Monthly GCC Top Picks

November 9th, 2010

UNITED SECURITIES LLC

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Markets Overview:

Regional markets, except Saudi, reported positive returns in October. For the 2nd consecutive month, ADX, DFM and QE remain to be the best performers in the region, gaining by 5.35%, 4.80% and 1.31% respectively. Despite notable performance since September, DFM was the only loser on YTD basis, reporting a loss of 2.16%. Qatar, Saudi and Oman remain to be the best performers on YTD basis adding 12.02%, 3.79% and 2.90% to their values respectively.

Globally, there is an attempt to rev up the "disappointingly slow" economic recovery. The Fed are betting on the power of money as it decided to buy US$600 billion government bonds over the next 8 months compared to US$500 billion expected from the market. Yet, the need for QE2 was welcomed by all participants as markets reacted positively. Dollar Index slumped to its weakest level and euro jumped to a nine-month high against the dollar amid speculation that European Central Bank will keep withdrawing its stimulus measures.

In China, the central bank unexpectedly raised its benchmark interest rates by 25 basis points to 5.56% for the first time since 2007 as inflation accelerated in September to the fastest pace in 23 months. Lower dollar boosted demand for alternative investments. Crude Oil hit 6-months high to settle at $84.69 on bullish inventory reports. Silver climbed to a 30-year high and palladium reached a nine-year high.

GCC Markets' Performance

Market	October 2010	YTD 2010
Abu Dhabi	+5.35%	+2.64%
Bahrain	+1.22%	+0.29%
Dubai	+4.80%	-2.16%
Doha	+1.31%	+12.02%
Kuwait	+1.13%	+0.84%
Muscat	+1.24%	+2.90%
Saudi	-0.61%	+3.79%
S&P GCC	+0.84%	+8.37%

Notes: All data as of the end of October 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	169.00	169.20	114.00	11.94	2.92	18,199.80
Qatar Electricity and Water	Qatar	Industry	116.20	120.00	90.80	10.44	4.61	3,196.69
Almarai Company	Saudi	Agriculture & Food	215.50	220.00	155.00	18.56	4.22	6,608.13
Saudi Basic Industries Corporation	Saudi	Petrochemical	102.50	106.75	76.75	14.62	2.67	81,993.44
Saudi International Petrochemical Co	Saudi	Petrochemical	25.70	27.10	18.70	25.45	1.80	2,293.15
Etihad Etisalat Co	Saudi	Telecommunication	55.00	56.00	41.20	10.50	2.73	10,265.85
AlHokair	Saudi	Retail	43.10	49.70	34.60	6.67	2.56	804.468
Bank Muscat	Oman	Banking	0.885	1.030	0.593	11.80	1.56	3,098.23
Renaissance Services	Oman	Services	0.917	0.925	0.635	9.65	1.67	672.59

Notes: All data unless mentioned are based on quarter ending in Sep 30th 2010 - Prices are based on closing of 8th November 2010 * RNSS data are based on Q2 2010

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

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Overview on “October GCC Top Picks”:

A portfolio equally weighted between October GCC Top-Picks increased in value by 3.37% on a MTD basis. This brings the portfolio’s performance since the beginning of the year to 26.92% compared to S&P GCC Index performance of 8.37% for the same period.

The largest gainers were: SABIC 11.40% and Renaissance Services 10.2%, while the worst performing stock in the Monthly GCC Top Picks was Fawaz Al Hokair, which lost 8.7 % of its Market value.

Company	Market	Price		Return
		Rcmd	8th November	
Qatar National Bank	Doha	159.31	169.00	6.1%
Qatar Electricity and Water	Doha	109.25	116.20	6.4%
Al Marai Company	Saudi	204.25	215.75	5.6%
SABIC	Saudi	92.00	102.50	11.4%
Saudi International Petrochemical Co	Saudi	26.20	25.70	-1.9%
Etihad Etisalat Co	Saudi	56.00	55.00	-1.8%
Fawaz Alhokair and Company	Saudi	47.20	43.10	-8.7%
Bank Muscat	Muscat	0.859	0.885	3.0%
Renaissances Services	Muscat	0.832	0.917	10.2%
Monthly Top Picks October Returns (equaly weighted portfolio)				3.37%
YTD Return				26.92%
Performance since inception				105.32%

