



Market Commentary

“ Complacent or Nascent ”

January 31, 2012

The Global RE equity index rose sharply since Sep 30'11 to Jan 31 '12 **+15.7%** on the news that the nascent euro solution is moving forward. We have been overweight U.S. REITS... +22% since 9/30/11 as GDP growth improved. U.S. REITS have done very well +22.6% since 9/30/11 and increased dividends +24% weighted avg (for 55 companies) in 2011. U.S. Hotel REITS have also done well **+44%** 9/30/11 to 1/31/12.

Outperformers YTD are Hong Kong RE +13% and **U.S. Hotel Index +11% YTD.**

We are vigilant for further volatility in '12 as expectations increase for a Eurozone recession and fears may spread to Portugal.

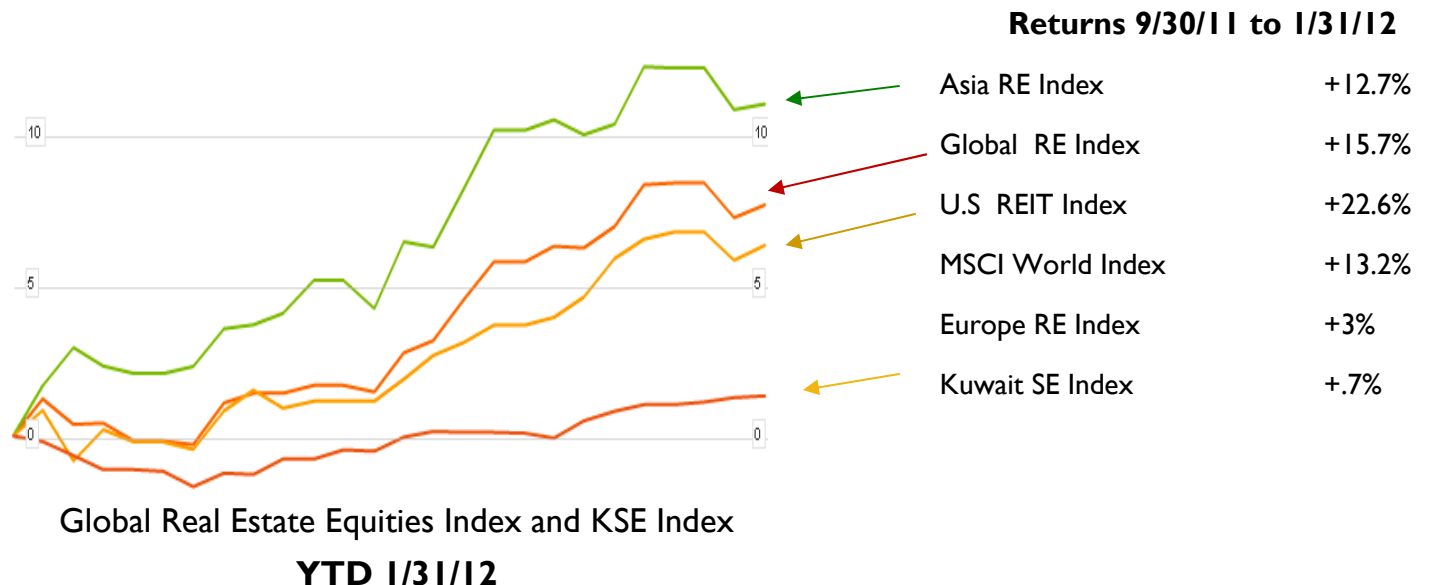
Direct asset funds seem complacent as investors are chasing too few quality assets with the nearly \$400 Billion of fresh capital, hunting in an ever shrinking returns environment for prime assets in top global markets.

Since we recommended adding RE Equities at the beginning of Q4, the Global RE Index rose 15% and MSCI World +13%.

Investors may be seeking more liquidity, transparency and Income. These are all well suited to real asset investments.

