MENA FOCUS LIST

Looking for a Strong Final Quarter with Higher Beta Names

29 OCTOBER 2009

STRATEGY NOTE

Performance YTD: Year-to-date, the MENA Focus List has risen 44.7% versus 27.1% for the MSCI Arabian Markets Index and 18.5% for the MSCI Arabian Markets ex-Saudi Arabia Index. The Focus List continues to lag emerging markets, with the MSCI Emerging Markets benchmark having risen 61.7% year-to-date.

Increasing High-Beta Names: We see growing institutional interest in MENA markets, which have lagged larger emerging markets in the 2009 rally. We believe that the ongoing resolution of Dubai's debt overhang should support performance in the UAE and our economists see strong growth underpinned by a fiscal stimulus across much of the region. Fund flows into EMEA and MENA-related funds are positive, and the global monetary environment favours continuing strength in risk assets. We therefore take profits on a number of lower beta names, favouring stocks that we believe will perform well in a rising market.

Add Emirates NBD: Emirates NBD offers a broad play on the revival of interest in Dubai and, as an important player in the corporate segment, shares should also benefit from a positive resolution of Nakheel's debt which matures 14 December. Recent 3Q results were ahead of our expectations suggesting upside risk to our full year earnings forecast. The bank is currently one of the cheapest under coverage at 8.1x 2009e and 7.0x 2010e earnings (1.1x 2009e P/BV).

Add Industries Qatar: 3Q results were well ahead of our expectations and we believe the higher oil price environment will mean further improvement in IQ's petrochemical and fertilizer margins. Meanwhile, new iron ore price negotiations (at c35% discount to last year) suggest steel margins will rise also.

Add Oriental Weavers: ORWE has lagged the second leg of the current market rally, and is trading at an attractive 7.7x annualised 1H2009 earnings. 1H2009 numbers were surprisingly strong, with EPS rising 4% Y-o-Y, and we believe the company's good management strategy (seen in its recent focus on the local market) will be attractive to investors looking for value among Egyptian mid-caps.

Remove Agthia, EIPICO and SEC: Agthia reported robust 3Q results with revenues up 11% Y-o-Y and earnings up 17%. Valuation remains attractive at just 10.3x 12 month trailing earnings. However, with a lack of near term triggers, and a relative outperformance of 24.7% since inclusion in the Focus List, we choose to lock in our gains. EIPICO has strongly outperformed since inclusion, by 15.5%. We still see the stock as a good defensive name, but see little short-term upside from here. We believe SEC (as a low beta stock) offers limited upside potential in the near term, with the key summer period now closed and earnings numbers behind us.

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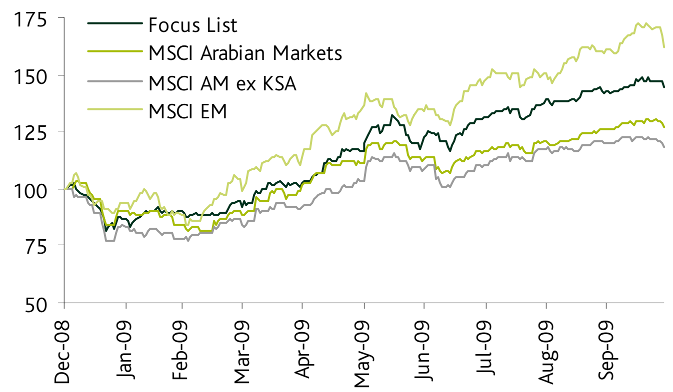
FOCUS LIST ANALYSIS

