

Equity Research | 04 December, 2010

# Q A

## Quant Analysis – Quarterly Update **Value 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.

# 3Q2010 Value Picks Portfolio Performance

- The Value Picks Portfolio has returned 8.2% over the past 12 months versus 0.4% for the TASI.
- Over the last 3 months (since 01 September 2010), the Value Picks Portfolio lost 4.0%, while TASI gained 3.0%.

## Exhibit 1: 3Q10 Value Picks Portfolio Performance

Ticker	Company	Price* (SAR)	Market Cap (SAR mn)	P/E TTM	Earnings Yield (%)	Return**
8010.SE	Tawuniya	112.0	5,600.0	11.3	8.9	34.3%
3040.SE	Qassim Cement	60.0	5,400.0	9.5	10.5	-10.8%
2230.SE	Saudi Chemical	40.1	2,535.9	9.0	11.1	-9.8%
7010.SE	STC	39.9	79,800.0	7.9	12.6	3.6%
7020.SE	Etihad Etisalat	55.0	38,500.0	10.1	9.9	5.3%
2240.SE	Zamil Ind	32.3	1,938.0	9.1	11.0	-22.5%
4300.SE	Dar Al Arkan	9.0	9,666.0	6.1	16.4	-16.7%
3030.SE	Saudi Cement	43.7	6,686.1	10.2	9.8	-2.2%
3050.SE	Southern Cement	62.0	8,680.0	12.9	7.8	-7.1%
4240.SE	AlHokair	41.8	2,926.0	9.9	10.1	-11.3%

Source: Reuters, NCBC Research

\*As of 01 December 2010

\*\* from 01 September 2010 to 01 December 2010

# 4Q2010 Value Picks Portfolio Construction

- The Value Picks Portfolio construction is based on TTM ROE and Earnings Yield rankings.
- MEDGULF, Yamamah Cement, and Jarir have been added to the portfolio this quarter, replacing Dar Al Arkan, Zamil Industrial, and Southern Cement.

**Exhibit 2: 4Q10 Value Picks Portfolio Construction**

Company	Ticker	Market Cap (SAR mn)	Price* (SAR)	Price Chg % YTD	ROE Rank	EY Rank	TTM (%)			P/B	DY '10 (%)
							ROE	EY	PE-TTM		
Qassim Cement	3040.SE	5,400.0	60.0	(13.7)	4	4	33.4	10.5	9.5	3.1	10.0
Etihad Etisalat	7020.SE	38,500.0	55.0	26.7	6	6	30.1	9.9	10.1	2.7	2.3
STC	7010.SE	79,800.0	39.9	(9.5)	11	2	23.7	12.6	7.9	1.8	7.5
AlHokair	4240.SE	2,926.0	41.8	13.3	8	5	26.9	10.1	9.9	2.5	4.8
Tawuniya	8010.SE	5,600.0	112.0	56.1	3	12	33.8	8.9	11.3	3.4	3.6
Saudi Chemical	2230.SE	2,535.9	40.1	(3.1)	16	3	20.8	11.1	9.0	1.9	10.0
Yamamah Cement	3020.SE	6,783.8	50.3	6.0	13	9	21.8	9.5	10.6	2.3	6.0
Saudi Cement	3030.SE	6,686.1	43.7	13.5	15	7	21.2	9.8	10.2	2.1	5.3
MEDGULF	8030.SE	2,208.0	27.6	12.7	14	10	21.6	9.1	11.0	2.2	2.7
Jarir	4190.SE	6,010.0	150.3	12.3	1	25	54.8	6.7	15.0	7.8	4.9

Source: Reuters, NCBC Research

\*As of 01 December 2010

# Appendix II: Value Picks Methodology

---

- We create a portfolio of stocks which look favourable on a valuation basis using both TTM ROE and Earnings Yield
- We limit the companies under consideration to those above \$500mn market cap in order to avoid small-cap bias.
- The selected companies are then ranked based on ROE (TTM) with the company recording the highest ROE getting a rank one
- A similar ranking is generated for the selected companies based on trailing twelve month's Earnings Yield, the company with the highest yield getting a rank one
- Both ranks are then added to arrive at a cumulative score with lower scores resulting in top picks

# 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.