Monthly GCC Top Picks

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المتحدة للأوراق المالية ش.م.م
UNITED SECURITIES LLC

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Markets Overview:

Regional stock markets posted positive return due to improvement in oil prices and metal prices amid signs of improving global economic conditions. All GCC financial markets posted positive MTD returns, where Doha Securities Market was the highest gainer gaining 24.58% followed by Dubai Financial Market which gained 16.98%. On a YTD basis Bahrain Stock Exchange continued to post negative returns while all other GCC markets posted positive returns, with TASI posting the highest gains by 22.70%, followed by Dubai Financial Markets and Abu Dhabi Exchange. Buying pressure was witnessed across the region where volumes were up in most of the regional markets. Financial markets around the world continued to show positive momentum as confidence levels seemed to be growing. We believe this was attributed to improvement in global and regional markets and mainly improvement in oil prices. We believe the financial markets will hold to its positive momentum if oil prices hold above USD 60.

GCC Markets' Performance

Market	MTD	YTD
Abu Dhabi	6.05%	12.11%
Bahrain	1.64%	-10.08%
Dubai	16.98%	14.78%
Doha	24.58%	1.37%
Kuwait	7.85%	4.72%
Muscat	7.24%	1.09%
Saudi	4.76%	22.70%
MSCI GCC	12.9%	15.7%

Notes: All data as of the end of May 2009
Source: Zawya, United Sec 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 09E	Valuation: PB 09 Q1	Market Cap (MM USD)
Arabtec	Dubai	Construction	3.01	9.83	0.76	5.57	1.76	967
Commercial Bank of Qatar	Doha	Banking	76.10	158.00	38.10	9.00	1.62	4,468
Qatar Electricity & Water	Doha	Utilities	102.30	160.10	67.30	13.32	7.06	2,803
Qatar Gas Transport Company (Nakilat)	Doha	Services	27.70	43.00	14.20	69.30	16.69	4,126
ZAIN Group	Kuwait	Telecom.	1.160	1.96	0.64	16.11	2.01	17,801
Anwar Ceramics	Muscat	Industry	0.336	0.556	0.135	7.15	2.54	97
Bank Muscat	Muscat	Banking	0.765	2.133	0.471	9.11	1.20	2,076
Oman Flour Mills	Muscat	Food	0.413	0.668	0.186	5.16	1.588	168
Saudi Cable	Saudi	Retail	30.50	86.00	17.35	12.50	2.11	618

Notes: * Market Price related data is as of June 7, 2009 **Source:** Official markets websites, Zawya, Reuters , Argaam, United Sec Research

Overview on "May GCC Top Picks":

A portfolio equally weighted between our top-picks performed +13.8% last month compared to MSCI May performance of 12.9%. This brings our GCC Top Picks Portfolio YTD return to +36.3%.

Zain and Arabtec were the best performers in our Top Picks Report gaining 43.2%, and 28.1% respectively. Qatar Electricity and Water and Al Anwar Ceramics were the only stock with a negative performance for the month by losing 1.4% and 0.3% respectively.

Company	Market	Price		Return
		Rcmd (May 7, 09)	June 7th, 09	
Arabtec Holding PJSC	Dubai	2.35	3.01	28.1%
The Commercial Bank of Qatar Q.S.C.	Doha	63.50	76.10	19.8%
Qatar Electricity & Water Company Q.S.C.	Doha	103.80	102.30	-1.4%
Nakilat	Doha	24.40	27.70	13.5%
Zain Group	Kuwait	0.81	1.16	43.2%
Anwar Ceramics	Muscat	0.34	0.34	-0.3%
Bank Muscat	Muscat	0.73	0.77	4.9%
Oman Flour Mills	Muscat	0.41	0.41	0.7%
Fawaz Abdulaziz Al Hokair Company	Saudi	27.40	31.60	15.3%
Top Picks April Return (equaly weighted portfolio)				13.77%
YTD Return				36.29%

Source: US Research, Zawya, official stock markets websites

Highlights on "June GCC Top Picks":

In June, we continue to remain bullish on Muscat, Doha and Saudi markets. Plus adding to the list Dubai and Abu Dhabi markets. Qatari government continued to support local banks by acquiring the real-estate portfolios of nine local banks to boost the domestic real-estate sector. The Government's move has continued to reflect positively on their stock exchange which gained 24.58% on YTD basis. We saw an increase in foreign investors in May in all the majority of the regional financial markets, this represents promising opportunities in the market.