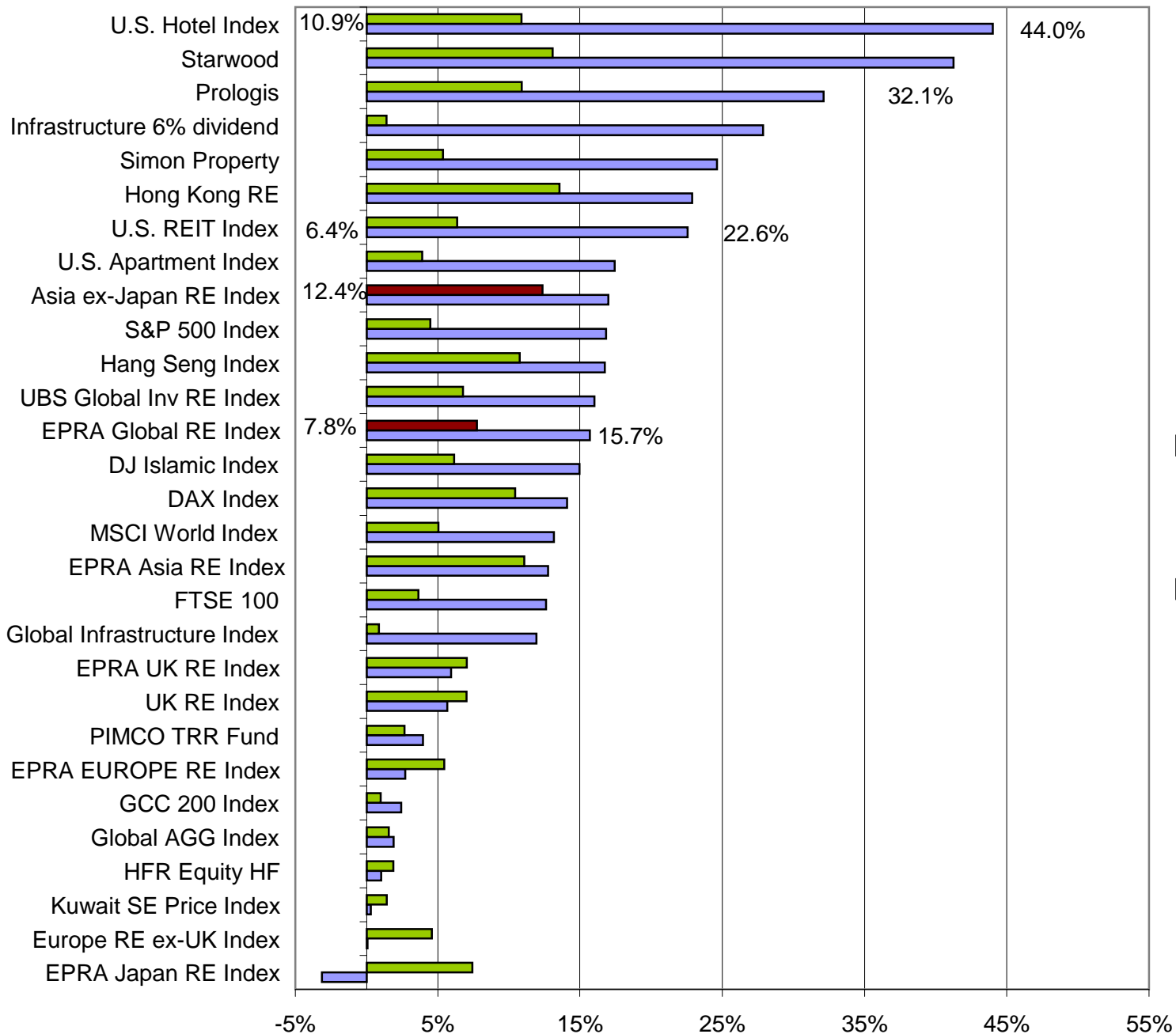
We added Asia and Europe exposure Q4, were overweight U.S. exposure for '11 and remain so.

We would like to discuss real assets and strategies to invest for INCOME in Direct assets and securities new opportunities.



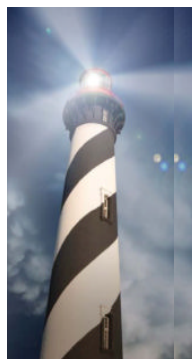
Returns Comparison Powerful UP market since 9/30/11 Q4 2nd best

Sept 30, '11 to Jan 31 '12



■ Return YTD Jan 31 '12

■ Return Sep 30 '11 to Jan 31 '12



Growth & Income views

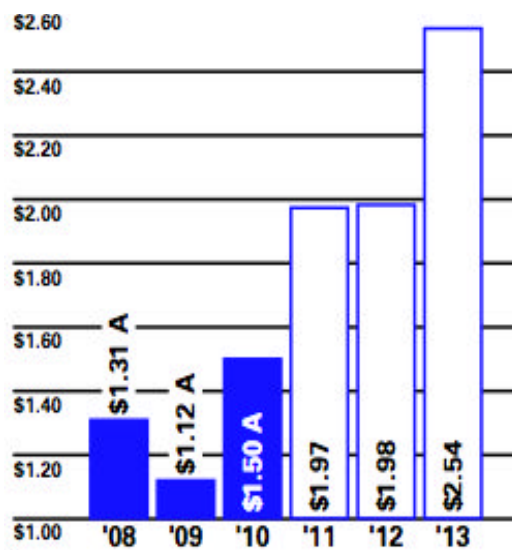
U.S. Hotel sector up nearly +44% 9/30/11 to 1/31/12

...Now, consider high Income, Financials, Infrastructure and REITS yielding over 6%

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 for 2012.

