المتحدة للأوراق المالية ش.م.م
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Monthly GCC Top Picks

October 11th, 2010

Markets Overview:

All regional markets reported positive returns in September. DFM, ADX and QE were the best performers in the region, adding 13.48%, 6.99% and 6.49% to their values respectively. Despite impressive gains, DFM remains to be the top loser on YTD basis, reporting a loss of 6.65%, followed by ADX and BSE, which lost 2.57% and 0.92% respectively. Qatar, Saudi and Oman were the only gainers on YTD basis. Qatar reported a striking double-digit gain of 10.57%, followed by Saudi and Oman, which gained 4.42% and 1.63% respectively.

Globally, there has been an attempt to stimulate the economy. Bank of Japan cut its interest rates to a range of 0-0.1%. Similarly, Bank of England kept interest rates for the record-low 0.5% for the 20th month. In US, Ben Bernanke, Chairman of Federal Reserve, admitted that the US economy is struggling to recover from the financial crisis and mentioned that it may need fresh stimulus. This was after concerns about the effect of rising unemployment and falling prices on customer demand and the economy. The pause in the economic recovery was further evident with the release of the ADP National Employment Report. Data showed that private-sector employment decreased by 39,000 from August to September compared to an increase of 10,000 between July and August.

In Europe, Fitch decided to downgrade Ireland's long-term foreign debt to A+ from AA-, with a negative outlook. However, this was not too much of a concern since the market was expecting some development on Ireland's rating for some time. Brent crude Oil inched up to close at US$80.85. Gold jumped to a record high and closed at US$1,364.77.

GCC Markets' Performance

Market	September 2010	YTD 2010
Abu Dhabi	+6.99%	-2.57%
Bahrain	+1.84%	-0.92%
Dubai	+13.48%	-6.65%
Doha	+6.49%	+10.57%
Kuwait	+4.43%	-0.29%
Muscat	+3.45%	+1.63%
Saudi	+4.68%	+4.42%
MSCI GCC	+6.24%	+8.53%

Notes: All data as of the end of September 2010
Source: Zawya, United Securities Research

Top Pick List:

Company	Market	Industry	Closing Price (Local Currency)	Price 52-w high (Local Currency)	Price 52-w low (Local Currency)	Valuation: PE 10E	Valuation: PB 10	Market Cap (MM USD)
Qatar National Bank	Qatar	Banking	159.31	165.00	114.00	10.94	2.76	17,151.55
Qatar Electricity and Water	Qatar	Industry	109.25	112.60	88.60	10.61	4.19	3004.676
Almarai Company	Saudi	Agriculture & Food	204.25	220.00	153.50	16.76	4.37	6,317.65
Saudi Basic Industries Corporation	Saudi	Petrochemical	92.00	108.25	76.75	13.46	2.42	71,998.10
Saudi International Petrochemical Co	Saudi	Petrochemical	26.20	27.10	18.65	26.01	1.86	2,266.10
Etihad Etisalat Co	Saudi	Telecommunication	56.00	56.00	40.50	12.14	3.02	10,313.10
Fawaz Alhokair	Saudi	Retail	47.20	50.50	33.20	12.23	3.28	867.976
Bank Muscat	Oman	Banking	0.859	1.030	0.593	11.34	1.57	3004.08
Renaissance Services	Oman	Services	0.832	0.845	0.635	8.73	1.52	609.618

Notes: All data are based on H1 except Almarai and QNB which are based on Q3 results of 2010. Prices are based on closing of 10th of October 2010.

Source: United Securities Research, Official markets websites, Zawya, Reuters , Argaam

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Overview on "September GCC Top Picks":

A portfolio equally weighted between September GCC Top-Picks increased in value by 5.82% on a MTD basis. This brings the portfolio's performance since the beginning of the year to 22.79% compared to MSCI GCC performance of 8.53% for the same period.

The largest gainers were: Du 17.4% and Commercial Bank of Qatar 14.2%, while the worst performing stock in the Monthly GCC Top Picks was Halwani Brothers which lost 2.1 % of its Market value.

