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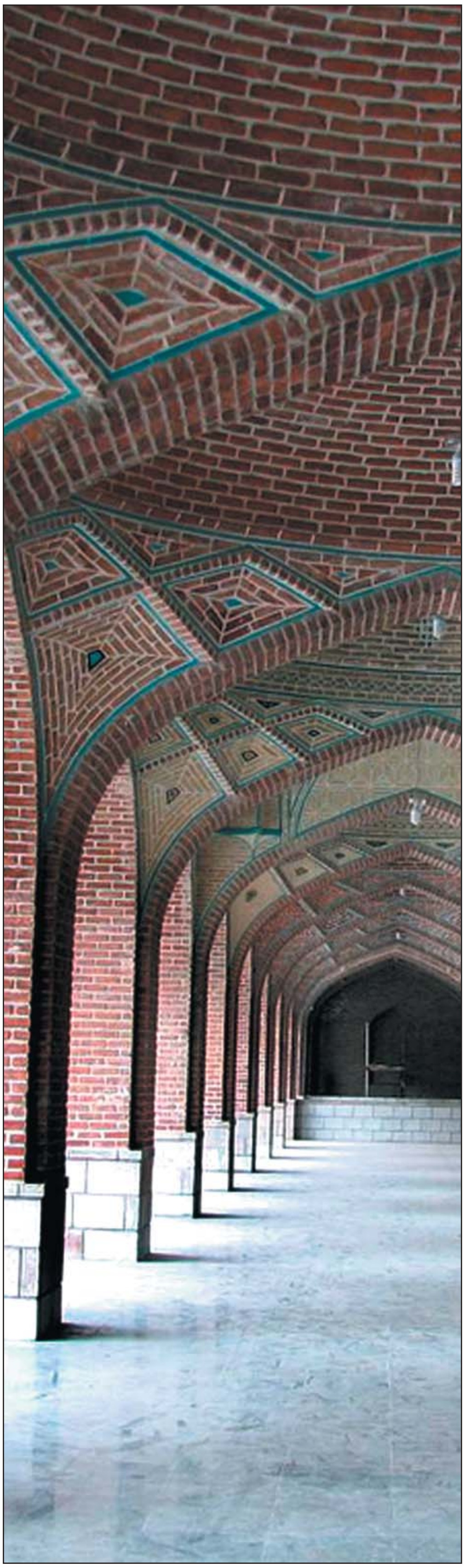
TURQUOISE PARTNERS



Interior Hall of the Kabood Mosque in Tabriz, East Azarbaijan Province, North Western Iran

THIS MONTH

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Further information and detailed analysis of reports in this publication can be purchased directly from Turquoise Tehran office.

The Tehran Stock Exchange (TSE) witnessed a historic event during the month of September. On September 12, the National Iranian Copper Industries Company (NICIC) offered a 20% block of its shares to potential bidders. The block was finally sold for a total value of more than $1.1 billion to a domestic consortium in the absence of any competition from foreign or other domestic investors.

The following is the makeup of the consortium:

Maaden & Felezat Investment:	6%
Copper Industries Pension Fund:	5%
Saipa:	3%
Saba Co.:	2%
Steel Industries Pension Fund:	1.5%
Mabna Khavarmiyaneh:	1%
Melli Investment Co.:	0.5%
Bahman Investment Co.:	0.5%
Modabber Investment Co.:	0.5%

It is worth mentioning that Mabna Khavarmiyaneh is an investment company recently established with a starting capital of $100 million and with the purpose of participating in the Initial Public Offerings (IPO) of the companies that are slated to be privatized under the recently introduced scheme. Pasargad Bank, Ghadir Investment, Social Security Investment Company and Farhangian Reserve Fund as well as Qods Razavi were other potential buyers that withdrew despite their earlier interest. On the whole, due to too many members in the consortium with small shareholdings ranging from 0.5 to 6 percent, market analysts are uncertain about the degree of control these shareholders can exert on the management of the NICIC. This is particularly relevant given that 80% of the seats of the NICIC's Board of Directors are still occupied by government representatives.

