

Equity Research | 12 June, 2010



Quant Analysis – Quarterly Update

Dividend Picks Portfolio

Rebalancing

Eiji Aono
Head of Equity Research
e.aono@ncbc.com

Please read the “**Important Information**” section at the end of this document.

1Q10 Dividend Picks Portfolio Performance

- The Dividend Picks Portfolio has declined 2.0% over the last 12 months, while TASI has risen 8.6%.
- Over the last 3 months (since 15 March 2010), the Dividend Picks Portfolio declined 8.4%, while TASI lost 7.1%.

Exhibit 1: 1Q10 Dividend Picks Portfolio Performance**

Ticker	Company	Price* SAR	Market Cap (SAR mn)	Div. Yield - 09 (%)	PE TTM	Return (%)* **
3090.SE	Tabuk Cement	17.4	1,561.5	7.2%	12.8	-7.0%
7010.SE	STC	36.3	72,600.0	8.3%	7.2	-15.6%
4090.SE	Taiba	16.4	2,460.0	7.3%	35.1	0.6%
3050.SE	Southern Cement	68.0	9,520.0	7.4%	13.2	-2.9%
2340.SE	AlAbdullatif	29.2	2,372.5	12.0%	12.9	-28.4%
3040.SE	Qassim Cement	67.8	6,097.5	8.9%	10.1	-6.9%
2020.SE	SAFCO	124.8	31,187.5	9.6%	15.8	-10.2%
2230.SE	Saudi Chemical	41.6	2,630.8	9.6%	8.5	3.1%
Average return portfolio						-8.4%
TASI						-7.1%

Source: Reuters, NCBC Research

*As of 09/06/2010

** from 15 Mar 2010 to 09 June 2010

2Q2010 Dividend Picks Portfolio Construction

- The Dividend Picks Portfolio construction is based on latest dividend yield with filters liquidity and earnings (see Appendix for details).
- Gypsum and Dar Al Arkan have been added to the portfolio this quarter, replacing Tabuk Cement and Taiba.

Exhibit 2: 2Q10 Dividend Picks Portfolio Construction

Ticker	Company	Price* SAR	Market Cap (SAR mn)	Div. Yield - 09 (%)	ROE (TTM %)	PE TTM
2340.SE	AlAbdullatif	29.2	2,372.5	12.0%	13.8%	12.9
2020.SE	SAFCO	124.8	31,187.5	9.6%	30.7%	15.8
2230.SE	Saudi Chemical	41.6	2,630.8	9.6%	24.9%	8.5
3040.SE	Qassim Cement	67.8	6,097.5	8.9%	33.6%	10.1
7010.SE	STC	36.3	72,600.0	8.3%	25.3%	7.2
2090.SE	Gypsum	31.0	981.7	8.1%	15.7%	12.7
3050.SE	Southern Cement	68.0	9,520.0	7.4%	31.6%	13.2
4300.SE	Dar Al Arkan	13.7	14,742.0	7.3%	15.9%	7.0

← Additions for the current quarter

* As of 09/06/2010

Source: Reuters, NCBC Research

Appendix I: Dividend Picks methodology

- We create a portfolio of high dividend yield stocks which also pass a number of valuation screens including liquidity position, capital structure, financial performance and valuation
- The beginning portfolio has been created as of May 2005, taking 2005 as the base year. The majority of dividends are distributed in March–April, therefore most of the stocks become ex-dividend by the end of April. We have taken this ex-dividend state as the starting point
- We create a new portfolio every three months (in Feb, May, Aug and Nov). The portfolios have been screened against the following criteria and filters:
 - *Qualification criterion:* Every quarter the top quartile of high dividend yield stocks is selected. We maintain a flexible number for the stocks in the portfolio but target 8-10 names every quarter.
 - *Screening filters:* The filters used are Cash/Assets to judge the liquidity position, Market Capitalization to remove small-cap bias, Debt/Equity Ratio for leverage, ROE-TTM to gauge financial performance and P/E Ratio as a valuation factor. All the stocks are ranked according to the given filters individually. The bottom 20-30 stocks in each criteria are filtered out. Among the stocks identified by high dividend yield, the stocks which pass all the subsequent filters are included in final portfolio
- The portfolio is re-balanced equally every quarter with the total portfolio (including dividends received) rolled over for the next quarter.

Thank You

IMPORTANT INFORMATION

The authors of this document hereby certify that the views expressed in this document accurately reflect their personal views regarding the securities and companies that are the subject of this document. The authors also certify that neither they nor their respective spouses or dependants (if relevant) hold a beneficial interest in the securities that are the subject of this document. Funds managed by NCB Capital and its subsidiaries for third parties may own the securities that are the subject of this document. NCB Capital or its subsidiaries may own securities in one or more of the aforementioned companies, or funds or in funds managed by third parties. The authors of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. The Investment Banking division of NCB Capital may be in the process of soliciting or executing fee earning mandates for companies that are either the subject of this document or are mentioned in this document.

This document is issued to the person to whom NCB Capital has issued it. This document is intended for general information purposes only, and may not be reproduced or redistributed to any other person. This document is not intended as an offer or solicitation with respect to the purchase or sale of any security. This document is not intended to take into account any investment suitability needs of the recipient. In particular, this document is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive this document. NCB Capital strongly advises every potential investor to seek professional legal, accounting and financial guidance when determining whether an investment in a security is appropriate to his or her needs. Any investment recommendations contained in this document take into account both risk and expected return. Information and opinions contained in this document have been compiled or arrived at by NCB Capital from sources believed to be reliable, but NCB Capital has not independently verified the contents of this document and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this document. To the maximum extent permitted by applicable law and regulation, NCB Capital shall not be liable for any loss that may arise from the use of this document or its contents or otherwise arising in connection therewith. Any financial projections, fair value estimates and statements regarding future prospects contained in this document may not be realized. All opinions and estimates included in this document constitute NCB Capital's judgment as of the date of production of this document, and are subject to change without notice. Past performance of any investment is not indicative of future results. The value of securities, the income from them, the prices and currencies of securities, can go down as well as up. An investor may get back less than he or she originally invested. Additionally, fees may apply on investments in securities. Changes in currency rates may have an adverse effect on the value, price or income of a security. No part of this document may be reproduced without the written permission of NCB Capital. Neither this document nor any copy hereof may be distributed in any jurisdiction outside the Kingdom of Saudi Arabia where its distribution may be restricted by law. Persons who receive this document should make themselves aware, of and adhere to, any such restrictions. By accepting this document, the recipient agrees to be bound by the foregoing limitations.

NCB Capital is authorised by the Capital Market Authority of the Kingdom of Saudi Arabia to carry out dealing, as principal and agent, and underwriting, managing, arranging, advising and custody, with respect to securities under license number 37-06046. The registered office of which is at Al Mather street in Riyadh, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia.