

epi International Letter to Investors

June 2009

For investment partners who missed our informal discussion evening at the Fairmont on 6th June, we are taking the opportunity to “recreate” the substance of what was said and hope it clarifies a few issues. Individual Syndicate updates will be sent out next week.

The invitation took the title “Essential Investor Information”. That was the primary purpose, to update investors on the current status of your funds and to introduce myself and talk a little about the direction in which the group is heading and why that matters to you.

It was a neatly planned exercise until receiving two telephone calls earlier in the day from friends of my wife, both of whom are epi International syndicate investors. They understood I recently joined the company and were anxious to hear not just about the security and status of their investments but in the light of various business failures around town, desperate for reassurance on the company’s health. With that in mind I decided to turn things round a little and focus on how things are changing with epi International and throw the rest of the evening over to an open and frank discussion, with you, the investors in the driving seat.

The text of the evening was thus:

First, let me tell you a little about my background. I’m a strategic adviser and investment professional and for thirty years held senior positions in banking, fund management and research with Robert Fleming Group, Commerzbank and the Rothschild family in Europe. I established a fund management office in Bahrain in 1985 that began a relationship with the region that stretched to 2001, when I moved back to Dubai as MD of a trade finance company after listing it on the London Stock market. Most recently I was Finance Director with a large Abu Dhabi based consulting group and through my own company over the last seven years, actively engaged in company restructuring, acquisition and fund raising.

I also liked the sound of my own voice too much and got carried away in print and on the radio for a couple of years. I’m proud of many of the hundred plus articles I wrote for Arabian Business and other financial magazines and some of the radio and television pieces but more than anything I’d like to think I acquired a reputation for honesty and straight talking that I intend to continue with this group.

So far that sounds all very encouraging but you would have to be blind deaf and dumb not to notice what has been happening in the global economy over the last twelve months. Everyone has suffered.

Most have lost money, jobs have disappeared and many companies have gone under. Like others, epi has suffered and the result is we have had to restructure quite dramatically, not only to get costs under control but to refocus on the core strategy & competencies of the group. For investors that means a loss of some faces and possibly therefore a sense of loss of continuity. I trust that will only be a short lived sensation and we are reassigning individual staff members to manage investor relations. We are trying to bring cohesion, strategy and firm operational procedures to a group that started off rather like a private investors club but developed into something very much larger and more serious. To that end it requires a full time presence at the helm and an understanding that things have very much changed in our world, at least for the present.

So we thought this night would be about restating the company's commitment to its investors and to the future, accepting that things are not perfect , Mea Culpa, everyone is fallible but assuring you that we have taken some urgent steps to realign the group with the new financial climate in order to survive & succeed.

With immediate effect, I have assumed the day to day operational control of epi International and am Senior Executive Officer and Licensed Director of epic Investments, our subsidiary which is regulated by the Dubai Financial Services Authority. I'm responsible for devising and executing the strategic plan for epic, growing the business of the company overall and ensuring it provides investment products and services relevant to customer needs and share with the directors overall responsibility for the company's performance and its future development.

The formation of epic as a DFSA licensed entity grew from an awareness that investors in the region generally were worried that their interests were neither protected nor well served. We believe that local asset management groups are going to have to move towards product offerings that are ring fenced, not only as regulated vehicles in recognised jurisdictions such as the DFSA but also having independent custodians, administrators and auditors. In a difficult economic environment, this would seem to be the minimum requirement expected by investors and epi is determined to meet this challenge.

The formation of epic was costly and time consuming but necessary. It requires strict adherence to the highest global standards of corporate governance under laws written in English, which are easy to apply but extremely hard to abuse. The DFSA's guiding principles are integrity, transparency and efficiency and firms so authorised are required to demonstrate fitness and propriety and a high level of capital adequacy.

It is our intention to focus the group in future on fully regulated investment vehicles that means you should only have to worry about the performance of the fund, not whether the company running it is sound or not. For existing investors, nothing changes within the structure of the funds themselves, although it would be our intention where possible to hive them towards the umbrella of the regulated entity.

For future investors, it is our hope to bring a variety of investment opportunities; some real estate focused, others driven by alternative demands such as liquidity or yield. For as we come out of an

extraordinarily dark period, though quite unsure of what the next offers, it's likely that in addition to well defined and diversified risk, other prime investor requirements may be income or easy redemption.

The company's historical focus on real estate is for sound reasons other than a simple extension of the interests and skill set of the founders. It offers little correlation to equities or bonds, it has underlying asset protection and presents an idea that is easy to grasp. Real estate investment has one drawback though – a long life cycle. We were fortunate in the frenzy of the Dubai boom to collect on an opportunity that allowed quite meaningful profit to be taken within a relatively short timescale. However, it would not normally be the case and both the closed structure of our funds and the asset classes in which they invest effectively require a medium to long term investment horizon. Under current circumstances where real estate is unwinding also due to the collapse of leverage, that horizon in some cases is beginning to look under threat. Luckily, the principal areas in which we invest, Western Australia and the UAE, look, if not immune from the maelstrom at least likely to be amongst the primary beneficiaries of a resource and commodity led upturn. Without attempting to set the scene in an unnaturally pessimistic fashion, it's also clear that global investor expectations across the board may have to be tempered. With the end of leverage and seemingly reasonably priced risk comes the likely end of the kind of returns we have seen in the past.

There is nothing complicated about finance. It is based on old people lending to young people. Young people invest in homes and businesses; aging people save to acquire assets on which to retire. What has happened is a sudden break in the chain of expectations. Today's savers probably have little or any confidence that they will earn enough to fund their retirements by putting money at risk. They have discovered that in one form or another, their investments have fed a securities market bubble rather than the creation of value. Investors are responding by running away from risk and there is no immediate solution except to allow households to begin the painful process of rebuilding their balance sheets, which implies a sluggish economy for the next twelve to eighteen months.

Within this environment we will do our utmost as custodians of your capital to protect existing returns, seek out the best opportunities available and in future, strive to offer innovative, diversified solutions to our clients.

Over the next week we will be sending out updates on the Syndicates individually. In the meantime for more information, please feel free to contact me through Team@epi-world.com

Regards

Stephen Corley

Team @ epi International

epi International - Equity Management, Property Syndication & Investment Strategies

Team @ epi International