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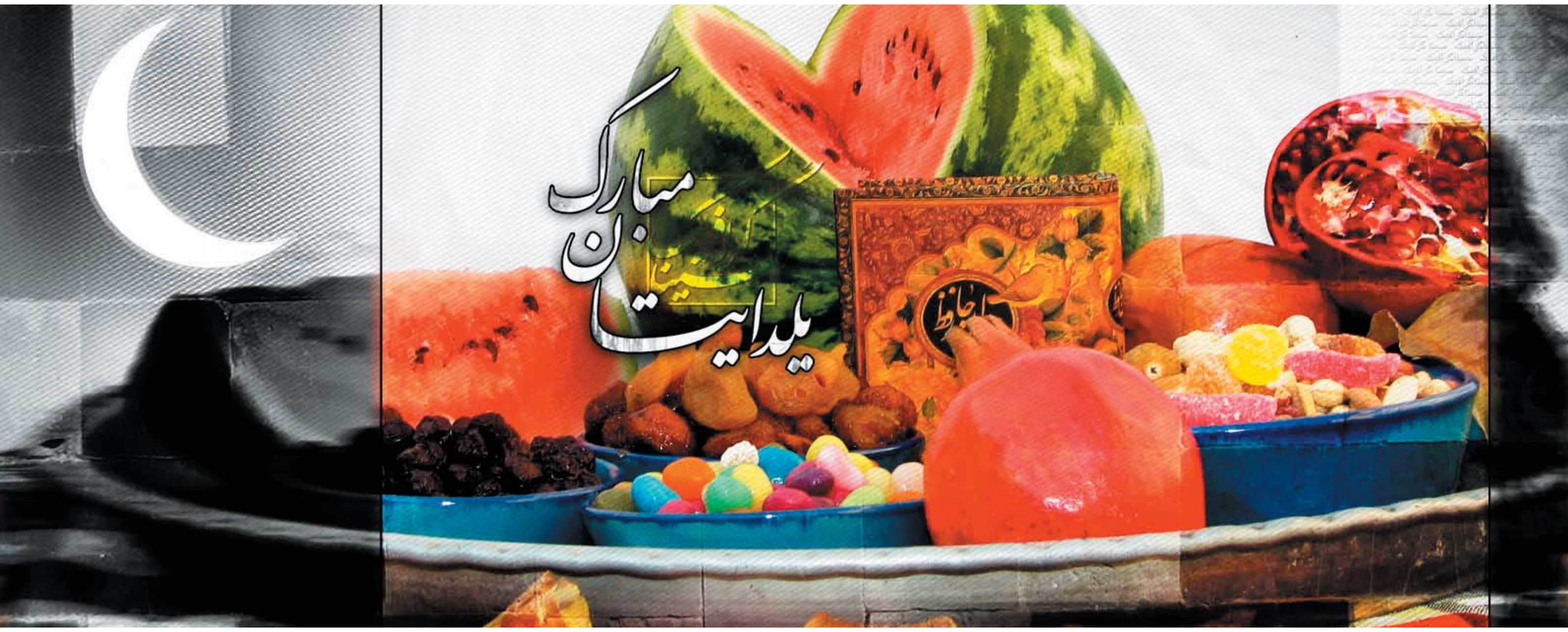
TURQUOISE PARTNERS



The mores of Yalda Winter Solstice Night, the longest night of the Iranian calendar year

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November proved to be the worst month in the Iranian calendar year for the Tehran Stock Exchange, with the main index falling 7.3%. Several factors contributed to this weak performance, namely the IAEA's report on Iran, the UN Security Council's condemnation of the alleged foiled assassination plot involving the Saudi ambassador to the US, the UN's Human Rights Resolution and the storming of the British Embassy in the final week of November. These factors showed investors and the wider public that the Tehran market can be significantly influenced by political events.

November saw trade volumes shrinking to $30m per day, one third of the trade volumes we saw when the Exchange peaked in the first quarter of the year. In late November, the TSE was buoyed by several quasi state-owned organisations that supported the market. daily trade volumes doubled in the last week of November. One can therefore be encouraged by this and hopeful of a turnaround taking place in December.

Given the falls in the TSE's main index, the market's PE ratio fell to 6.5 and the market has fallen 7% in Euro terms and 3.3% in Rial terms since the beginning of the Iranian year.

