



PRESS RELEASE

Sovereign Wealth Funds remain cautious toward current market valuations and re-iterate their status as passive long term investors

London, 15 February 2009 – The world’s most powerful global Sovereign Wealth Funds (SWFs), confirm that they are still awaiting the bottom of the market before committing to further substantial investments, according to a survey by Financial Dynamics International (FD), a member of FTI Consulting Inc (NYSE:FCN), one of the world’s leading financial and corporate communications consultancies. The survey also confirmed a unanimous view that SWFs see their role as that of passive long term investors, with no desire to behave in an activist manner towards investee companies.

In a series of one-to-one non-attributable interviews, FD interviewed senior executives from a number of the world’s leading SWFs – whose total assets accounted for well over 50% of the US\$5 trillion worth of collective global funds currently held by the SWF asset class. The research focused on current SWF attitudes towards valuations, investment strategies and where they see regional investment opportunities.

The key findings of the research included:

- SWFs are broadly adopting a very cautious approach to the current market, expecting better value to materialize later during the year
- SWFs are primarily interested in acquiring minority equity stakes in listed companies, with no desire to take management control, have board representation or act as “activist” investors
- SWFs are particularly cautious with regard to supporting further bail-outs of distressed companies
- SWFs currently see the most attractive regions for investment being Brazil, China and areas of Central America
- Western European markets are also seen as offering the most compelling value with PE ratios of publicly listed companies down more than 40% from their peak (see Chart 2), and markets trading at the lowest absolute price earnings ratios of under 10.0x (see Chart 1).
- SWF investment decisions on average are made on a minimum of a five year investment perspective, with dividend yield being as critical an investment criterion as capital growth
- In the short term some SWFs are seeing their cash in-flows diverted from their global portfolios to invest in their home countries/regions to add stability and economic stimulus to local markets

Charles Watson, FD’s Group CEO comments:

“Our research confirms that whilst Sovereign Wealth Funds are currently adopting a very cautious investment approach to world markets, they are clearly poised to re-enter the global equity markets in the not too distant future with compelling valuation propositions beginning to present themselves across North American and Western European equity markets. Our research has also determined that contrary to

widespread perceptions, Sovereign Wealth Funds are primarily genuine long term passive investors who have no agenda to exercise management control or behave in an activist way.”

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EXECUTIVE SUMMARY

1. VALUATION PERCEPTIONS

Whilst a number of key SWF investments have been made over the last 18 months and SWFs are still interested in broadening their portfolios, the findings showed that this particular class of investor is keeping a watchful eye on global markets, waiting for the right time to make deep value investments.

“The bottom has yet to come,” said one SWF executive. “Obama’s first 100 days may see bear markets rally but the entire financial system and capital market has been stressed to the point of collapse and now needs time to adjust.”

“We are behaving in a very cautious manner at present. We are convinced there will be better value in markets later this year.”

“We are ready to re-enter the market in a major way – but not for several months given that we are sure prices are only heading down.”

“Valuations of the assets we are targeting are certainly more attractive but we still feel they have further to go during 2009. Our view is that valuations may bottom out towards the end of this year.”

The interviews indicated that SWFs are conservative with regards to participating in further bail-outs of companies in financial difficulties given that a number of such funds are currently sitting on major capital losses from previous investments.

“Having supported some of the earlier capital raising of distressed banks, we are not planning to make any follow-on investments of a similar nature.”

“We see the real opportunities as being investing in well managed sound companies whose shares are trading at all time lows, rather than putting good money into failed companies.”

Some funds are actually reducing their exposure to the listed market. At least one adopted this strategy as early as 18 months ago, having noticed early warning signs in market excesses. Another executive commented that corporate governance and management quality were also very important issues in the current market conditions:

“Investors will now turn to value a company using a holistic valuation method, including corporate governance and measures of a reliable management team with good checks and balances, for example.”

It was also noted by several interviewees that when determining “value” within prospective investments, the sustainability of and growth prospects of dividend streams was as critical as capital growth prospects..

“Yield is as critical to us as growth. Sustainability of dividend payments is therefore a critical area we focus our analysis on.”

These views have been qualified in the following tables:

Are you currently actively investing in the equity markets?	
Yes	10%
No	70%
Undecided/no comment	20%

Do you anticipate increasing significantly your investment in equity markets in the second half of the year?	
Yes	70%
No	0%
Undecided/no comment	30%

2. INVESTMENT STRATEGIES

The SWFs that were interviewed stated without exception that their preferred option for investing was through minority participation via capital injection, with no SWF stating a desire or intention to control or manage investee companies, indicating their passive investment style. The majority also iterated that they had no desire to have board representation within their investments.