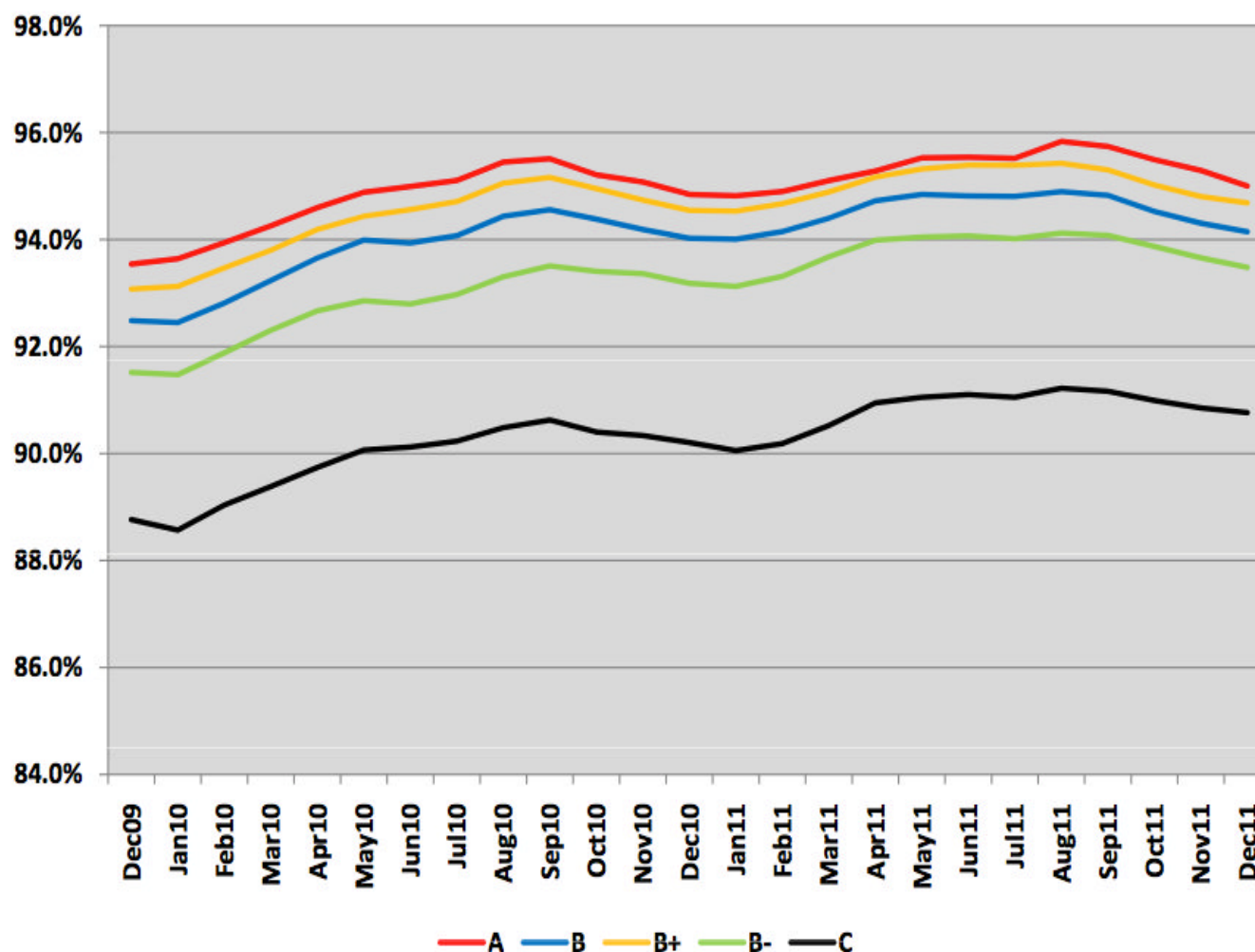
Hotel sector “bottomed” in '09.
Earnings and REVPAR jumped example:



Source:
First Call actual and projected
earnings

Occupancy and NOI Growth has been excellent Multifamily has performed well, but tenants resistant to increases