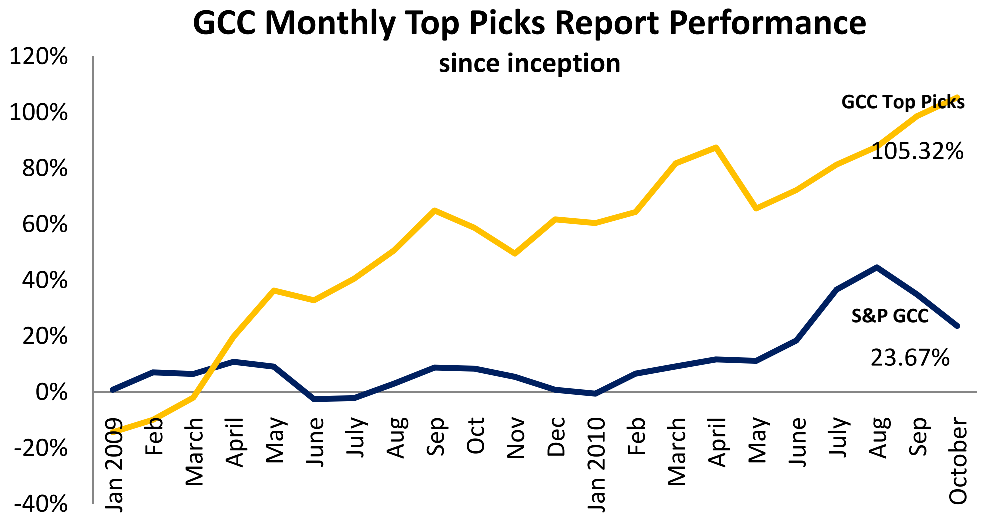
Notes: Inception data 1 Jan 2009 **Source:** US Research, Zawya, official stock markets websites

Highlights on “November GCC Top Picks”:

GCC markets continued their recovery from the financial crisis with improved risk appetite, weaker US dollar, falling interest rates and higher oil prices. We expect the situation to remain positive which can attract additional funds to the market. Although the upward path might continue, we may witness some upward and downward spikes as profit taking is inevitable with any upward movements. In addition, the so-called PIGS nations (Portugal, Ireland, Greece and Spain) debt troubles won’t go anytime soon.

With the growth stories in Saudi and Qatari markets, we continue to focus on these markets for the coming period. Saudi and Qatari markets are supported by growth and by fundamentally strong macro pictures. In terms of sectors, we continue to focus on the petrochemicals & retail sectors in Saudi, banking and service sectors in Qatar and service sector in Oman. Investors will favor companies with high growth rate and high dividend yield in the coming period.

In our November Monthly GCC Top Picks, we decided not to make any changes in our list. We are still bullish in our portfolio and expect it to continue producing excess return.



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 gained 27% to reach QAR 194.7bn. In addition, customer deposits and loans also increased by 37% and 32% respectively. QNB's PE is 11.94 and P/BV 2.92 which is at attractive levels.

Qatar Electricity and Water Company (QEWC)

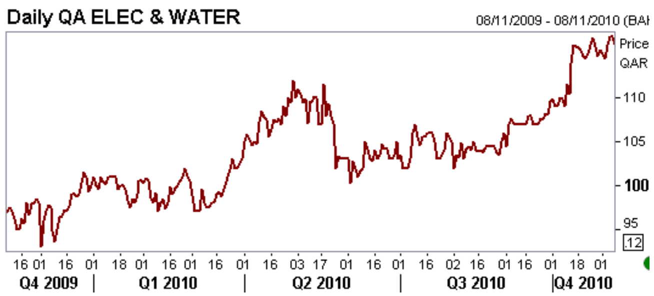
Qatar Electricity and Water company's net profit increased by 16% in Q310 from QAR 720mn to QAR 834.4mn. AES Company, an American based company, sold its 55% share in Ras Al Lafan electricity and water to Qater electricity and water which make them the only owner of the company. The company's PE is 10.44 while the P/BV is 4.61. 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 (2280)

Al Marai is a Saudi based company which manufactures and distributes 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 the company is expanding its range of products to enhance its sales. The stock is currently trading at a PE of 18.56 and a P/BV of 4.22.