Market analysts cite a number of reasons for the market's limited interest in bidding for the company at this stage. Firstly, the initial offering price was increased by $170 million after a sudden positive adjustment to the company's earnings forecast only one day prior to the transaction day which led to greater hesitation from buyers. Another reason was the lack of any proper marketing or publicity for the offering in either domestic or international media. The announcement of this deal was posted only a few weeks earlier on the Bourse's official website. An overall shortage of liquidity was another reason why there was only one bidder, consisting of several companies, for the offer.

As the largest international offering on the TSE, this deal had a huge impact on the market. Since most of the companies participating in the bidding consortium were active institutional investors with limited liquidity, they had to secure most of the cash required for purchase of this block through exiting other holdings. This caused an excessive supply of shares for some companies and sectors. However, the market performed very well overall during this month by achieving the third consecutive monthly performance of over 6%.
Some sectors on the market are analyzed in more detail below:

Financial Sector

The banking sector had a favorable month in September. Parsian Bank, the largest privately-owned Iranian bank, announced a positive adjustment to its annual earnings forecast amid speculation that private banks will suffer from the recently imposed interest rate cuts. This improvement in earnings, which is believed to be driven by the rapidly growing levels of liquidity in the country, could indicate a bright outlook for the sector. In addition, news of the privatization of the asset-rich income-poor state-owned banks in the foreseeable future has resulted in speculation by market analysts that the PE ratio of this sector will improve in the coming months.

Another development in this sector has been the Initial Public Offering (IPO) of Sina Financial and Credit Institute on September 25. The company offered 10% of its shares to the market at a total value of more than $20 million. However due to its high P/E ratio of 8, which is significantly more than other banks, the share price started to decline only two days following the IPO, falling by around 10%. Sina Financial and Credit Institute, formerly known as Bonyad Financial and Credit Institute, is a financial institute owned by the Bonyad Mostazafan Foundation. The company has been trying to get an official banking license from the Central Bank but has failed to do so due to its concentrated shareholding structure. The IPO of Sina was one the market's unsuccessful IPOs after some outstanding offerings in recent months.

Iron Ore

The best performing sector during September has been the Iron Ore sector which recorded a 27% gain during the month. Two companies, Chadormaloo and Golegohar, surpassed PE ratios of 12, which is around twice the average PE ratio of the market. The main driver behind this recent growth has been the extensive expansion plans of these two companies which will see them start operating on new production lines within the next year.

Petrochemical

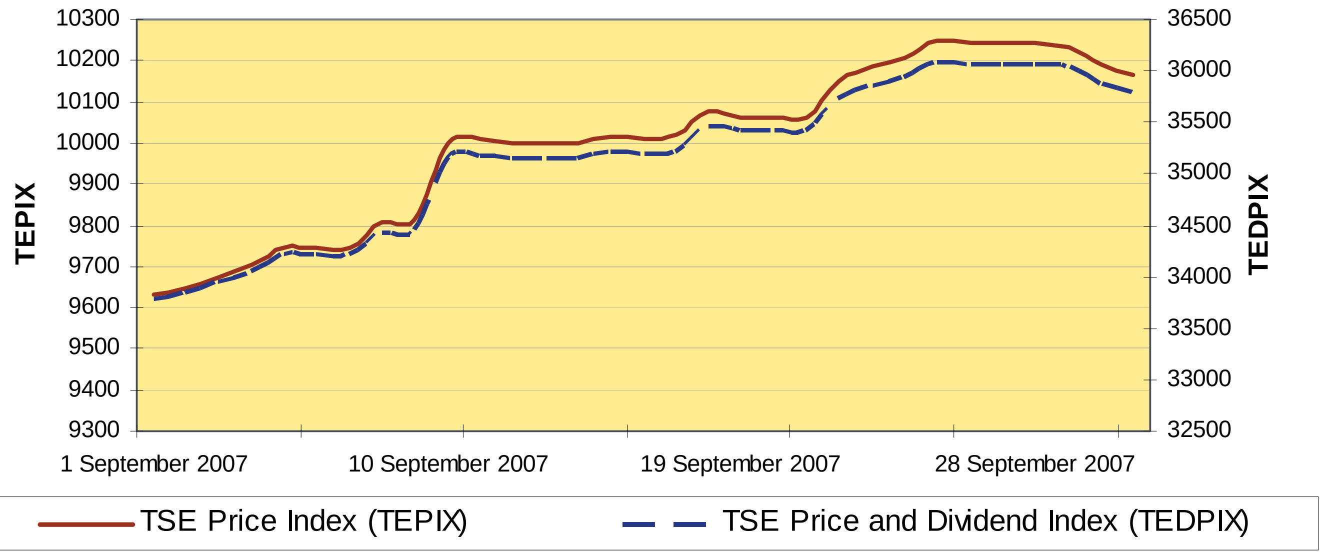
The news on the government's decision to scrap the export tax exemption of petrochemical companies has hit this sector. According to the previous regulation, the export of all petrochemical products enjoyed tax exemption. However, based on the new ratification, all exported petrochemical products of the past two years as well as those of this year are subject to a 22.5 % tax, the same as domestically consumed goods. Given the petrochemical companies' high dividend yield and the lack of sufficient cash at hand, the tax burden of previous years would force them to significantly decrease their earnings forecast for this year. This has resulted in a heavy sell off for companies in this sector and despite increasing global prices of petrochemical goods, there is little interest in this sector which is witnessing a record low average PE ratio of around 5.

