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

February 4th, 2009

Markets Overview:

The downward trend continued during the first month of 2009 as all GCC indices ended in red except the Saudi market which ended almost flat. Doha Market performed the worst despite being the best performer in 2008 shedding just 28.2%. During the last week of January, investors gained confidence in most of GCC markets as companies were publishing their 2008 results. We believe that these results will provide a much clear view on the global financial crisis impact on different companies, sectors and markets in GCC. In addition, Muscat Stock Market witnessed the highest volatility in January in reaction to the news and rumors concerning the government sponsored Stabilization Fund, which started trading in February 1, 2009.

GCC Markets' Performance

Market	MTD / YTD
Abu Dhabi	-5.61%
Bahrain	-8.27%
Dubai	-7.09%
Kuwait	-13.08%
Muscat	-11.53%
Doha	-23.72%
Saudi	0.12%

Notes: All data as of January 31st 2009
Source: US Research and Zawya

Top Pick List:

Company	Market	Industry	Closing Price (Local Currency)	Price Yr high (Local Currency)	Price Yr low (Local Currency)	Valuation PE 08	Valuation PB 08	Market Cap (MM USD)
Arabtec	Dubai	Construction	0.86	9.95	0.86	1.01*	0.60**	280
Commercial Bank of Qatar	Doha	Banking	61.50	173.50	50.60	6.7	1.30	3,454
Qatar Electricity & Water	Doha	Utilities	76.90	160.10	67.30	9.68*	2.26**	2,133
Anwar Ceramics	Muscat	Industry	0.223	0.723	0.175	5.4	1.6	51
Bank Muscat	Muscat	Banking	0.645	2.274	0.553	7.4	0.98	1,818
Omantel	Muscat	Telecom.	1.599	2.442	1.353	8.4*	3.33**	3,136
Al Marai Company	Saudi Arabia	Food	139.25	183.00	113.00	16.7	4.06	4,038
Mohammad Al Mojil	Saudi Arabia	Construction	41.00	100.75	40.40	6.7	2.26**	1,093

Notes: * Based on 9-months ending Sep 08 annualized EPS ** Based on BV of period ending Sep 08 *** All other data are as of period ending Dec 31, 08 **** Prices are as of close of Feb 3, 2009 **Source:** US Research, Zawya, Reuters and Argaam

January GCC Top Picks Overview:

A portfolio equally weighted between our top-picks performed -14.3% in January. The huge drop in Arabtec was contributed to the selling pressure the stock experienced. Al-Anwar Ceramics was the outperformer for the month as the company reported their 2008 results which exceeded many analysts' expectations.

Company	Market	Price: Recomendation Close 12/31/08	Price: Close 31/1/09	Return
Sorouh	AD	3.2	2.88	-10.0%
Arabtec	Dubai	2.26	1.16	-48.7%
Commercial Bank of Qatar	Doha	88.4	63.8	-27.8%
Omantel	Muscat	1.57	1.611	2.6%
Al Anwar Ceramic	Muscat	0.22	0.238	8.2%
Mohammad Al-Mojil	Saudi	44.1	42.6	-3.4%
Savola	Saudi	24.1	19.1	-20.7%
Top Picks Stocks Equally Weightage Return				-14.3%

Source: US Research and Zawya

February GCC Top Picks Highlights:

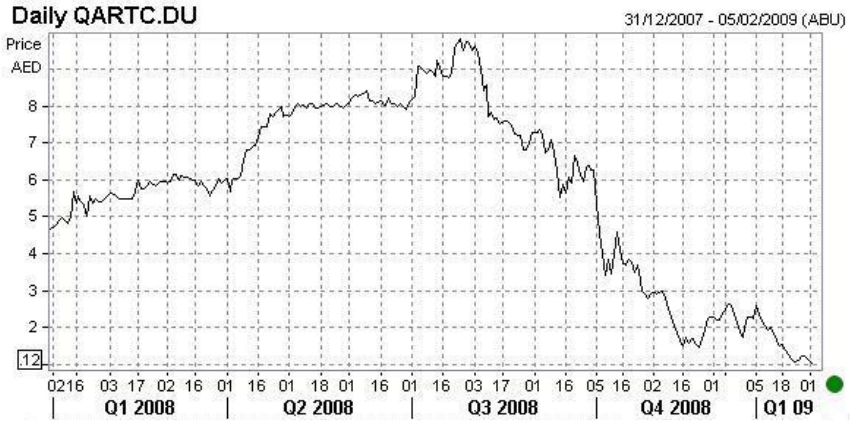
We are cautiously positive on GCC markets in 2009. The markets experienced sharp drops last year and we see many opportunities lay ahead for investors. In February, we are placing a larger weight on telecommunication sector in GCC overall, banking sector in Oman and Qatar, construction sector in Saudi, and selective industrial and service companies.

Sorouh and Savola have been dropped from our Top Picks Report and Bank Muscat, Al Marai and Qatar Electricity & Water were added. We expect Sorouh Real Estate to suffer in the short-term. However, the company will continue to be in our radar as we still maintain a positive outlook on the Abu Dhabi real estate market in the medium and long term. Savola reported Net Losses in Q4 2008 due to the SR434 million of impairment loss against their available-for-sale investments. We expect the company to continue their positive bottom-line next quarter but we decided to drop it from the Top Picks Report as the growth does not look very attractive.