We continue to take a more aggressive risk-return strategy (by decreasing exposure on defensive stocks) as the sentiments in the region are changing. We have decided to drop Fawaz Al Hokair from our top picks report in June as we see more lucrative opportunities elsewhere. We have decided to add Saudi Cables instead as we expect the company to to have a healthy potential growth

Companies Overview:

Arabtec Holding (ARTC):

Arabtec Holding's Group current order book stands at Dh28.4bn which includes Dh10bn Okhta Centre project in Russia, between Dubai and Abu Dhabi the current backlog is AED 18.4bn. The following are projects which have gone off their list of projects: Cleveland, Bawadi, Atrium, Saadiyat Island in TDIC. The company has an outstand debt of Dh3bn of which nearly 80% is due from the Dubai Government or quasi-government entities, but payment for these specific projects are flowing in a timely manner and in accordance with the contractual agreed terms. Arabtec has been shortlisted for 3 projects worth AED 4.5bn in Abu Dhabi which are all related to building and not infrastructure, while no work is available from Aramco or King Abdullah Economic City but the company is working with the Princess Noora University in Riyadh. The company currently has 2 projects in Pakistan one is suspended and taken out of their backlog and the other is Aga Khan University which is currently ongoing. The company is currently looking at some projects in Algeria, Saudi Arabia and Libya. Recently the company has won a AED 1.6bn joint-venture with National Projects & Construction for the contract from International Capital Trading in Abu Dhabi for the construction of Nation Towers mixed use development on the capital's corniche. The total development cost is estimated to be at AED 2bn, covering a build-up area of over 3.4 square feet. The project is expected to be commissioned by end of 2011.

Commercial Bank of Qatar (CBQK):

In another move to boost the capitalization levels of local banks in Qatar the government has announced that it will spend USD 4.1bn on acquiring the real-estate portfolios of nine local banks (Qatar National Bank, Commercial Bank of Qatar, Doha Bank, International Bank of Qatar, Qatar International Islamic Bank, Qatar Islamic Bank, Masraf Al Rayan, Ahli Bank and Al Khaliji Bank) to boost the domestic real-estate sector which involved the government taking over the real-estate investment portfolios. The selling price has been set according to the book value of the real-estate investment at a ceiling of QAR15bn. The initiative will enable local banks to pursue their vital role in the national economy and push forward the development process.

Qatar Electricity & Water (QEWS)

Qatar Electricity and Water Company posted a net profit of QR 143.256mn at the end of 1Q09 compared to QR 131.948mn for the corresponding period the previous year, showing an increase of 8.6%. The company's revenue increased by 24.8% to reach QR 516.004mn at the end of 1Q09 compared to QR 413.514mn in 1Q08. The revenue stated here reflects some of the positive returns on project which were completed last year such as Abu Fentas Project (B-2). Recently, the foundation stone of USD 3.9bn Ras Girtas Power and Water Project in Ras Laffan was laid where the company owns 45%. This is one of the largest projects in the power and water projects in Qatar and in the region. The first phase is expected to commence its first phase of production in 2010 and expected to be completed in April 2011. The project will constitute 30% of the electricity and 20% of potable water delivered to the national grid. The first stage of the project will provide 1,612MW of power, and the second stage to be completed in September 2010 will provide 63MIGD of potable water, to eventually reach a total capacity of 2,730MW of power and 63MIGD of potable water with an estimated capital cost of $4bn on completion by early 201

Qatar Gas Transport (QGTS, Nakilat, Q-Gas)

Qatar Gas Transport received another of the world's largest and most advanced Q-Max LNG carriers and chartered on long-term contract to Qatargas Liquefied Gas Company Limited (3), known as Qatargas 3. The Nakilat owned Q-Max LNG Carrier "Al Mafyar" will be used to ship LNG produced by Qatargas 3, to markets primarily in the United States. This carrier has 80% more capacity than conventional LNG carriers with about 40% lower energy requirements due to the economies of scale created by their size and the efficiency of the engines. The company provides gas shipping services including liquefied natural and petroleum gas and provides ship repair and maintenance. It also involved in operating, managing, and leasing carriers, vessels and ships. The company aims in owning 54 LNG vessels by 2010-end to bring its share of the global LNG shipping market to 18%. The company immediately charts its carrier ships for up to 25 years by state-controlled gas producers, RasGas or Qatargas. Nakilat transports majority of the country's output to Spain, Britain, the US, and Japan.