Company	Market	Price Rcmd	Price 10th October,	Return
DU	Doha	2.36	2.77	17.4%
Commercial Bank of Qatar	Doha	78.00	89.04	14.2%
Qatar Electricity and Water	Doha	107.00	109.25	2.1%
Halwani Bros	Saudi	42.70	41.80	-2.1%
Fawaz Abdulaziz Alhokair	Saudi	47.70	47.20	-1.0%
SABIC	Saudi	87.50	92.00	5.1%
Saudi International Petrochemical Co	Saudi	24.20	26.20	8.3%
Bank Muscat	Muscat	0.848	0.859	1.3%
Renaissances Services	Muscat	0.776	0.832	7.2%
Top Picks September Returns (equaly weighted portfolio)				5.82%
YTD Return				22.79%
Performance since inception				98.63%

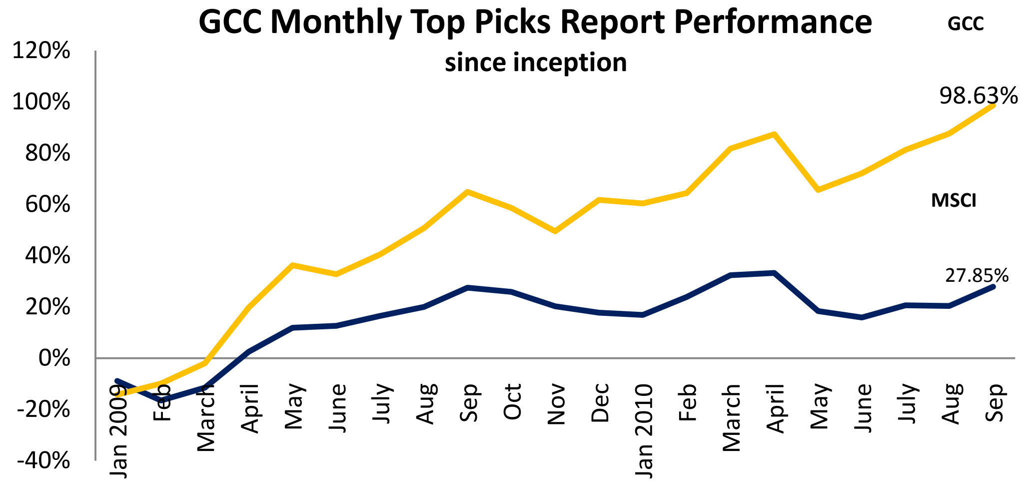
Notes: Inception data 1 Jan 2009 **Source:** US Research, Zawya, official stock markets websites

Highlights on "October GCC Top Picks":

The increase of investors risk appetite globally along with signs of economic recovery has pushed equity markets north. We expect the situation to remain positive in the medium and long-term which can attract additional funds to the market. The gradual steady upward movement was noticeable around most regional and global markets recently although many upward and downward spikes were witnessed. September rally was one of the upward spikes and hence investors are urged to keep an eye and remain cautious on any profit taking in the coming period.

As companies have started reporting their 3Q results, investors are urged to focus on fundamentally strong companies and to avoid pure speculation calls. We believe the coming period will further filter GCC companies for expected future outperformers and will provide directions going forward.

Our October Monthly GCC Top Picks, we decided to drop Commercial Bank of Qatar, Du and Halwani Brothers Company and to add Qatar National Bank, Etihad Etisalat Company (Mobily) and Al Maraei. We have added decent gains from QCB and we like QNB more at the moment backed by its solid results and growth over its deposits, loans, and bottom line on QoQ basis and also compared to the corresponding period last year. Du was another star performer and we think it has reached close to its fair value while Mobily still looks attractive at this levels. Although Halwani Brothers still looks attractive for the long-term, 3Q results were below our expectations. We don't expect any positive surprises next quarter and therefore we added Almarai Company backed by its solid 3Q results and expected future growth.

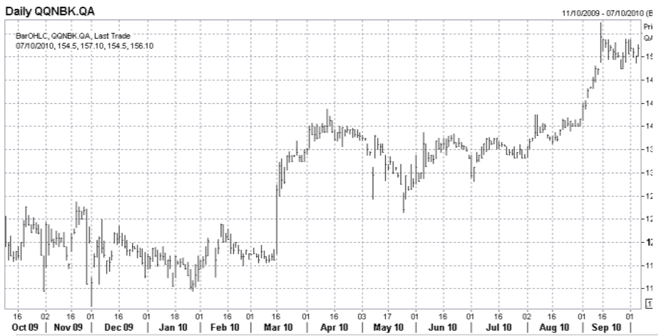


Monthly GCC Top Picks
October 11th, 2010

Qatar National Bank (QNB)

