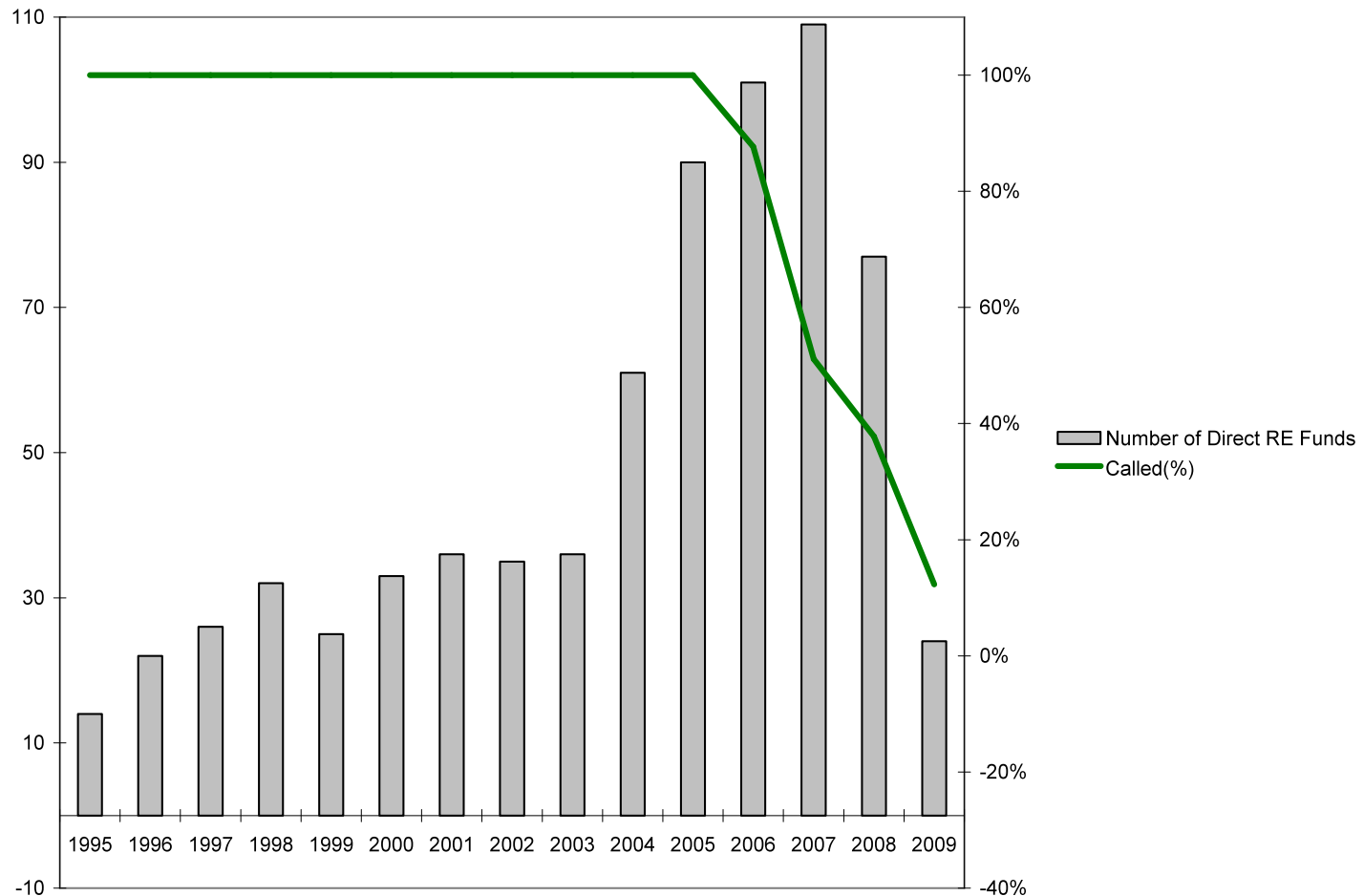


Strategia reduced portfolio exposure to Asia in Q1 anticipating economic headwinds then added Oct 3, 2011 favoring ex-Japan region based on valuations and growth