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



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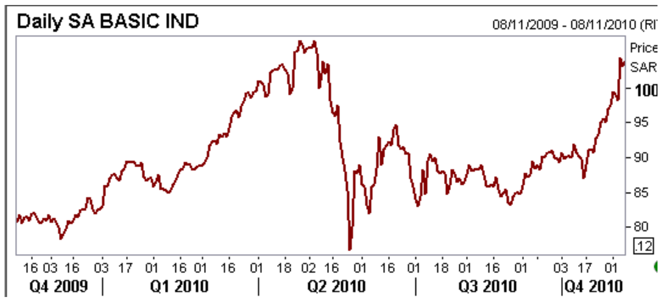
Saudi Basic Industries Corporation (2010)

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 increased the prices of Urea by SAR 55/ton to reach SAR 1270/ton, this is the 4th increase for the 4th consecutive month. 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 America's, the company continues its global expansion by opening a new office in South Africa. Currently the stock trades at a discount to its historical averages and to its global peers at a P/E of 14.62 making it attractive on relative basis, while P/BV is 2.67. Sabic results for the 1H 2010 showed a huge increase in net profit by 252% to reach SAR 15.77Bn.



Saudi International Petrochemical Co (2310)

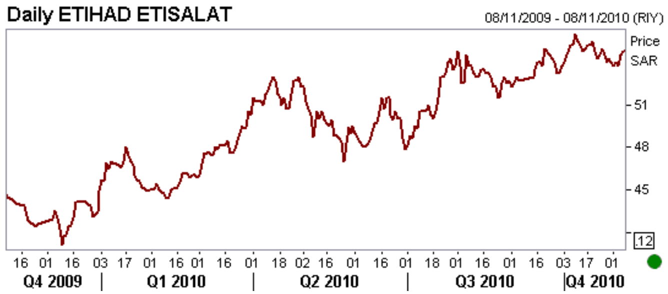
Sipchem net profit for 9 months of 2010 reached SAR 252.9mn against SAR 84.3mn million for the same period last year a 200% increase. This is attributed to the improvement in the product quantities, increase in sales and increase in the profit margins in some of its products. Earnings are expected to 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 25.45 and P/BV of 1.80.

Etihad Etisalat (7020)

Etihad Etisalat is one of 3 mobile operators in KSA. Mobily offers one of the best 3G services worldwide and they are considering 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 10.50 PE which is attractive compared to the average PE of the telecom sector in 2010. Although the P/Bv is 2.73, 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. The net profit for the 1st 9 month of 2010 grew by 40% from SAR 1962mn to SAR 2753mn.



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Fawaz Abdulaziz Alhokair (4240)

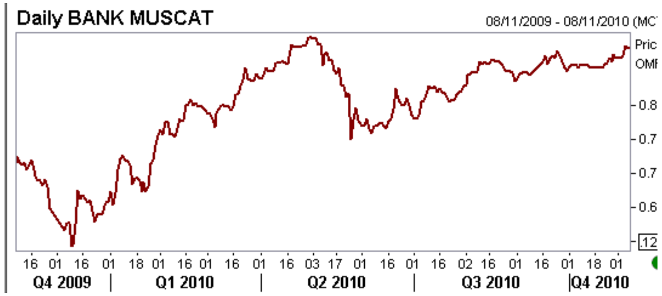
Al Hokair reported in the 1st half of 2010 an increase in net profit by 40% from SAR 161mn to SAR 226.2mn.

The core business of the company (clothes, accessories, footwear and home furniture) is performing well, benefitting from low Euro rates. The company continues to expand 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 6.67 and 2.56.

Bank Muscat (BKMB)

Bank Muscat, the largest bank in Oman, reported net profit of Rails 72 million for 9M2010 compared to RO 80 million reported during the corresponding period last year, a decline of 10% YoY. However, on QoQ basis, net profit was 11% higher to reach RO 25 million in 3Q10. Year-on-year decline is attributed to the negative contribution of BMI raising collective provision on the standard loan book. Quarterly results enhanced on improvements in margins lead by lowering cost of funds during the quarter. We expect the strong operating performance of Q3 to be maintained for Q4, thus further improving margins.

Bank Muscat is currently trading at a P/B of 1.56x, which is 13% cheaper compared to its local peers average of 1.8x and 16% cheaper compared to regional banking sector average of 1.85x. Omani banks, particularly Bank Muscat, have run an exercise to clean their balance sheet during last year which showed a positive effect of its balance sheet. Further, Bank Muscat could benefit from expansionary budget and 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 9.65 and PB 1.67.