We will now examine various sectors of the TSE:

Automotive Sector:

The automotive sector witnessed an 11.1% drop on the month making it one of the worst performers of the month, with falls in this sector of 27% since the start of the Iranian calendar year. This year's performance for the automotive sector has been in stark contrast to that of last year, when the sector index grew by a phenomenal 140%.

The two biggest stocks in this sector, Saipa and Irankhodro, fell by 12.8% and 15.6% respectively. Market analysts attribute this to the fact that over 50% of sales are now non-cash sales. Previously buyers had been purchasing vehicles outright in cash, but now over half of all new car sales are through finance companies or on lease purchase schemes. In the previous year, only one-quarter of all sales were done on financing. This shows that demand has been tailing off with car manufacturers relying on finance and leasing companies for non-cash sales. Many analysts would go as far as arguing that the automotive industry is undergoing a recession, not helped by the Iranian government limiting price increases to just 5% at a time when profit margins are being squeezed and credit collections are adding to the industry's costs.

Based on all these factors, analysts maintain a poor outlook for this ailing sector.

Sugar:

With a 22.9% increase, the sugar sector proved to be best performer of the month. Since the start of the Iranian calendar year, this sector has grown by 130%. This growth has seemingly occurred in the face of adversity as global prices for sugar have dropped 25% and domestic prices have fallen 18% since Autumn. The strength of the US Dollar has been cited as the reason this sector has fared so well, with imports losing any competitive advantage due to a 20% hike in prices.

The P/E of this sector is 15, more than twice the average for the market as a whole. Some analysts see this as an overvaluation resulting from speculation.

Telecommunications:

With a 12.7% fall, November proved to be the worst month of the Iranian calendar year so far for this sector. With a high level of share ownership in this sector amongst the general public, this sector is heavily influenced by investor sentiment and the atmosphere of the market as a whole.

Despite the falls witnessed in this sector, there were several significant positive developments in the market this month. November saw the telecom industry given the green light to levy a 12% increase in landline tariffs. $1.8bn of overall revenue comes from the lucrative landline market, accounting for 25% of overall telecoms sector revenue. Based on this latest price rise, one would anticipate a 10% increase in overall telecoms sector earnings.

This month also saw the launch of a novel new service allowing MCI's mobile phone airtime subscribers to purchase goods and services via their mobile phone accounts. Users can deposit funds with MCI and make purchases using their phones. This was seen as a positive development for MCI, bringing cash into the company's coffers upon which the company can earn interest. MCI, Iran's largest mobile phone network operator, is currently in the process of acquiring a stake in Ansar Bank in order to facilitate this process. This month, MCI purchased approximately 10% of the bank for $120m. MCI did not however make any positive earnings adjustments based on these positive events.

Based on this, analysts see these falls as being a temporary panic shown by investors that is likely to be short-lived and one would expect this sector to rebound in the short-term.

IPO:

This month, the initial public offering of Kermanshah Petrochemicals, was the first IPO on the main exchange (as opposed to the OTC market or farabourse) for a while. The urea and ammonia producer, the third largest in Iran, was IPOd at a market capitalisation of $396m, with a P/E of 5.9. Kermanshah Petrochemicals chose to IPO 3% of the overall company. The company is of interest because in excess of 40% of the shares are held by the public and another 40% are in the hands of major shareholders, such as Ghadir Investments, a quasi state-owned entity which is the largest petrochemical holding company in Iran. The IPO itself took place on 13th November, and in the days that followed, the stock price increased by 17.6% by the end of the month. Ghadir are angling to increase their holding to over 50% in order to gain a controlling stake in the company and analysts believe that the company's own forecast underestimates their actual performance by as much as 50%.