Recently Privatized Companies

Two recently privatized steel companies, Mobarakeh and Khuzestan, have been generating heavy purchasing queues during the month but producing little change in their trade volumes and share prices. Although there was a significant interest in the market for these stocks, the restriction on price movements and the minimum base volume concept observed in the TSE did not allow these companies to adjust their share price.

Overall, September was another stellar month for the market. The TSE Price and Dividend Index witnessed growth of 6.2%. The following chart demonstrates the performance of the two main market indices during the month.

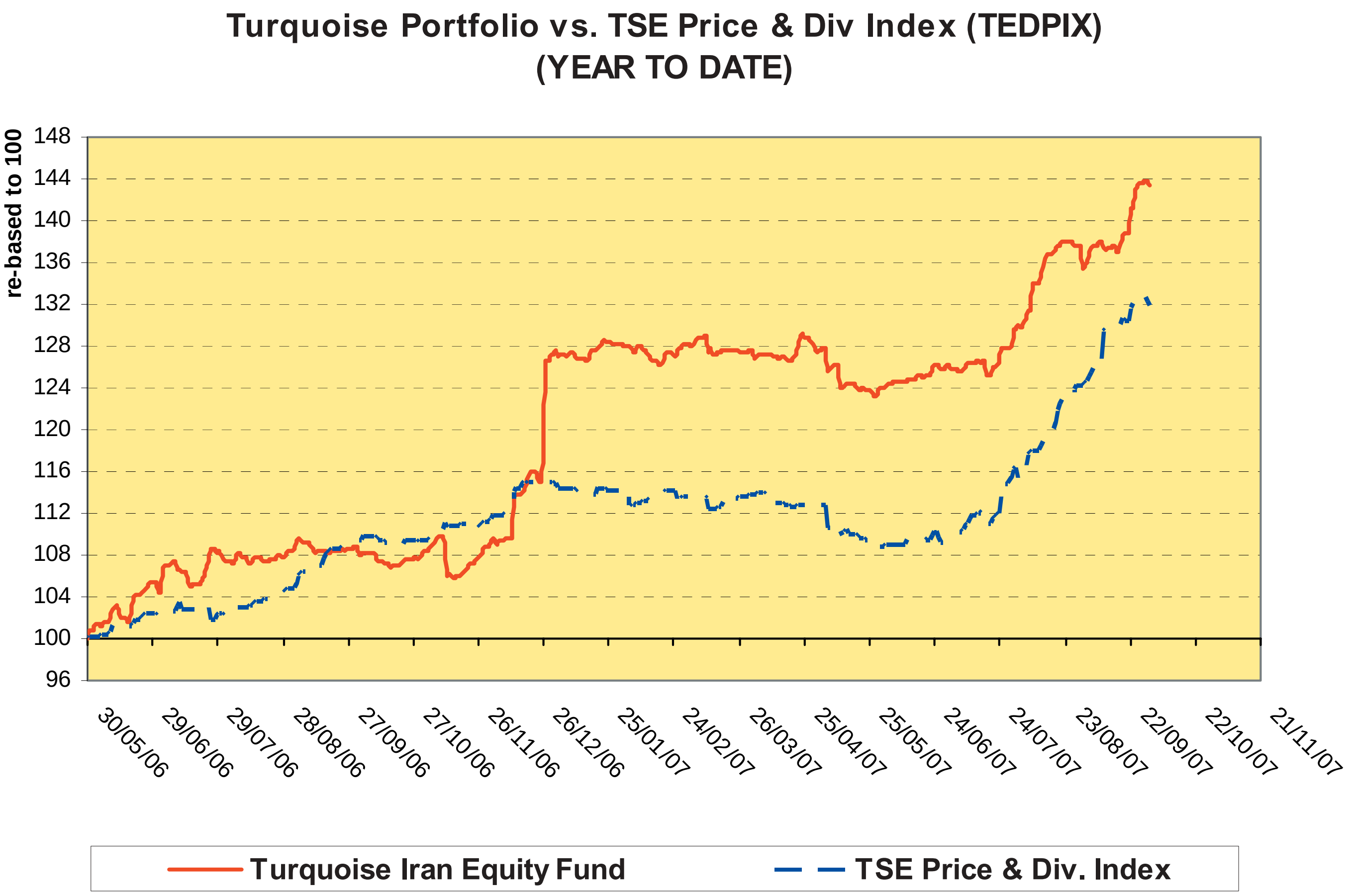
Performance of TSE Indices (Sep 2007)