Al Marai, which Savola Group owns 29% of it, has been added instead. Al Marai is a growth and stable story and the world scenario impact on the company's operation is very minimal. The company has recently declared many M&A deals with companies based in Egypt (Beeaty), Jordan (Taiba) and Saudi (HADC). Qatar Electricity & Water operates in one of the fastest growing economies in the world and has very long-term agreements with Kahramaa, a government entity. They currently have large numbers of expansion projects in their pipeline including a power generation and water desalination plant in Ras Laffan.

Companies Overview:

Arabtec Holding (ARTC):



Arabtec is a leading construction company in UAE which has emerged to be a global player through its projects in Qatar, Russia, Syria, Jordon and Pakistan. The company's operations are mainly focused in Dubai market (around 50% of their backlog) but with a very strong exposure to Abu Dhabi as well. Recently the company has declined any layoff plans in their workforce despite the issues in Dubai property market. This is because the company looks for expansion plans in neighboring markets such as Saudi and Qatar besides Abu Dhabi. The company has many on-going contracts with various durations and with total backlog of over AED40b. The company has not yet declared its 2008 results but it announced its expectation of "just over 1 billion dirhams" in bottom line, which is a growth of 87% from last year.

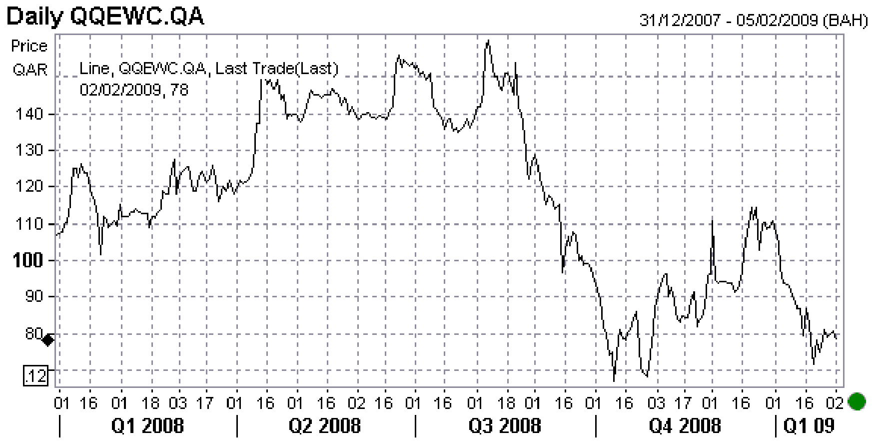
The joint venture contract between Arabtec and Malaysian WCT to build the Meydan racecourse project has been cancelled due to reasons not fully disclosed. The contract to build the racecourse is estimated to be US$ 1.3bn. Another project worth US$ 654.34mn will be delayed for at least one year after the developer Emirates Sunland decided to delay the Atrium project. However, the current stock price discounts all current and expected delays and cancelations. The company may experience a high short-term risk and volatility but we see a very good opportunity in Arabtec for long-term investors at these levels.

Commercial Bank of Qatar (CBQK):

The Doha-based bank offers commercial and Islamic banking services. It has experienced a healthy and stable growth in both deposits and loans despite the financial crisis. The bank possesses stakes in 2 banks operating in Oman and UAE. Although the Qatari markets has declined more than the other GCC equity markets in 2008, the Qatari economy is not expected to be hurt as other global and regional economies due to excess liquidity and stable financial position. The bank disclosed its preliminary results for FY 2008, where it reported a net profit of QR 1.7bn compared to QR 1.4bn for FY2007; an increase of 22.4%. Operating Income also increased by 42.5% to reach QR 2.8bn in FY 2008 compared to QR 1.9bn in FY 2007. The banks total Assets grew by 35%. The bank has proposed to distribute 70% cash dividend (QR 7 per share) of the Bank's paid-up share capital for FY2008, subject to shareholders' approval in its AGM on February 16, 2009. Qatar Investment Authority (QIA) has completed the first phase of investing in the bank's share and the second phase will be completed in December 2009. Currently CBQ is trading at PB of 1.30x and PE of 6.7x with ROE of 24.36%.

Qatar Electricity & Water (QEWS)

QEWS manages Qatar's power generation and water desalination for the country and the Qatari government owns 42% stake of the company. The company currently accounts for more than 60% of all electricity generation and most of the desalinated water in Qatar. In 2008 QEWS signed an agreement with a French and Japanese Firm to build and operate a new US$3.8bn power and water production facility at Ras Laffan Industrial City (RLIC). The company was also awarded a US$ 323mn for the expansion of water supply networks and pipelines. The company reported an increase in revenue by 16.2% in 9months 2008 to reach QAR 1.7bn which was driven by an increase of electricity sales. The company reported a net profit of QAR 596.19mn at the end of 9months 2008 an increase of 15.9% compared to the corresponding period the previous year. We believe that this company has potential as Qatar's energy consumption is increasing backed by rising population and infrastructure developments.