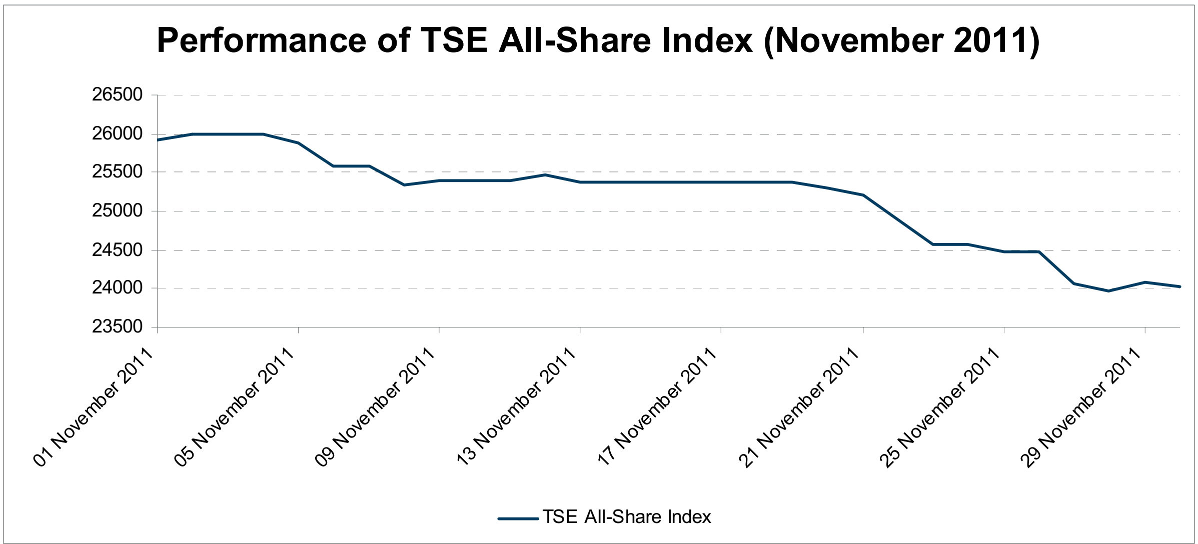
CBI:

This month the Governor of the Central Bank of Iran, Mahmoud Bahmani, made three significant official announcements:

The first was the announcement of November's official inflation rate at 20%, the highest monthly inflation figure in the past three years.

The second concerned liquidity growth which was 21% year-on-year, which resulted in Iran's liquidity reaching $350bn. Governor Bahmani believes that much of this liquidity has entered the gold and foreign exchange markets and he believes that interest rate controls must be adjusted to account for this.

Thirdly, this month the US Dollar reached a historic high of 13800 Rials at unofficial rates resulting in Bahmani changing his deputy for the third time in two years. Minoo Kianirad became the first female Deputy Governor and Deputy Head of Foreign Affairs at the Central Bank. She was appointed with the task of stabilising the foreign currency and gold markets. Kianirad, in her first month in post, also took the momentous step of allowing the Export Bank of Iran to use unofficial exchange rates for transactions. This was a revolutionary change for exporting firms on the TSE, allowing significant changes in their short term revenues.



Market Statistics	
Average P/E	6.5
Trade Volume ($ Billion)	1.0
Trade Value Monthly Change (%)	-23.0
Market Cap ($ Billion)	109.0

Top 5 Traded by Value

Rank	Company Name	Turnover Value ($million)	% of Total Turnover
1	Isfahan Oil Refining Co.	189	18
2	Pasargad Bank	137	13
3	Ansar Bank	84	8
4	SADRA	36	4
5	Telecommunications Co. of Iran	36	3

Top 5 Companies by Market Cap

Rank	Name of Company	Market Cap ($Million)	% of Total MC
1	Telecommunications Co. of Iran	13,528	13
2	National Iranian Copper Industries Co.	6,520	6
3	Isfahan Mobarakeh Steel Co.	6,087	6
4	Pasargad Bank	5,070	5
5	Ghadir Investment Co.	4,421	4

Rate of US$ vs. IRR (www.cbi.ir)
November 2011: US$ 1 = IRR 10,855

British Embassy in Tehran Attacked

This month saw international news headlines dominated by an attack on the British Embassy in Tehran. The fallout in the days following these events resulted in Anglo-Iranian relations falling to their lowest level for over two decades.

Events began shortly after Britain's new Ambassador to Tehran, Dominick Chilcott, took up his post in October this year. On November 14th 2011, the UK Treasury took the landmark decision to sever ties with Iranian banks. The Chancellor, George Osborne, announced fresh punitive measures targeting Iran's financial sector, including the Central Bank of Iran (CBI), in the wake of a report by the International Atomic Energy Agency (IAEA), which said that Iran had been engaged in nuclear activities with military applications, a charge strongly denied by Iran. The Treasury stated that this was the first time that the UK had cut off all banking relations with another state. Iran's oil industry is heavily reliant upon the CBI for most of its banking transactions and the sanctioning of the country's central bank was seen as having consequences for the economy.