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

Monthly Report – The Net Asset Value (NAV) of the Turquoise Fund grew by approximately 5.9% during the month of September, beating this year's records and making it the best performing month of 2007. The Turquoise Fund's unit index grew from 135.8 to 143.7. The Fund outperformed the TSE Price Index (TEPIX) which gained around 5.8%. The TSE Price and Dividend Index (TEDPIX) grew by around 6.2% in the same period. The Fund Investment Committee met regularly during this month and made some adjustments in the portfolio,.

The charts below demonstrate the performance of the Fund against the TEDPIX in local currency, and the Emerging Market index in USD as well as the overall performance of the Fund in USD, Euro and GBP. The performance table also provides the performance of the Fund in different time frames.

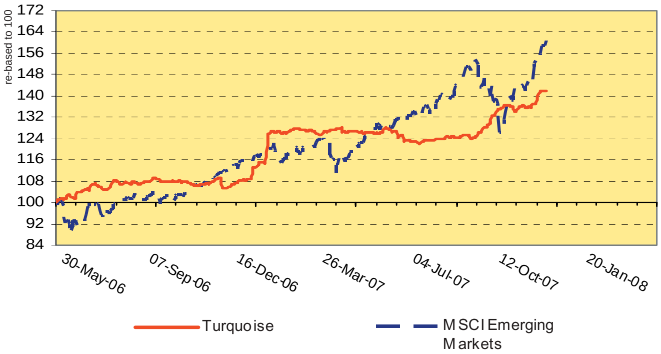


	1 Aug 07	1 Sep 07	1 Oct 07
Turquoise Fund	29.91 %	35.76 %	43.47 %
TEDPIX	15.37 %	24.39 %	31.80 %

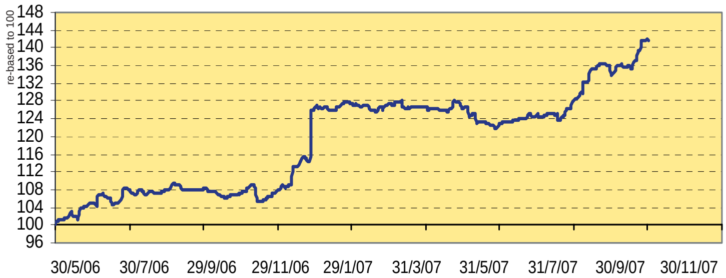
Performance

Period	Fund Return
Sep-07	**5.87%**
Last 3 Months	**13.61%**
Last 6 Months	**12.46%**
Last 12 Months	**31.90%**
Since Inception (30 May 06)	**43.47%**