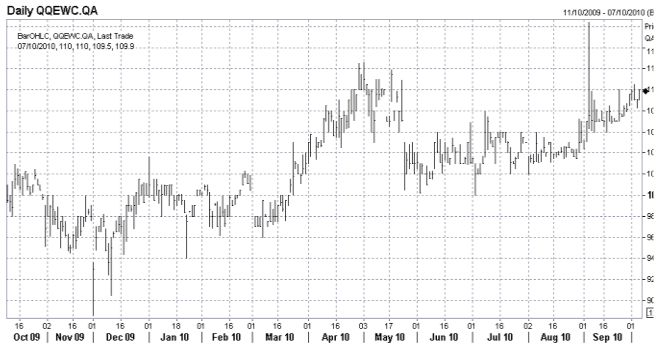
Qatar National Bank is the largest bank in the state of Qatar. The bank is expanding and opening branches in many countries. Recently the press talked about a potential acquisition of Kesawan Bank in Indonesia from QNB, the report talked about a potential 82% ownership by the first quarter of 2011. Meantime, Qatar National Bank got the approval to increase the capital of QNB-Syria to reach USD 300mn.

The net profit of QNB increased by 35% in the first 9 months of 2010 to reach QAR 4.2bn compared to QAR 3.1bn in 2009. The bank assets increased by 27% to reach QAR 194.7bn. In addition customer deposits and loans also increased by 37% and 32% respectively. QNB's PE is 10.94 and P/BV 2.76 which is at attractive levels.



Qatar Electricity and Water Company (QEWC)

Qatar Electricity and Water company net profit increased in the 2nd quarter of 2010 by 13%. The 3rd quarter results are expected to reach its peak due to the increase amount of consumption of electricity and water in the summer. The company's P.E is 10.61 while the P/BV is 4.19. The stock is a good defensive stock immune to global effects as it totally depends on local demand. The local subscribers in Electricity grew by 77.19% and Water by 121.45% from 1998 till 2010.

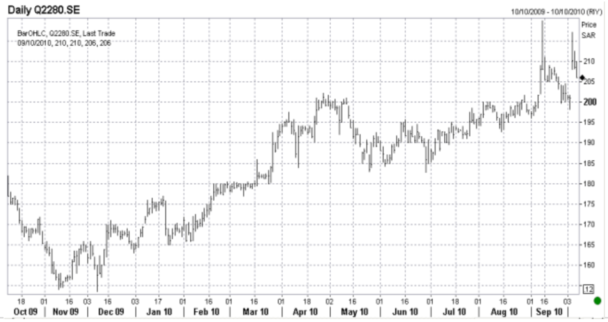


Almarai (6001)

Al Marai is a Saudi based company which manufactures and distribute fresh and long life processed dairy products, covers all supply chain activities including food processing, marketing, sales and distribution. It also distributes its products across the GCC. The company has recently engaged in acquisition deals which contribute to its growth such as al Hail Agricultural Development Company.

The net profit of Almarai grew in the first 9 months of 2010 by 18% and sales reached SAR 5132.1mn in comparison to SAR 4320mn in 2009 a healthy 19% increase. The main source of income for the company is dairy products and currently the company is expanding its range of products to enhance its sales. The stock is currently trading at a PE of 16.76 and a P/BV of 4.37.

The board of directors recommended increasing the capital of the company by a 100%. After approval of the share holders the company will give each existing share holder another share and this will be covered from Almarai cash reserves.



Monthly GCC Top Picks

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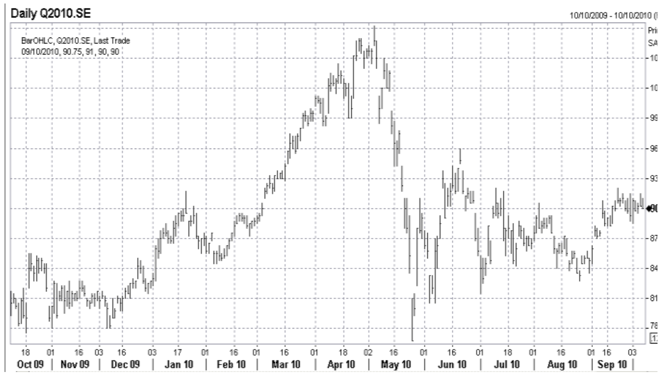
Saudi Basic Industries Corporation (2010)

Oil prices are in a comfortable zone above USD 75 which will reflect positively on SABIC operations. SABIC enjoys a significant cost advantage and government support which is enhancing its profit margin. Sabic recently increase the prices of Urea by SAR 135/ton to reach SAR 1215/ton, this is the 3rd increase for the 3rd month in a row. Also, Sabic increased the prices for phosphate fertilizers "DAP" by SAR 169/ton to reach SAR2130/ton.