In reaction to this announcement, in the days that followed the Iranian Parliament voted to introduce a bill to downgrade ties with the United Kingdom and expel the British Ambassador, Dominick Chilcott, within two weeks. The bill's author, Allaeddin Boroujerdi, Head of the Iranian Parliament's National Security and Foreign Policy Commission, asserted that the bill was drafted in response to Britain's allegedly hostile approach to Iran.

Two days later, a group of hardliners overran the mission's two compounds, resulting in the subsequent evacuation and closure of the British Embassy in Tehran and the withdrawal of all British diplomats from Iran. The British Foreign Secretary, William Hague, in response to the ransacking of the British Embassy in Tehran, summoned Iran's Charge d'Affaires, Safar Ali Eslamian-Koupaei, to the Foreign Office. He then ordered the immediate closure of Iran's embassy in London, giving Iranian diplomats 48 hours to leave the UK.

Despite the longstanding antipathy between the UK and Iran, this has not translated into support for the storming of the British Embassy by hardliners in Tehran. Iran's senior leadership has been conspicuously silent since the incident, which some explain as the lack of domestic support for the action. Many felt Iran was taken aback by the strong international condemnation of the attack. Indeed, Iran's Foreign Minister Ali Akbar Salehi expressed his deep regret over the attacks and apologised when he met with his German counterpart, Guido Westerwelle, offering assurances that Iran would prevent such an event happening again in an official statement given to the German Foreign Ministry.

Prior to the events at the British Embassy in Tehran this month, there were unsettling reports of two explosions at military compounds.

The two incidents and the government's handling of them have sparked speculation in the foreign media claiming that it was a covert Israeli operation, although Iran denies this was the case.

Unmanned U.S. Drone in Iran

This month, an unmanned US Air Force aerial drone was downed and captured by the Iranian military.

The US stealth drone, known as the RQ-170 Sentinel, was allegedly brought down by the Iranian armed forces along the country's eastern border with Afghanistan. The Iranians allege that the drone had violated Iranian airspace by flying 250 kilometres into Iranian territory and was captured through overriding its controls and hacking into its system.

Iranian officials say that their forces electronically hijacked the drone and brought it to the ground. According to reports from Iran's aerospace unit, the drone was trapped by the unit who managed to land the aircraft with minimum damage. Iran has reported that they are aware of the invaluable technological information which can be gathered from the aircraft and Iran's Ministry of Foreign Affairs immediately demanded an explanation from the Swiss Embassy which represents US interests in Iran for the violation of Iranian airspace.

The US response to the reports publicised in the Iranian media has been somewhat contradictory. At the time of the event, the US confirmed that they had lost control of a drone along Iran's border, whilst denying that the drone was downed by the Iranians. In later reports, it was said that the Stealth drone had been part of a US surveillance program mapping Iran's suspected nuclear sites. NATO has confirmed that an unmanned investigation aircraft had been flying a mission over Western Afghanistan when its control was lost.

The Obama administration has formally demanded that Iran returns the drone back to the US, whilst Iran is demanding an unequivocal apology from the US for this intrusion into its airspace.

UK Severs Ties with Iranian Banks

This month Britain has severed all ties with Iranian banks as part of a package of sanctions from the US, UK and Canada aimed at confronting Tehran's nuclear programme.

The chancellor, George Osborne, announced the measures on 21st November 2011. The unprecedented move meant that all UK credit and financial institutions had to cease trading with Iran's banks from that afternoon. The move followed a recent report by the International Atomic Energy Agency (IAEA) that suggested Iran may be working on a weapons programme under the cover of a civilian energy project. The report has renewed speculation that the stand-off could result in military strikes against Iran's nuclear installations.

The UK had hoped that other countries may follow the lead and intensify sanctions at the meeting of EU Foreign Ministers, although such proposals failed to win consensus. European Union Foreign Ministers failed to agree to impose an embargo on Iranian oil, but applied sanctions on 180 other people and companies. Oil currently accounts for 50% of Iranian budget revenues, and those arguing for additional sanctions claim that these will deprive Iran of billions of dollars and derail Iran's nuclear programme. Many analysts however propose that even a small rise in oil prices as a result of an EU embargo would more than compensate Iran for any losses from being obliged to re-route displaced supplied to Asia at discounted prices. There is now growing unease that EU sanctions would hit some of the EU's weakest economies because Iranian oil provides the highest share of their needs. Iran, the second-biggest OPEC player after Saudi Arabia, exports about 2.3 million barrels of oil per day, 450,000 barrels of which is exported to the European Union. Some countries had argued in favour of the oil embargo, saying it would reduce money available to Iran to develop nuclear weapons. Greece, Italy and Spain all objected to the oil embargo and many analysts fear that sanctions would most affect these three Eurozone nations which are in the grip of severe debt problems. Crisis-ridden Italy, Spain and Greece rely on oil from Iran; an embargo would force them to source their oil requirements elsewhere at considerably higher prices.