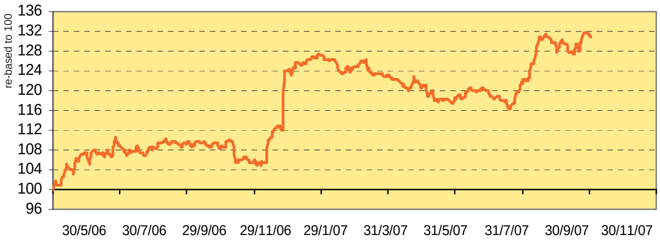
Turquoise Performance vs. MSCI Emerging Markets



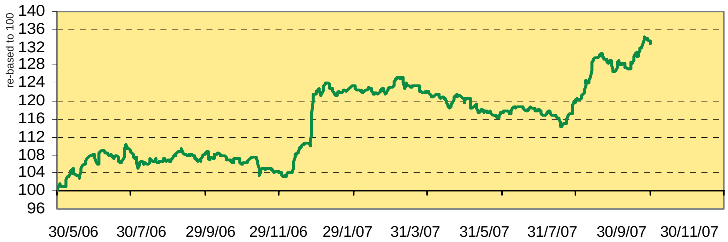
Turquoise Performance in US Dollar (US$)



Turquoise Performance in Euro (€)



Turquoise Performance in British Pound Sterling (£)



The change in the US government's position on its view of the recent Iran-IAEA work plan to resolve remaining issues concerning Iran's nuclear program as well as negotiations concerning the Iran-Pakistan-India gas pipeline will be discussed in this section.

Despite Washington's earlier dismissal of the Iran-IAEA work plan, which was agreed to answer some of the Agency's questions on the Iranian nuclear program in a set timeline, the US seems to have moderated its stance. Initially, the US pointed out that there were "real limitations" in the agreement. However, a few weeks later the US envoy to the IAEA, Greg Schulte, said there was "potential merit" to the deal. This change of attitude comes after IAEA officials reassured some of the Western missions that the pact was an important and necessary first step toward creating confidence in Iranian nuclear intentions and increasing the level of transparency. Schulte also stressed that the US respects the pact only if Iran implements the additional protocol and stops "playing games on IAEA inspectors." His earlier negative remarks had angered IAEA officials who argued that the United States was mounting a "deliberate campaign to derail" Iranian-IAEA agreement.

The EU foreign ministers also welcomed Iran-IAEA cooperation in a statement considering the full implementation of the work plan as a significant step forward. In response, Iran said that it is serious about honouring the pact although it also vowed again its determination to enrich uranium for civilian purposes. The change of attitude of Western countries and their continued willingness to respect the IAEA as a UN specialized body despite their ongoing concerns about core issues relating to the nuclear program could be interpreted as a positive gesture indicating that there is still a broad-based international consensus on finding a peaceful solution to Iran's nuclear drossier.