Occupancy Weakened slightly Q4 2011

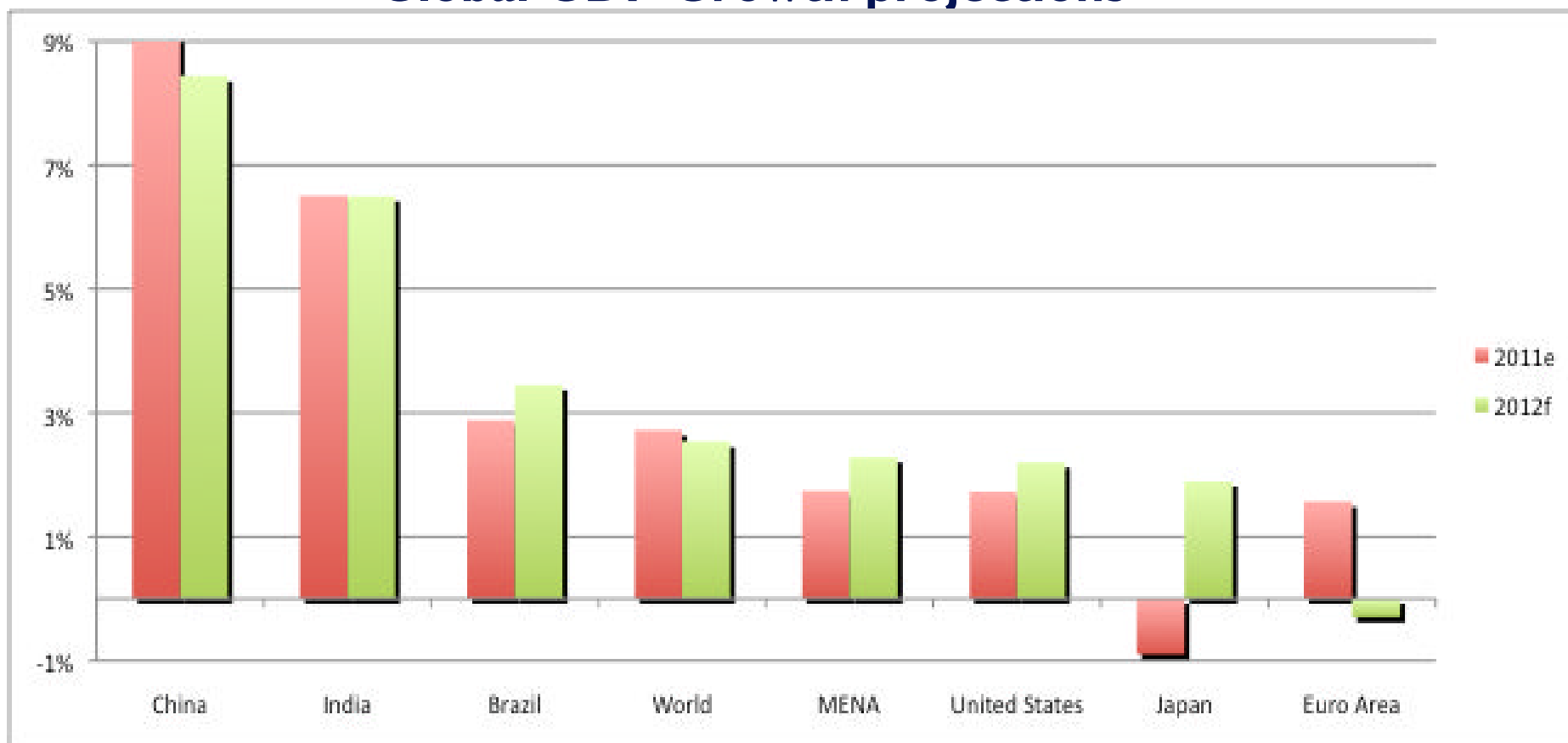


Supply may increase for this sector, more than others in 2012.

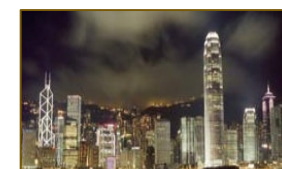
Macro View

Economic conditions are not ideal for strong NOI growth... Largest risk of euro zone may persist for many months

Global GDP Growth projections



Brazil and Asia look attractive for growth in public and private equities
U.S. and Europe are attractive for Income in '12