“If we don’t like an investment, it is not our intention to then intervene with management and try and change things. Rather, we will exit the investment.”

“It is a serious misconception that we are active or strategic investors. Our sole objective is to invest across a very broad range of assets and geographies to create long term value.”

Those who are investing in the current market are all clear on one thing – they are not looking to take operational control of their investments. 100% acquisitions and majority stakes are not on the agenda, and have not historically been of particular interest to SWFs regardless.

“We definitely are not interested in seeking board representation.”

“We have no interest in controlling assets,” said one of the funds surveyed, “We do not want seats on the board. We are traditional long term investors”.

It was also noted that in the current market conditions, debt for equity swaps are increasingly being seen as an opportunity to enter investments in an efficient manner.

“We are increasingly interested in seeing how it might be possible to secure a cheap entry into an investment by either buying the debt or structuring some form of convertible instrument – but our intentions in doing so is purely to create value, not to seek any form of control.”

SWFs see themselves as passive and therefore fundamentally very different from hedge funds or private equity investors.

“It is very unfortunate that we get tarred with the same brush as “alternative assets” such as hedge funds and private equity. In complete contrast to these asset classes, we are passive investors”

“Our normal form of investment is buying minority shareholdings in tradable liquid assets ... We do not seek to engage in confrontational situations or exert influence ... If we don't like management's strategy, or the strategy changes, we sell.”

3. GEOGRAPHIC ASSET ALLOCATION

The majority of SWFs interviewed confirmed that Asia and South America are the two regions SWFs deem to be the most attractive for a combination of qualitative and quantitative reasons. Regarding the latter region, Mexico and Brazil were cited as the two most attractive countries.

It was also stated by several of the survey's participants that North America and Western Europe clearly present the most compelling value proposition.

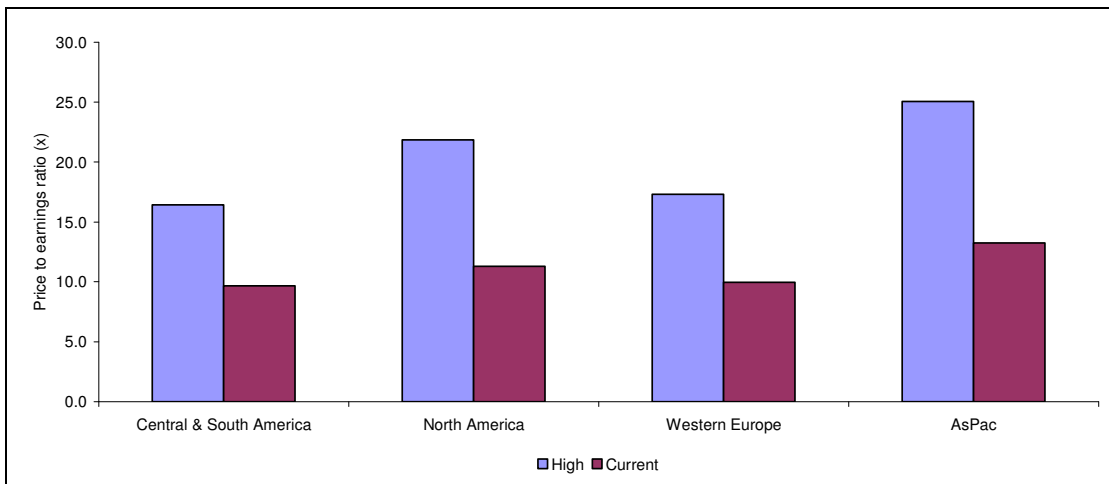
A quantitative financial analysis of the top 800 companies in major markets across the world (Central & South America; North America; Western Europe; and Asia Pacific, see Charts 1 & 2) indicates deepest value in North America and Western Europe.