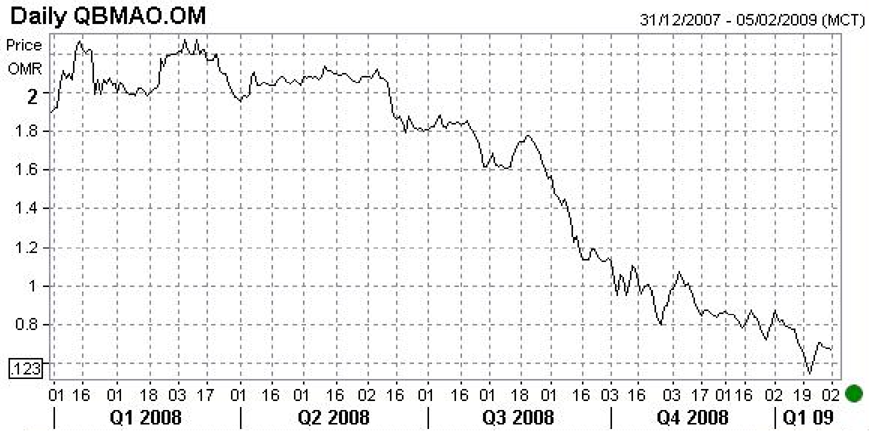


Al Anwar Ceramic Tiles Company (AACT):

Anwar Ceramic engages in the activity of producing glazed ceramic floor and wall tiles, in technical collaboration with an Italian company under "Al Shams brnad". It is a significant player in the GCC market especially UAE and Saudi. The company enjoys the advantage of using locally available raw materials. Currently the company started a third production line adding 3 million sq meters per annum taking the total capacity close to 10m sq mtrs pa which gives the advantage of economies of scale.

Al Anwar Ceramic Tiles net profit reached RO 3.58mn at the end of FY 2008 an increase of 55% compared to FY 2007. Revenue has increased by the end of FY 2008 by 35% compared to FY 2007 to reach RO 11.95mn.

Bank Muscat (BKMB)



Bank Muscat is Oman's largest bank based on total assets. It provides retail and private banking, corporate, investment banking, and assets management services. Although the bank is the largest in Oman, it continued to report an impressive growth in their balance sheet despite the financial crisis.

Bank Muscat has reported a net profit of RO 93.7mn in FY 2008 an increase of 11.2%. The bank has stated that this drop in the last quarter of 2008 was due to the global financial crisis which led to changes in the global economic conditions that lead to significant impairment losses incurred in 4th Quarter 2008 that was reflected on the bank's market value of strategic and non strategic investments. The bank has proposed in their innovative divided scheme to distribute 50% dividend for FY 2008, where 20% will be cash dividend and the 30% will be mandatory convertible bonds carrying a coupon rate of 7% pa. 50% of the bond will be converted in 3 years and the remaining 50% in 5 years.

Oman Telecommunications Company (OTEL)

The Omani provider for fixed-line and mobile services is well positioned financially with attractive valuations and considered to be a steady company with stable growth. It has recently diversified its operations through their acquisitions in Pakistan and Sri Lanka. Omantel will lose it monopoly in fixed-lines after the Omani government approved Nawras as a second operator of fixed lines in Oman. We don't expect that this movement to negatively impact the company in the short-term as the second operator will need time to start their operations and will have a positive impact in the long-term through increasing competition and consequently efficiency. The company has already started integration with Oman Mobile which is expected to increase efficiency and decrease cost. It has not yet reported their 2008 financials.

Al Marai Company (2280)

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. Also, it Al Marai is currently in negotiation with Hail Agricultural Development Company for an M&A deal. In November 2008 the company has allocated USD 53.5mn to build factories in Saudi Arabia, among them a factory for the production of bread and pastry. The company reported a net profit of SR 910.3mn at the end of FY 2008 an increase of 36% compared to FY 2007. The company has also declared a cash dividend of 3.5 SAR. The company is trading at PE 16.7x and a PB 4.06x.

Mohammad Al Mojil (1310)

MMG is a Saudi-based construction and engineering company with activities in civil, structural, mechanical, electrical, and instrumental contractive for oil, gass, petrochemical, power, waster, and water industrial and commercial sectors. It has shown a steady growth associated with the growth in the Saudi economy which is expected to continue after the Saudi government declared their largest budget ever.

MMG sales increased at the end of FY 2008 to reach SAR 3.345bn compared to SAR 1.955bn in FY 2007 an increase of 71%. The company's total revenue has also increased by 26% to reach SAR 804mn. Net Income has reached SAR 665mn at the end of FY 2008 compared to SAR 549mn in FY 2007. Recently the company denied the rumors of shelving the contract to develop the Manifa heavy offshore oil field located offshore the Persian Gulf, which is expected to produce 900,000 bpd of heavy highly-sulphuric crude oil. The construction and development of the project is continuing to the original plans. The company is trading at a PE of 6.7x and PB of 2.26x.