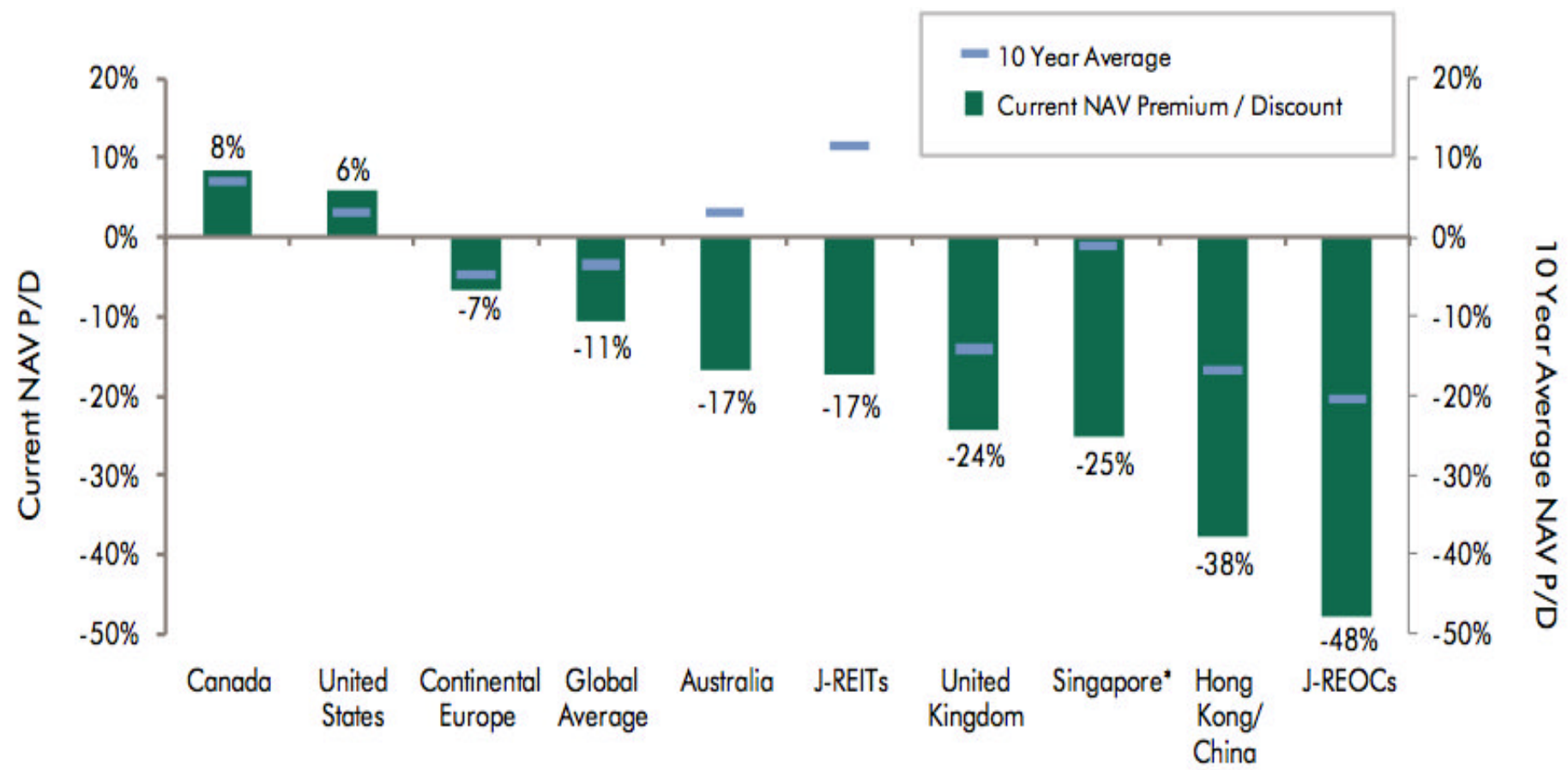


RE securities, especially Asia... Were Cheap to NAV Dec '11

With Singapore Cap rates near 5.7% and public securities assuming 7% Cap rates, securities are 25% cheap vs Direct.

Asia performed well +10.4 YTD 1/25/12, compare vs Global Bonds or GCC200 index.

NAV Premium (Discounts) by Region

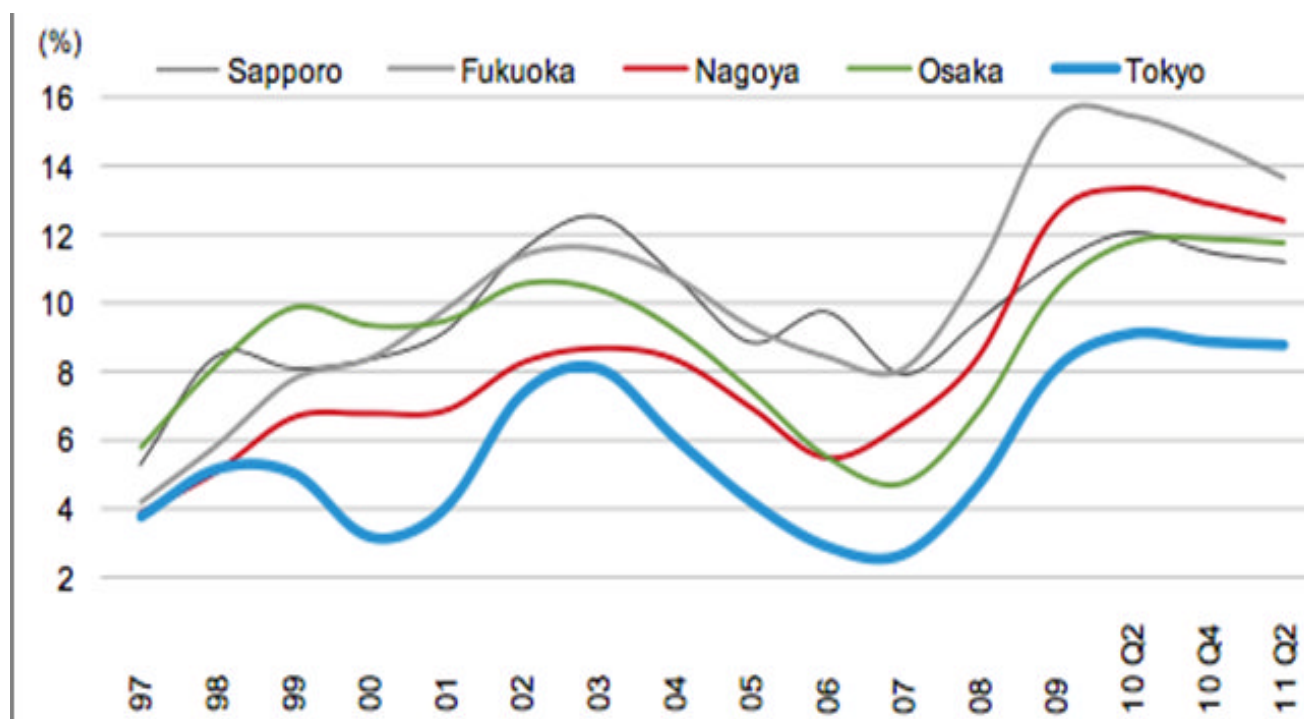


Quality property in Hong Kong 5.1% Cap rate... Equity, liquid Hong Kong RE securities imply 6.4% Cap Rate nearly 38% cheap to Direct

We added Asia exposure October 3, continued to add more beta Nov, Dec '11.