The powers invoked by Osborne allow action where it has been called for by the Financial Action Task Force (FATF), an international body set up to combat money laundering and terrorist financing.

The Treasury has issued six licences allowing exceptions to the ban – including humanitarian activities, small-scale remittances to support students and families and the completion of existing transactions.

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3G Mobile Network Launches in Iran

This month, Tamin Telecom, Iran's third mobile phone network operator, launched its 3G service to users, having been granted exclusive rights to offer 3G to customers following successfully being awarded a two-year contract by the Ministry of Communication and Information Technology (MICT) in April 2010. Tamin is the telecommunications investment arm of Iran's Social Security Investment Company (SSIC). Analysts project that Tamin's launch of 3G in Iran will spurn significant network expansion growth, particularly as Tamin's 3G network is likely to attract a sizeable new consumer base from Iran's 17-24 age group.

Tamin Telecom's infrastructure utilises the third generation (3G) standards for mobile phones, allowing such services as mobile internet, mobile TV, picture messaging and video calling over the network. An underlying effect of all the advancements is the tremendous improvements in ease and speed of access to alternative sources of information and news.

In 2002, the Communication Regulatory Agency (CRA) was established to improve the competitive environment in the telecommunications sector and create new business opportunities for international venture capitalist companies, creating investor confidence. Further factors contributing to this include the successful opening up of the telecoms sector, which began in 2001, by the majority state-owned Telecommunications Company of Iran (TCI). Privatisation efforts have opened up the mobile phone user subscriber base and have encouraged the capital expansion of foreign-owned private mobile phone companies such as South Africa's MTN Group, which operates MTN Irancell, one of the two national mobile phone operators that projected a year-on-year growth rate of 14.8% for 2011. Currently Iran has two mobile phone network operators, Hamrahe Aval and MTN Irancell. Tamin Telecom's 3G service is aimed at supporting the fourth largest mobile telecommunications market in the region, with Iran on pace to continue its growth to a projected $12.9 billion market by 2014.

Iran's telecommunications network has the highest growth rate in the Middle East with increased penetration in fixed and mobile telephony, and a rapidly growing internet subscriber base. All three areas of growth are due to measures put in place by the Ministry of Communication and Information Technology (MICT) as far back as the early 1990s during the first of five separate Five-Year Economic Development Plans (FYDPs).

In the Fourth FYDP, the MICT proposed key benchmarks for 2011 including 26 million fixed lines, a 50% penetration rate for mobile phones and the establishment of reliable rural internet connections.

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Iran-EU Trade at 19bn Euros despite sanctions

Trade transactions between Iran and the EU member states reached 19 billion Euros in the first nine months of 2011, despite the EU and US sanctions against Iran.

Iran ranks 7th in exporting crude oil to Europe and a Eurostat report states that 27 European states imported 11.4 billion Euros of goods from Iran in the first nine months of the current year. Iran currently faces four rounds of UN Security Council sanctions as a result of pursuing its nuclear programme and refusal to give up its right of uranium enrichment.

Iran, which sits on the world's second largest reserves of both oil and gas, has dismissed the sanctions as being inefficient and pursued a path of finding Asian trade partners to replace those lost through the sanctions. Several Chinese, South Korean and other Asia firms have been negotiating with Iran on oil and gas deals.

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Huawei Scales Back Business in Iran

Chinese telecommunications-equipment maker Huawei Technologies said it will scale back its business in Iran, where the company provides services to government-controlled telecom operators, following reports that Iranian police were using mobile-network technology to track down and arrest dissidents.

Shenzhen-based Huawei announced this month that it was voluntarily restricting its new business in Iran by no longer seeking new customers and limiting its business activities with existing customers. The company claimed this move was in response to the "increasingly complex situation in Iran".

