

Monthly GCC Top Picks

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المتحدة للأوراق المالية
UNITED SECURITIES LLC

Market Overview

Regional markets witnessed a sharp drop in February, especially during the last week, as fears that geopolitical developments that are unfolding in the region could spread to prominent Middle Eastern countries, such as Saudi Arabia. QE, MSM and DFM were the worst performers on monthly basis losing 9.29%, 9.07% and 8.06% respectively. Abu Dhabi was the only gainer ending the month flattish, 0.08% higher. On a YTD basis, all regional markets reported negative figures. DFM, TASI and MSM were the highest decliners losing 13.48%, 10.71% and 10.18% of their values respectively. BSE was the best performer losing a slight 0.10% since the beginning of the year.

Global economies were also affected due to the recent unrest sweeping the Middle East and Northern Africa observing increased volatility. Economies witnessed fears that economic growth would slow on oil supply concerns. Conversely, US economic outlook improved as data showed that private company's added 217K jobs in February, 21% above the 180K analysts had predicted. In Euro Zone, European Central Bank (ECB) signaled an interest rate increase may be necessary next month to stop surging commodity costs from broadening inflation. On the contrary, Bank of England decided to leave its benchmark interest rate unchanged at the record low on concerns about the strength of the recovery. Asian markets also fell in February on political developments and also aided by the fraud of Alibaba.com Ltd, owner of China's largest online-commerce site, as the China-based company lost \$1 billion in market value. Euro surged to a 4-month high against the dollar at \$1.40 on speculation that ECB will raise interest rates. Political unrest pushed commodity prices to new heights. Silver touched \$35 per ounce; its 31-year high, Oil jumped to 30-months high touching \$104 a barrel whilst Gold traded at \$1,428 an ounce.

GCC Markets Performance

Market	Feb - 2011	2011
Abu Dhabi	0.08%	-4.82%
Bahrain	-1.25%	-0.10%
Dubai	-8.06%	-13.48%
Kuwait	-5.51%	-6.82%
Muscat	-9.07%	-10.18%
Qatar	-9.29%	-8.63%
Saudi	-6.55%	-10.26%
S&P GCC	-6.55%	-9.01%

Notes: All data as of the end of Feb 2011
Source: Zawya, United Securities Research

Top Picks

Company	Market	Industry	Closing Price (stock Currency)	Price Range 52-weeks (stock Currency)	Valuation		Market Cap (MM USD)
					PE 10	PB 10	
Qatar Islamic Bank	Qatar	Banking	75.60	92.00 - 67.00	12.27	1.79	4,589
Qatar Electricity and Water	Qatar	Industry	119.20	138.50 - 96.00	10.25	3.17	3,311
Saudi Arabian Mining-Maaden	Saudi	Industrial	22.35	25.00 - 15.80	N/A	1.25	5,513
Saudi Basic Industries Corporation	Saudi	Petrochemical	94.25	112.25 - 76.75	13.09	2.34	75,412
Advanced Petrochemical	Saudi	Petrochemical	27.00	29.30 - 16.60	11.64	2.11	1,018
Etiihad Etisalat Co	Saudi	Telecommunication	46.30	57.00 - 41.50	7.69	2.08	8,644
Fawaz Abdulaziz AlHokair***	Saudi	Retail	35.00	50.50 - 32.00	7.09	2.02	653
Bank Muscat	Oman	Banking	0.837	1.04 - 0.74	11.63	1.48	2,289
Renaissance Services	Oman	Services	1.052	1.35 - 0.66	9.23	1.63	769

Notes: * All data unless mentioned are based on 2010 results *** Financial Year ends in March 2011
Prices are based on closing of 6th March 2011

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

GCC Top Picks Performance

A portfolio equally weighted between February's GCC Top Picks decreased in value by -10.13% on a MTD basis.

The worst performers were Renaissance Services by decreasing 20.8% and Bank Muscat with 12.8% down. The lowest decrease was by Advanced Petrochemical with 4.9% down.