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

Top Japan Market Office Vacancy

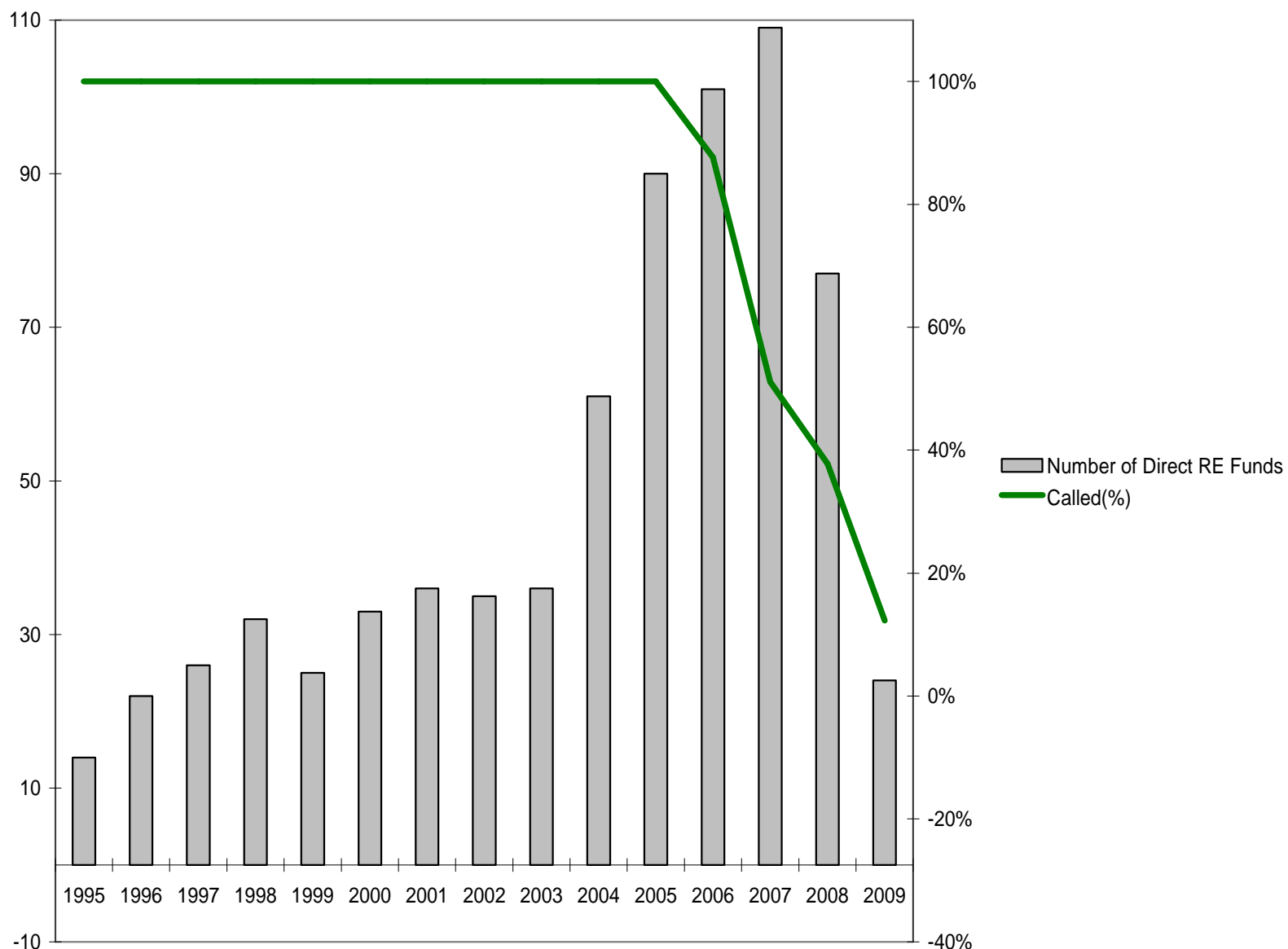


Strategia reduced portfolio exposure to Asia in Q1'11 anticipating economic headwinds then added Oct 3, 2011 favoring ex-Japan region based on valuations and growth. Since 9/30/11 Asia RE index is up +12.7% Hong Kong RE Index +22.9% since 9/30/11.