The action follows a front-page Wall Street Journal article in October that documented how Huawei's business grew in Iran following a pullback by Western companies after the government's crackdown on protesters two years ago following the Presidential elections. It was claimed that large numbers of dissidents were traced and arrested through the government's ability to track the location of their mobile phones, technology for which Huawei has provided support. Analysts note that this is the first time a major Chinese company had decided to scale back its business in Iran. Until now, Iran has viewed its partnership with Chinese companies as a solid alternative to Western contracts.

Some key figures in Huawei's management team see operations in Iran as jeopardising expansion opportunities in the US and Europe, where the Chinese company has faced scepticism over its compliance procedures and dealings with countries that have controversial regimes. US regulators have blocked Huawei's bids on major telecommunications infrastructure projects as well as acquisitions of American companies over security concerns.

Huawei, which has about 1,000 employees in Iran, said it plans to continue servicing its existing Iranian contracts. Huawei's announcement could help the company boost its image in the US, where Huawei complains it has been unfairly restricted in the market, despite having forged partnerships with major operators across Europe, the Middle East and Canada. In the last several years, it has grown to become the world's second-largest provider of telecommunications equipment, after Sweden's Telefon AB LM Ericsson.

Huawei has said it expects revenue to increase 10% in 2011 to reach $31 billion, slower than the 24% growth it saw in 2010, in part because of blocks on its expansion into the US.

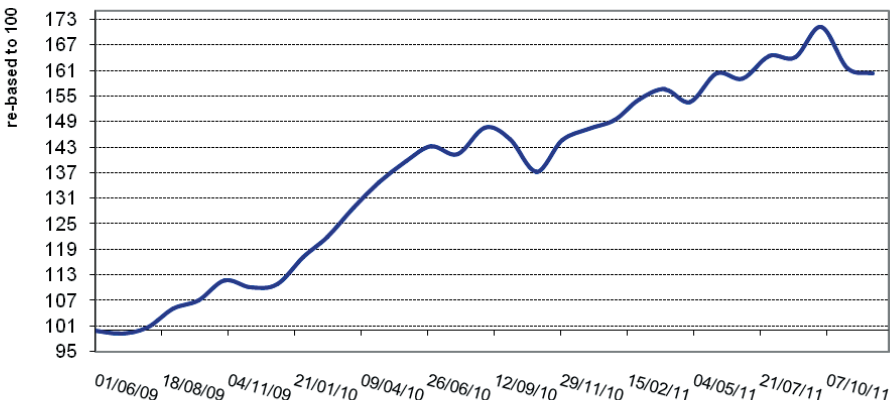
Investment Objective – The Turquoise Equity Investments seeks superior long-term capital growth by investing in the consumer and commodity potential of Iran, one of the most undervalued emerging markets in the world. Turquoise combines international experience with local expertise in investing in equities listed on the Tehran Stock Exchange (TSE) and other Iranian-based securities. The goal is to provide superior returns, with greater diversification and lower volatility.

Class A

NAV = 160.3

Vehicle Domicile	Management Fee	Currency
British Virgin Islands	2.0% p.a	Euro (€)
Launch Date	**Carried Interest**	**Minimum Investment**
01 June 2009	20% (High Water Mark Applies)	€100,000

Class A Performance (Euro) - As at 30th November 2011



Period	Portfolio Return
Last Month	- 0.8 %
Last 3 Months	- 2.3 %
Last 6 Months	0.0 %
Last 12 Months	10.8 %
Since Inception (01 June 09)	60.3 %

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About Turquoise

Turquoise is a boutique investment firm based in Iran. Turquoise creates financial products and offers financial services to select clients and investors who are interested in the Iranian market. Having a qualified and diverse management team with a wealth of international expertise enables Turquoise to benefit from coupling a network of global expertise with an enviable reputation for local knowledge, professionalism and integrity.

Turquoise publishes this electronic newsletter, *Iran Investment Monthly*, with the aim of keeping its recipients updated on the latest macroeconomic developments in Iran, providing an in-depth analysis of the Tehran Stock Exchange as well as introducing new financial products and private equity opportunities to potential investors.

Iran Investment Monthly is distributed exclusively amongst Iran analysts and potential investors who have worked closely or have been in contact with Turquoise Partners. Subscription to this newsletter is by referral only or through an online request sent to: *info@turquoisepartners.com*

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