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Quant Analysis – Quarterly Update

Dividend Picks Portfolio Rebalancing

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

3Q2010 Dividend Picks Portfolio Performance

- The Dividend Picks Portfolio has declined 5.5% over the last 12 months, while TASI has declined 0.7%.
- Over the last 3 months (since 01 Sep 2010), the Dividend Picks Portfolio has lost 3.7%, while the TASI gained 3.0%.

Exhibit 1: 3Q10 Dividend Picks Portfolio Performance**

Ticker	Company	Price* SAR	Market Cap (SAR mn)	Div. Yield - 09 (%)	PE TTM	Return (%)**
7010.SE	STC	39.9	79,800.0	7.5%	7.9	4.7%
1320.SE	SSP	19.9	1,014.0	10.1%	14.0	-17.8%
2090.SE	Gypsum	28.1	889.8	8.9%	15.6	-3.8%
2020.SE	SAFCO	154.0	38,500.0	7.8%	17.0	10.0%
2230.SE	Saudi Chemical	40.1	2,535.9	10.0%	9.0	-9.6%
2270.SE	SADAFCO	38.3	1,244.8	7.8%	5.9	13.6%
3040.SE	Qassim Cement	60.0	5,400.0	10.0%	9.5	-10.1%
4300.SE	Dar Al Arkan	9.0	9,666.0	11.2%	6.1	-16.7%
				Average return portfolio		-3.7%
				TASI		3.0%

Source: Reuters, NCBC Research

*As of 01/12/2010

** from 01 September 2010 to 01 December 2010

4Q2010 Dividend Picks Portfolio Construction

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

Exhibit 2: 4Q10 Dividend Picks Portfolio Construction

Ticker	Company	Price SAR	Market Cap (SARmn)	Dividend Yield	ROE (TTM %)	P/E
1320.SE	SSP	19.90	1,014	10.1%	8.5	14.0
3040.SE	Qassim Cement	60.00	5,400	10.0%	33.4	9.5
2230.SE	Saudi Chemical	40.10	2,536	10.0%	20.8	9.0
2090.SE	Gypsum	28.10	890	8.9%	10.7	15.6
3050.SE	**Southern Cement**	**62.00**	**8,680**	**8.1%**	**29.3**	**12.9**
2270.SE	SADAFCO	38.30	1,245	7.8%	33.9	5.9
2020.SE	SAFCO	154.00	38,500	7.8%	35.6	17.0
7010.SE	STC	39.90	79,800	7.5%	23.7	7.9

Addition for the current quarter

* As of 01/12/2010

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 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