Direct RE Funds Deployed most capital ... inopportune times

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

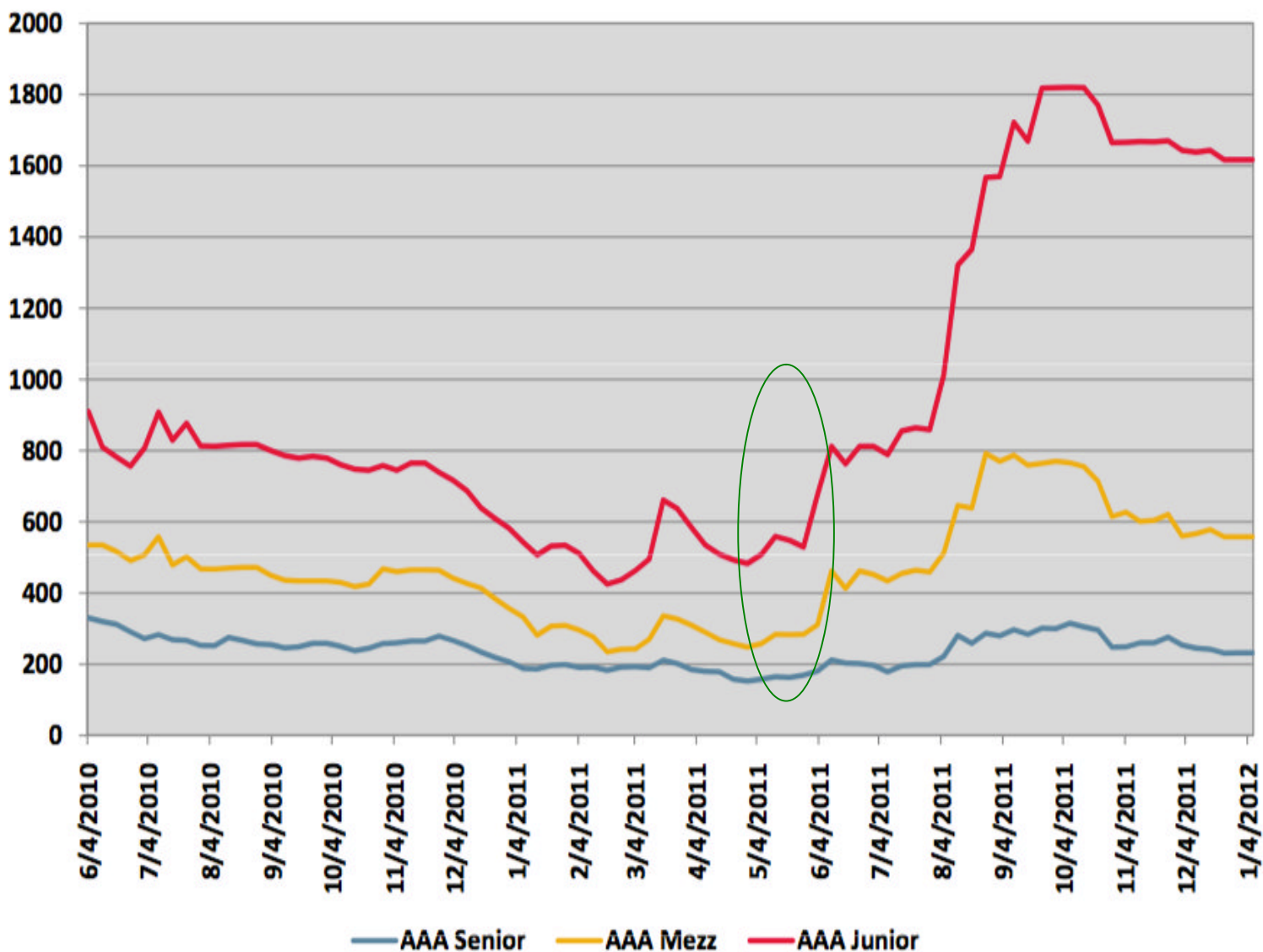
Number of PE Funds and % called by Vintage