By measuring the current Price/Earnings ratios of the major companies in these geographies and comparing current P/E valuations to market highs, FD found:

- The greatest discounts compared to recent market highs currently exist in North America and Asia-Pacific (see Chart 2)
- Asia-Pacific companies have fallen from considerable highs (25.1x to 13.2x) but the market is still comparatively 'expensive', due to continuing belief in the more positive fundamentals of the region (Chart 1)
- Industry categories including 'Media & Entertainment', 'Mining' and 'Steel & Other Metals' are consistently showing the largest top to bottom falls across all geographies (see Chart 4)
- However, these industries aside, the opportunities in each geography are very diverse

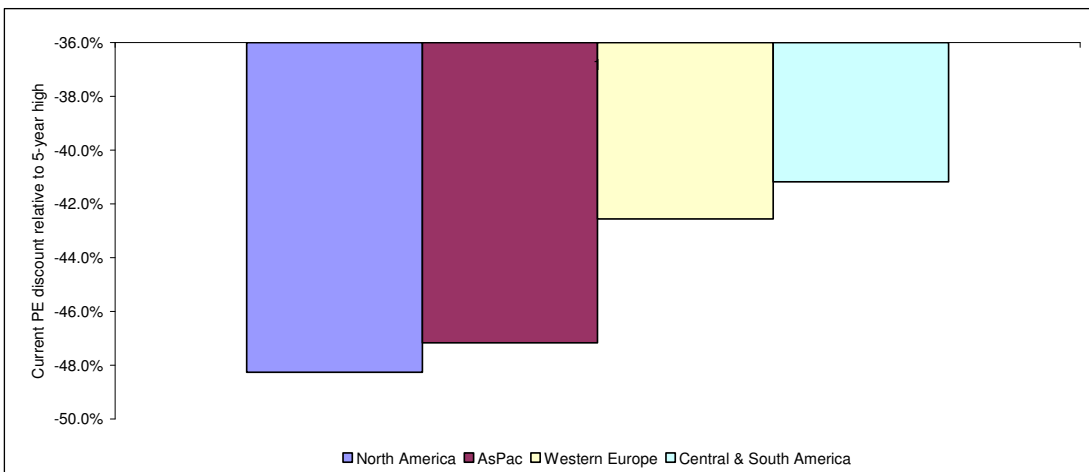
FD carried out the research to identify which markets still held the best value for investors. The findings showed that actually despite market conditions, Western Europe and North America were identified as the best investment regions in financial terms (Chart 1 & 2). Although the data revealed Asia to have one of the two deepest discount areas alongside North America, its actual PE is the highest (Chart 1) and therefore it is on a total basis, the most expensive option currently for investors.