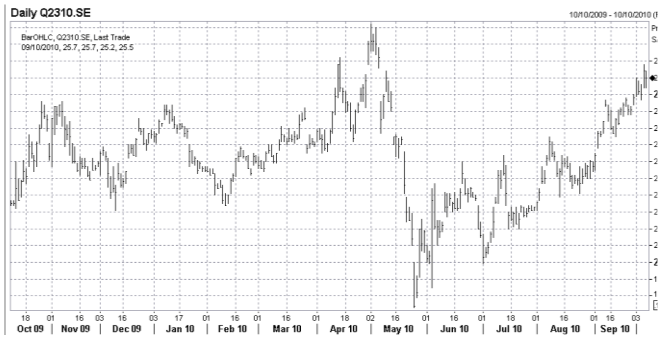
The expansion policy of Sabic is aggressive, after opening offices in East Asia and the Americas the latest addition to the expansions is South Africa with a new office that will supply the African continent with Sabic products. Currently the stock trades at a discount to its historical averages and to its global peers at a P/E of 13.46 making it attractive on relative basis, while P/BV is 2.42. Sabic results for the 1H 2010 showed a huge leap in sales to increase by 68% to reach SAR 10.45Bn.



Saudi International Petrochemical Co (2310)

Sipchem net profit for 1H 2010 reached SAR 168.9m against SAR 29.2 million for the corresponding half last year a 469% increase. The main reason for this increase was mainly due to the improvement in the product quantities and the increase in sales as well as the increase in the profit margins in some of its products. The earnings to be higher in the next quarters as its acetyl complex started commercially in the 1st half of the year.

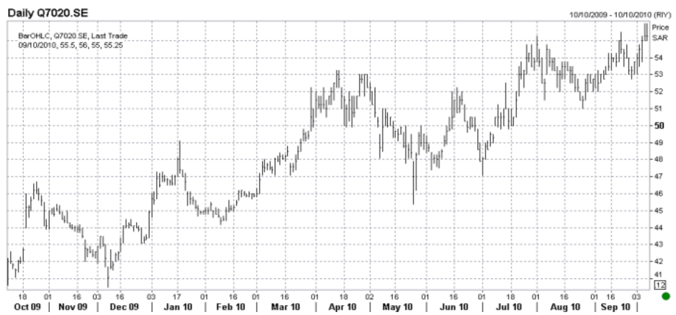
The company announced the commercial start-up of two of its Acetyls Complex plants in Jubail Industrial city on Saturday 5 June 2010, namely, the Carbon Monoxide plant with an annual production capacity of 345,000 tons and the Acetic Acid plant with an annual production capacity of 450,000 tons. The Carbon Monoxide plant is considered the largest of its kind in the world. Sipchem is trading at a PE of 26.01 and P/BV of 1.86.



Etihad Etisalat (7020)

Etihad Etisalat is one of 3 mobile operators in KSA. Mobily offers one of the best 3G services worldwide and recently they are considering and studying the visibility of including a 4G service which could make the 1st mobile operator to offer 4G in the region. They are covering more than 500 cities and villages in the Kingdom and expanding on the broadband service.

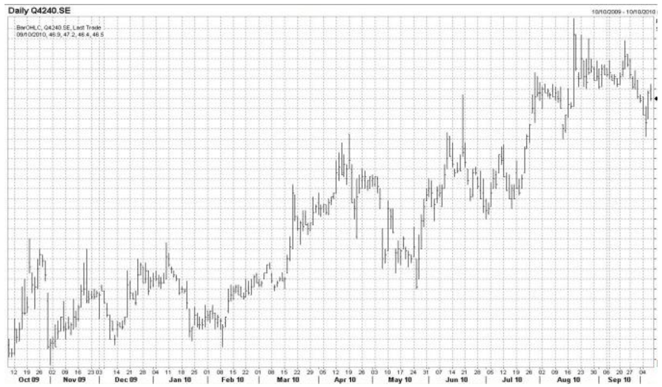
Etihad Etisalat is trading at 12.14 PE which is attractive compared to the average PE of the telecom sector in 2010. Although the P/Bv is 3.02 but we believe that the company is attractive at these levels and one of the best telecom companies in MENA with continuous growth in Sales and client market share.