Direct RE Funds Deployed most capital at inopportune times

As Cap rates increased more funds deploy less capital, adding to risk side of risk/reward

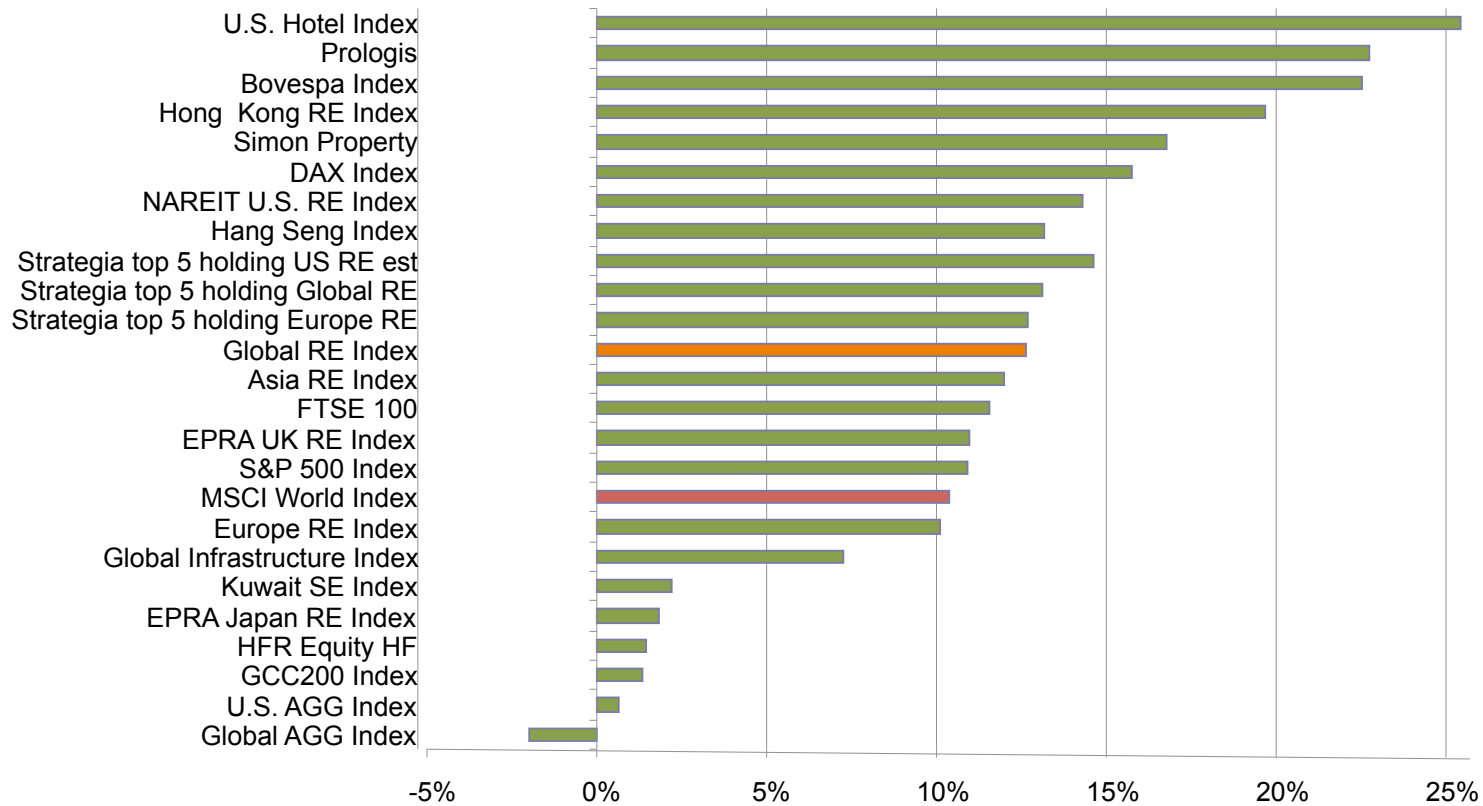
Number of PE Funds and % called by Vintage



'95 there were 14 Value-add or Opportunity funds, in 2007 there were 126

Returns Comparison, October was excellent

1 month Returns October '11 % TRR (USD)