Al Anwar Ceramic Tiles Company (AACT):

The company has reported an increase of 32.6% in its 1Q09 net profit results where the company reported a net profit of RO 1.261mn compared to RO 0.951mn for the corresponding period the previous year. It achieved a total income of RO 4.107mn at the end of 1Q09 compared to RO 2.821mn for 1Q08, this is the highest quarterly revenue the company has ever achieved; better sales revenue, low cost production and tight control in selling and distribution costs have aided the company in achieving these result. The output from the new line, which is now fully stable, has helped to increase the company's volumes and has achieved the company record high sales.

Bank Muscat (BKMB)

Bank Muscat reported Q1 2009 net profit of RO 48.4mn, up by 82% YOY and considerably higher sequentially by RO 48mn in absolute terms. The posted profits included a non-recurring gain of RO 35.3mn from the sale of 81% of its 2.67% stake in the Indian bank HDFC. Net interest income witnessed a drop of 7% QoQ due to the squeezed spreads comparing to Q4 2008.The loan book was up marginally QoQ by 1.3 % to reach RO 3.78bn, while total assets and customer deposits were lower on a sequential basis by 5% and 1.4% respectively. On a positive note, the remaining stake in HDFC will provide a cushion to absorb the impact of incremental provisions.

Oman Flour Mills (OFM)

Oman Flour Mills is engaged in the milling and food processing business. The primary activities of the Company are milling of wheat and other cereals, sale of flour, and the processing and sale of animal feed. It manufactures and markets two principal product lines, flour products that are marketed under the Dahabi brand name, and feed products that are marketed under the Barakat brand name. The company has reported Net Profit of RO 3.439 mn for the 9-months ending in March 2009 as compared to RO 5.673 mn in the previous year although their operating profit has increased by RO 3.982 mn. In the last quarter itself, the company achieved an impressive bottom line of RO 3.140 mn although they had RO 250K net losses in their investments. The company's investments in the equity market have negatively impacted their profitability in the last 3 quarters. However, its expected to report positive net investments in the next quarter. The company has recently established Bread House LLC in their ambitious expansion plan; and expects better margins from it in the future. Atyab Investments, the company's investment arm, will oversee all their investment projects such as the industrial bakery, the proposed flour mill in Sohar and the poultry.

Saudi Cables (2110)

Saudi Cable Co. has recently received a number of contracts from different contractors from within the Kingdom to amount to about SAR 250mn. Another contract the company won was a SAR 130mn turnkey contract deal to develop electricity grids in Bahrain, where it was awarded by Bahrain's Electricity and Water Authority. This deal follows a number of projects involving high-voltage cables implemented by Saudi Cable in Bahrain. The company had announced a net profit of SAR 46.3mn in the 1Q'09 compared to SAR 84.14mn in the corresponding period the previous year a decline of 45%. The main reason for the decline was due to the continual global economic crisis which has resulted into modest orders compared to 1Q'08, as well as continuous decline in copper prices from the 1Q'08.

Mobile Telecommunications Company (ZAIN)

Zain and Palestinian Telecommunications Company Plc (Paltel) have entered into an agreement for a share-for-share exchange, where Zain will take a majority interest in Paltel with an equity shareholding of 56.53% in exchange for Paltel owning 100% of Zain Jordan. This combination of Zain Jordan and Paltel will produce a business group which will generate more than USD 1bn in revenues and USD 300mn in net income in 2009 alone. Zain has declined the USD 18.6mn fine which was placed by the Iraqi Government for poor service and not honoring contracts by announcing that it has not received any official request from the Iraqi Government and it is still in negotiations with the Government along with the other 2 operators which were also fined (Korek to pay USD1.2mn and Asiacell fined USD1.1mn). Zain has announced that it will be lowering its net profit target for FY2009 to 20% from 30% due to the global economic conditions and is seeking a credit rating to tap longer term debt markets by the end of 2010 before the USD 4bn refinancing facility through sukuks and bonds which is due in 2010. Zain will shift its focus for this year and will no longer look for mergers and acquisitions, the company will also cut capital expenditure around half to meet their target.

End of Report