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

RE Bonds performed well, time to consider INCOME

CMBS Spreads to 10 yr Tsy



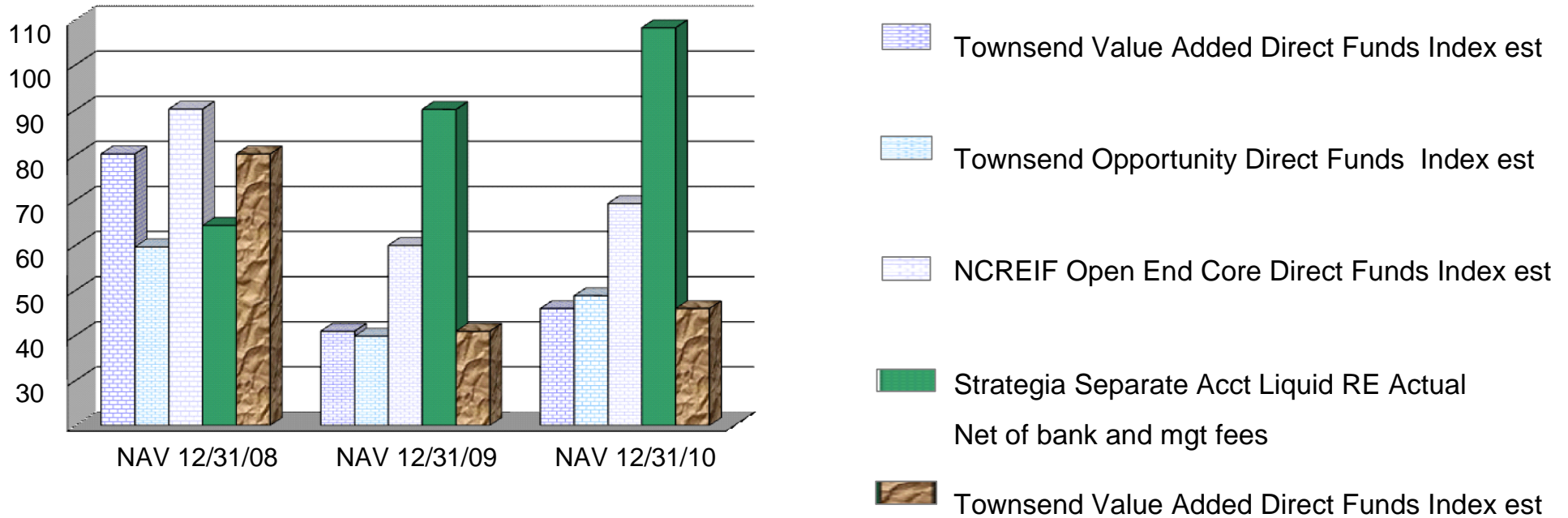
Strategia took profits +21% IRR May 27, '11 and we are looking again now as valuations have adjusted.

Direct Real Estate vs Liquid Securities...

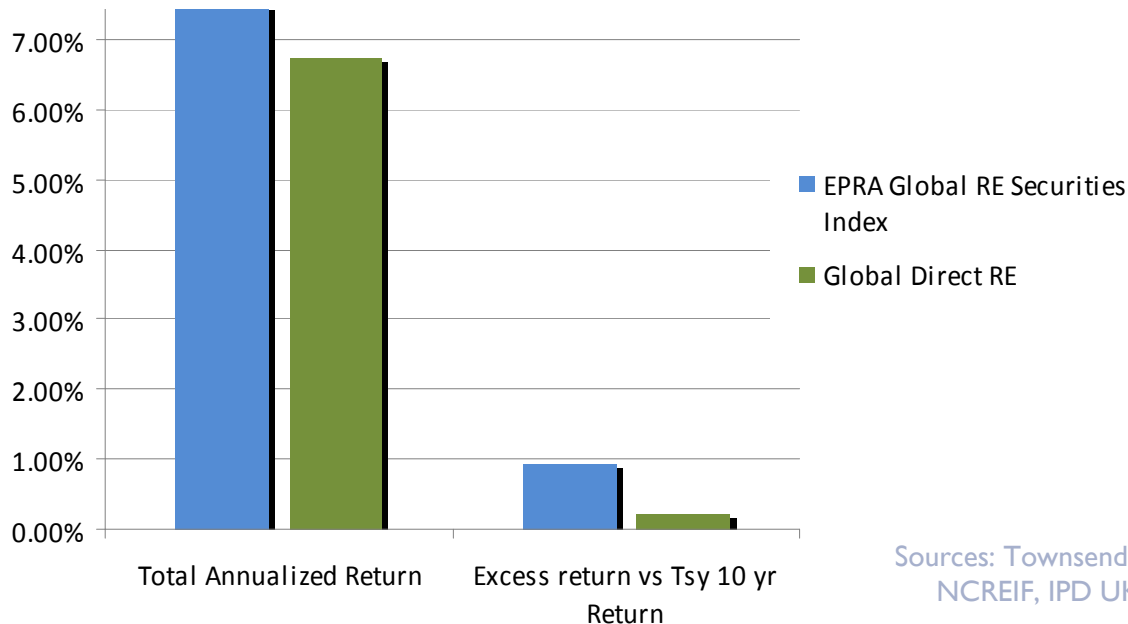
Now may be a time for direct Core NNN and healthcare properties



Start NAV 100 12/31/07



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



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

Good News:

***U.S. Hotel REITS +44% since 9/30/11. Asia RE perhaps best value in 2 yrs
ECB actions will lead to perhaps a tsunami of opportunities in Europe in 2012.
REITS capital structure is now very strong and M&A activity should increase
Investors can still get 7% + Current Income on securities and Real Assets , loans.***

Caution:

***While a “Lehman” event in Eurozone looks impossible, volatility will continue.
Best opportunities in Direct assets, may be the debt, not the property.
Signs of resistance to rent increases causing weaker occupancy & NOI growth
Supply / Demand imbalance is causing RE bubbles in top “gateway” markets***

We welcome Client questions; we would like to discuss opportunities in Assets / Securities

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