Figure 1: MENA Focus List
Prices in local currency

Ticker	Company Name	Country	Rec. ST/LT	Price 28 Oct	Perf. Since Last Rebal.	LTFV	Upside	M Cap (USD mn)	ADVT* (USD mn)	P/E 2008a	P/E 2009e	P/E 2010e	EPS Growth 08-09e	EPS Growth 09-10e	Yield 2009e
SWDY.CA	El Sewedy Cables	Egypt	Neu./Acc.	73.0	0.6%	87.7	20%	1,761	3.9	12.0	12.1	10.6	-0.6%	14.1%	1.4%
NSGB.CA	NSGB	Egypt	Buy/Buy	28.5	1.8%	38.2	34%	1,736	0.4	6.5	7.3	6.6	-10.9%	10.3%	3.5%
ORWE.CA	Oriental Weavers	Egypt	-	33.8	N/A	-	-	461	0.3	7.9	-	-	-	-	-
2160.SE	Amiantit	Saudi	-	24.4	6.6%	-	-	752	4.7	12.0	-	-	-	-	-
3010.SE	Arabian Cement	Saudi	-	45.8	-0.7%	-	-	977	0.6	11.4	-	-	-	-	-
COMB.QA	CBQ	Qatar	Acc./Buy	73.9	-8.2%	113.5	54%	4,395	7.1	8.5	9.7	9.6	-13.1%	1.9%	8.0%
QGTS.QA	NAKILAT	Qatar	Buy/Buy	25.3	0.4%	38.6	53%	3,850	8.5	108.5	24.9	16.2	335.2%	54.4%	0.0%
IQCD.QA	Industries Qatar	Qatar	Buy/Buy	115.8	N/A	140.0	21%	17,493	12.1	8.2	15.4	13.3	-46.8%	15.8%	3.5%
ENBD.DU	Emirates NBD	UAE	Buy/Buy	4.6	N/A	7.2	55%	7,006	0.8	7.0	8.1	7.0	-14.2%	16.8%	3.8%
FGB.AD	First Gulf Bank	UAE	Acc./Buy	19.2	3.2%	26.3	37%	7,169	3.0	9.1	9.2	7.8	-1.3%	17.6%	1.5%

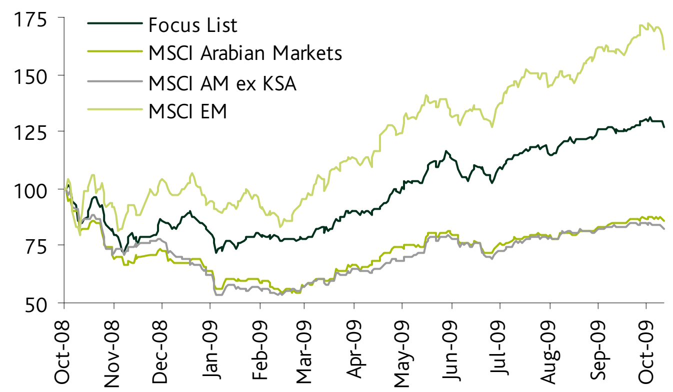
*ADVT = Average daily value traded, based on last 3-months trading activity.
Source: Reuters, Zawya, company data, and EFG-Hermes,

Figure 2: MENA Focus List vs Benchmark Indices - 2009



Source: Reuters, EFG-Hermes

Figure 3: MENA Focus List vs Benchmark Indices - since inception



Source: Reuters, EFG-Hermes

The MENA Focus List is a collaborative effort between the research and sales departments at EFG-Hermes and comprises our top investment ideas across the MENA region - including stocks that are currently not covered by research. Stocks on the Focus List have an investment horizon of up to six months while performance is benchmarked against the MSCI Arabian Markets index. The list itself is reviewed on a weekly basis, though changes can be applied on an as needed basis and as frequently as opportunities permit, with stock picks themselves based on both fundamental and technical factors. The removal of any company from the list does not necessarily equate to a negative fundamental view on the shares.

It has been one year since we launched the Focus List. The list has always been aimed at being a collection of best ideas and not a model portfolio. Since inception, we have focused on stability and minimizing downside risk. We have held each stock for an average of 91 days; the longest holding was 342 days, the shortest 11 days. We have managed to consistently outperform our benchmark index (MSCI Arabian Markets) since launch and with substantially lower volatility (1.5% annualised standard deviation for the Focus List versus 1.63% for the index).

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The Long-Term (LT) rating is based on the percentage upside or percentage downside of the stock price to the analyst's Long Term Fair Value (LTFV). Long Term is defined as any time period beyond 1 year. The LTFV is based on the analyst's current expectations of the equity fair value of the company on a per share basis which is normally based on rigorous and fundamental long-term analysis of the company's financial potential. Of course, any such analysis is based on the analyst's expectations for the future and are always considered estimates.

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Accumulate	10 to 25%
Neutral	(10%) to 10%
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