Chart 1: Current 12 months forward PE versus Five-year High



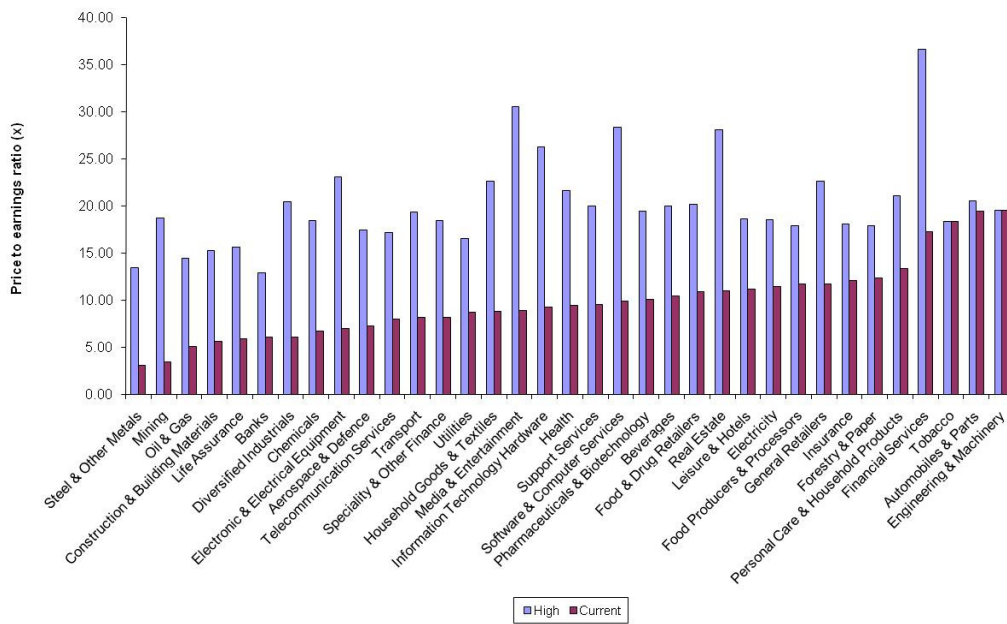
Source: FD, FactSet

Chart 2 : Extent of fall in forward PE from Five-year High



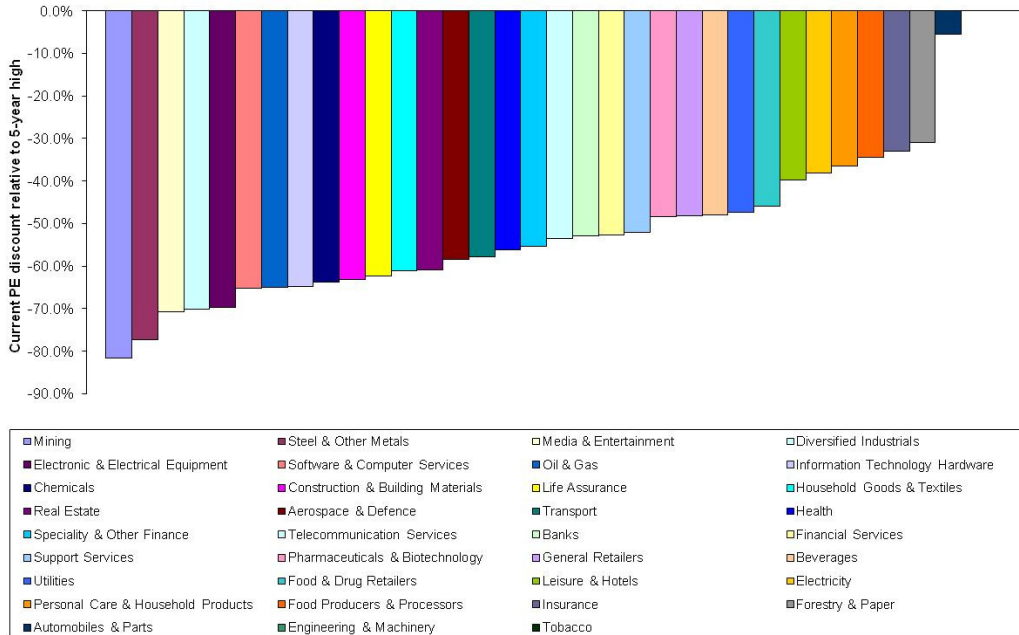
Source: FD, FactSet

Chart 3: Current 12 months forward PE versus Five-year High



Source: FD, FactSet

Chart 4: Extent of fall in forward PE from Five-year High



Source: FD, FactSet

The majority of the SWFs interviewed in the survey confirmed that it was only a matter of time before they started to commit significant funds again to the North American and Western European markets.

“There are clearly some phenomenal value opportunities in Europe and the US. There are many high quality companies trading at unprecedented valuations.”

“We really feel we are starting to see some genuine value in the more mature markets.”

However, the speed with which SWFs will re-enter this market will be moderated by two things: firstly a genuine sense of caution prevails with regard to fears that continuing negative sentiment will drive equity markets lower – and secondly, some SWFs are seeing cash sources diverted by the need to support local financial stimulus packages in their own regions/countries.

“A proportion of our free cash holdings have been diverted to supporting local investments – meaning that our international investment activities have been temporarily put on hold.”

“Although the objectives of our fund are solely international, we are slowing down our overseas activities whilst we firstly wait for market conditions around the world to stabilize – and secondly we have seen funds diverted to support a variety of local stimulus packages.”

About FD

One of the world's most highly regarded consultancies in the communications industry, FD employs more than 700 staff and advises more than 1,000 clients worldwide through its hub offices in London and New York, as well as its network of wholly-owned offices in Bahrain, Beijing, Bogota, Boston, Brussels, Cape Town, Chicago, Dubai, Dublin, Frankfurt, Hong Kong, Johannesburg, Los Angeles, Manchester, Melbourne, Moscow, Panama City, Paris, Perth, San Francisco, Shanghai, Singapore, Sydney, Vancouver and Washington D.C. With over 20 years experience of advising clients in both the private and public sectors, FD's services include financial public relations, investor relations, public affairs, crisis and issues management and corporate, business-to-business and business-to-consumer communications. FD is also a market leader in M&A advisory work around the world. FD is structured around specialist sector teams operating on an international basis, covering consumer & retail industries; energy & natural resources; financial services; basic industries; business services; life sciences & healthcare; real estate; technology, media and telecommunications; and travel & transport. For more information, please visit: www.fd.com.

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