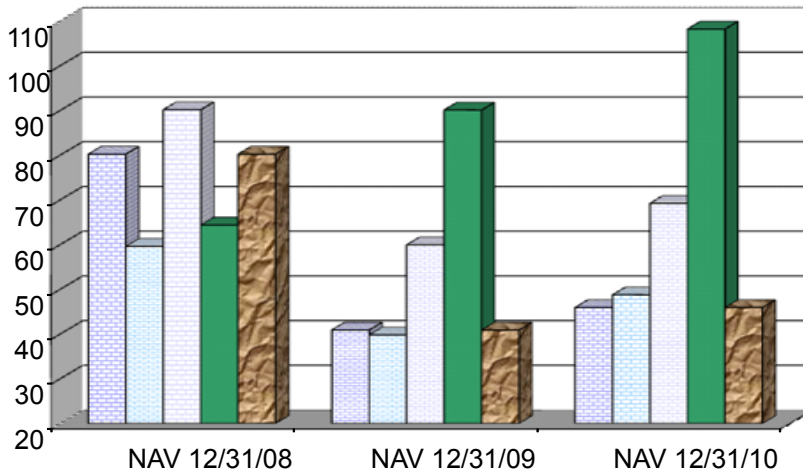







Direct Real Estate vs Liquid Securities...

Now may be a time for direct Core NNN and healthcare properties

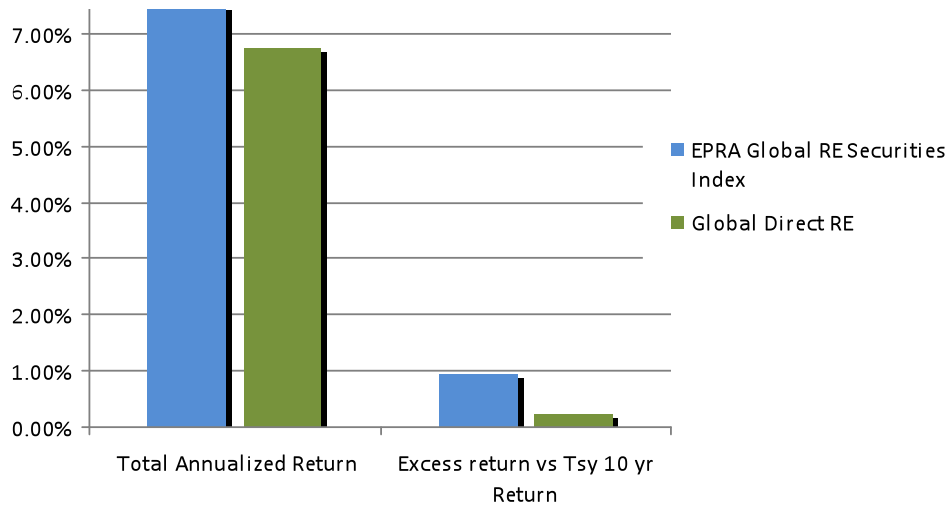


Start NAV 100 12/31/07



-  Townsend Value Added Direct Funds Index est
-  Townsend Opportunity Direct Funds Index est
-  NCREIF Open End Core Direct Funds Index est
-  Strategia Separate Acct Liquid RE Actual Net of bank and mgt fees
-  Townsend Value Added Direct Funds Index est

EPRA Global RE Index vs Global Direct RE Index 1989 to 2010



Sources: Townsend, IPD, NCREIF, EPRA
 t Index is equally wtd NCREAF, IPD UK, IPD Australia Indexes 1989 to 2010

Good News:

Greece debt problem has a plan

Income oriented Infrastructure strategy is working well +13.1% YTD Oct. 31 2011 U.S.

Hotel REIT Index was +25% for one month October '11

Near zero interest rate policy is driving investors to more risk assets

Caution:

Italy debt problem might become worse, regional political and fiscal instability Yen strength might be more damaging to Japan economy than a tsunami Private Equity RE Funds are buying “proforma” 6% IRR

Supply / Demand imbalance is causing RE bubbles in top “gateway” markets

We welcome Client questions, would like to discuss current opportunities in Assets / Securities



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