Fawaz Abdulaziz Alhokair (4240)

Al Hokair reported a 1Q2010/11 of SAR 501.487mn in gross revenue an increase of 1.83% on a QoQ basis and 30% on YoY basis. Net profit reached SAR 52.143mn an increase of 88% on QoQ basis and 54% on YoY basis.

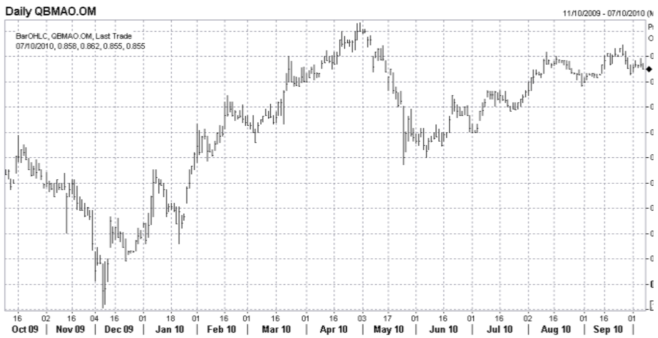
The core business of the company (clothes, accessories, footwear and home furniture) is performing well, as well as benefitting from low Euro rates. The company has and is currently expanding its exports to Egypt, UAE, Jordan and the ex-Soviet Union countries. The company benefits from yearly events such as Eid and return to school season which reflect positively on their 2nd half sales. Many investors will start accumulating on the share due to the seasonal effect. Al Hokair is trading at a PE and P/BV of 12.23 and 3.28.



Bank Muscat (BKMB)

Bank Muscat, the largest bank in Oman, reported net profit of Rails 47million for 2Q2010 compared to RO 60.4 million reported during the same period in 2009. Excluding the one-offs in 1H 2009 resulted from the gain on sale of HDFC Bank investment, looses on available-of-sale investment portfolio, and credit losses towards Saudi branch exposures, H12010 Net Profit showed an increase of 13% over H1 2009. H1 2010 results were impacted by the negative contribution of BMI which has raised the collective provision on the standard loan book in-line with the guidelines from the Central Bank of Bahrain.

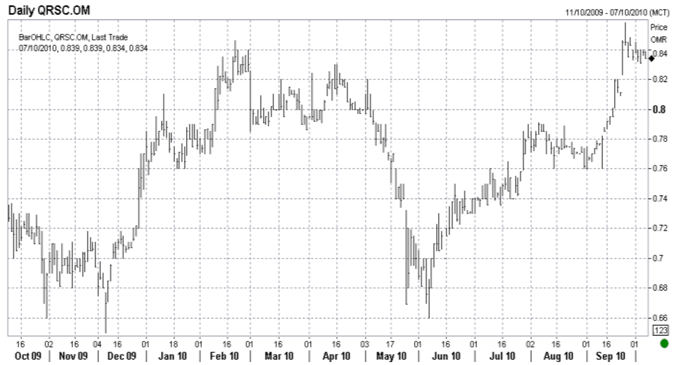
Bank Muscat trades on an attractive valuation of PB 1.57 and PE 11.34, which makes it among the cheapest in Oman banking sector. Omani banks in general and Bank Muscat in particular have run an exercise to clean their balance sheet during last year. It has a robust balance sheet now which will serve the bank in the quarters ahead. In addition, Bank Muscat is better placed to benefit from the expansionary budget and the infrastructure activities in Oman during the medium-term.



Renaissance Services (RNSS)

Renaissance's historically have been resilient to economic downturn due to its mix of predominantly stable long term contracts with blue chips in the Caspian Sea region. Renaissance is committed for a long-term investment to sustain its growth rate. The chairman has declared plans for disciplined investments of OMR 522 million (US$ 1.36 billion) over the next three years and recently the company secured loans of OMR 38.5 million.

The Engineering business was negatively impacted by recession but we expect a gradual upturn in the Engineering performance in the second half of the year. The company remains on a positive sustainable growth path for 2010 and beyond. The company trades on an attractive valuation of PE 8.73 and PB 1.52.



End of Report