Another round of talks on the Iran-Pakistan-India gas pipeline, dubbed the Peace Pipeline, was carried out in Islamabad between Iran and Pakistan in India's absence. New Delhi was absent from the two previous rounds of talks as well leading to much controversy and speculation regarding its willingness to participate in the deal. Although Indian officials stress that the only reason behind their hesitation to join the trilateral talks is their disagreement with Pakistani officials over transit fees, some refer to US pressure on India as the main reason behind their hesitation. Indian officials also seem concerned over depending on Iranian gas which would require using their traditional rival Pakistan as a transit route. Pakistan could potentially use Iran's gas as a pressure lever against India whenever a rift emerged between the two neighbours. The absence of India from the talks has not put off the Iranian and Pakistani sides. An advisor to the Pakistani Prime Minister argued that although India's presence makes the whole contract more economical, its absence doesn't lessen the overall value of the contract. Iranian Petroleum Ministry caretaker, Gholamhossein Nozari, also noted that although both Iran and Pakistan welcome India's presence, they are not going to delay the contract because of New Delhi's reservations. Pakistani and Iranian officials may be trying to convince India that it may not have much time to waste before it resolves its concerns as Tehran and Islamabad are aiming to finalize the text of the contract and the memorandum within the next few weeks although this may be optimistic. Talks on the pipeline kicked off in 1994 but were delayed several times due to security concerns raised by India and Pakistan. The estimated $7 billion project involves laying 1,115 km of pipeline inside Iran as well as 700 km in Pakistan and 850 km in India and has a capacity for transferring 150 million cubic meters of natural gas per day.

Privatization of Petroleum Companies:

Following the launch of the privatization program, the Petroleum Ministry is studying the potential privatization of 92 of its subsidiaries. So far 40 companies have been selected to be privatized in the first phase through a gradual offering of their shares on the Tehran Stock Exchange. There are two companies that have passed all the requirements for listing on the TSE and are reported to be in line for placement on the market within the next few months. One is Fanavaran Petrochemical Company which is mostly involved in the production of methanol. The second is an oil field drilling company called Haffari Nafte Shomal. When offered, Haffari Nafte Shomal will be the first listed company active in the oil field development sector.

Banking Efficiency:

According to an official at Iran's Expediency Council, the efficiency of the privately-owned banks in Iran is five times higher than their state-owned competitors. There are currently eleven state-owned banks with 16,129 branches across the country while there are six privately-owned banks with 191 branches operating in Iran. The overall number of employees at state-owned banks is fifty times higher than that of the private banks. However, deposits at the privately-owned banks are 18% of overall banking deposits (around one fourth of the total at state banks). This demonstrates that by providing professional and innovative services, the private banks have been able to secure a significant share of the market relative to their size. The poor performance of the state-owned banks is often blamed on such factors as unjustified restrictions on providing loans, excessive number of staff, the lack of competitive pressures as well as poor management strategies and uncompetitive interest rates.

Oil Dependency:

According to the Economist Intelligence Unit, Iran is ranked 11th amongst the World's petroleum exporting countries in terms of its dependency on oil and gas revenues. The ratio of Iran's oil and gas exports to its total exports stands at 86.3%. According to the report, Algeria is the most dependent country on oil and gas revenues with a 97.8% ratio followed by Nigeria, Kuwait, Qatar and Saudi Arabia.

Gasoline Rationing:

The National Iranian Oil Company's Director General for International Affairs, Mr. Ghanimifard, estimated that the country will save around $3 billion by the end of the current Iranian year (20 March 2008) thanks to the petrol rationing scheme introduced in June. The scheme has decreased the rate of gasoline imports from 36 million liters per day down to 15 million liters. Since the rationing was imposed, petrol consumption has dropped from 75 million liters per day to an average of 60 million liters according to government figures. Before the launch of the scheme, it was estimated that Iran would have to import around $7 billion worth of gasoline each year to fuel its cars. However, this figure is believed to have decreases to around 4 to 5 billion dollars now that the rationing scheme has been introduced.

Investment Banks:

The Tehran Stock Exchange has issued two Investment Banking licenses for two companies with a starting capital of $100 million each. Following the launch of the recent privatization scheme, the government has taken the initiative to issue investment banking licenses to those companies that are interested in participating in structuring and marketing the government's privatization offerings. These investment banks, acting as underwriters of such deals, will get a mandate from the government to facilitate offerings of state-owned companies on the TSE.

About Turquoise

Turquoise is a boutique investment bank based in Iran with offices in Tehran and London. 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 based both in Europe and in Iran enables Turquoise to benefit from coupling local knowledge and presence with global expertise.

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: ramin.rabii@turquoisepartners.com

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