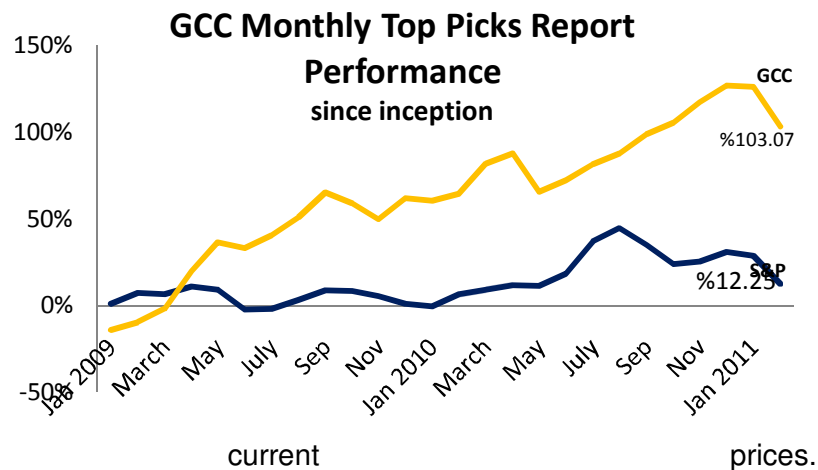
Company	Market	Price		Return
		Rcmd	6 th March Closing	
Qatar Islamic Bank**	Qatar	86.20	81.60	-5.3%
Qatar Electricity and Water	Qatar	131.00	119.60	-8.7%
Saudi Arabian Mining-Maaden	Saudi	23.75	22.35	-5.9%
SABIC	Saudi	104.25	94.25	-9.6%
Advanced Petrochemical	Saudi	28.40	27.00	-4.9%
Etihad Etisalat Co**	Saudi	54.75	48.30	-11.8%
Fawaz Alhokair and Company**	Saudi	42.30	37.50	-11.3%
Bank Muscat	Muscat	0.960	0.837	-12.8%
Renaissances Services	Muscat	1.328	1.052	-20.8%
Monthly Top Picks February Returns (equally weighted portfolio)				-10.13%
YTD Return				-10.45%
Performance since inception				103.07%
Notes: *Inception data 1 Jan 2009 Source: US Research, Zawya, official stock markets websites- **Performance calculated taking the effect of cash dividend distributions				

Outlook

While watching each and every developments and market actions very carefully and forming strategies as events unfold in the region, we feel that the current situation will create opportunities for investors on the long run. With the corporate profitability picking up its growth in 2010 and the dividend season on the anvil, we find value in yield stocks as well as prepare ourselves to get into growth stocks with mid - long term investment objective. The current volatility observed by the markets should help investors in reshuffling their portfolios and form investment strategies according to the need of the hour.

We see a number of stocks with strong fundamentals and attractive valuations which we expect to show growth for the rest of the year. However, in order to address the issues faced by the markets, we advice the investors to keep substantial amount of cash a side for investing in growth companies for taking advantage of low valuation scenario.

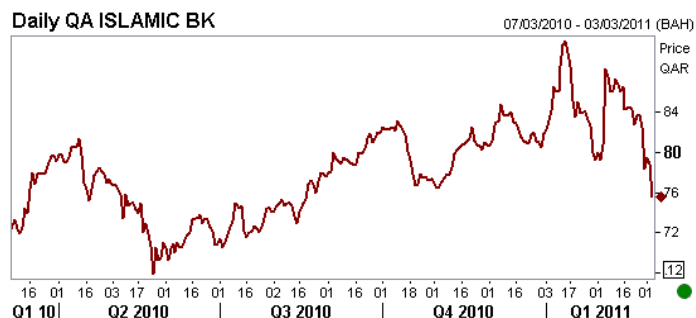
In our March Monthly GCC Top Picks, we decided to keep the list without any changes. We believe that the current picks will provide good returns in future specially at



▪ Top Picks Stocks Overview

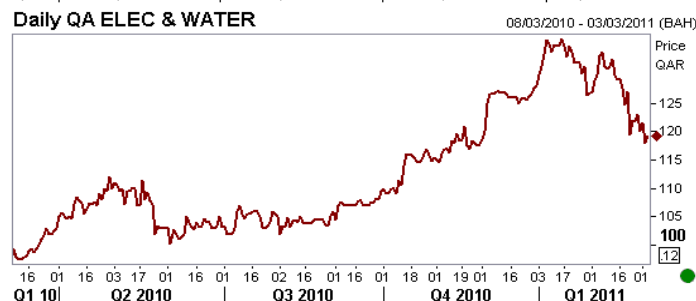
Qatar Islamic Bank (QISB)

QIB is a leading Qatari Islamic bank. It's well placed to continue gaining market share especially after Qatar's Central Bank ordered conventional lenders to shut down Islamic finance activities by the end of 2011. Deposits and loans both grow by almost 10% on QtQ basis. QIB is trading at PE 12.27 and PB of 1.79.



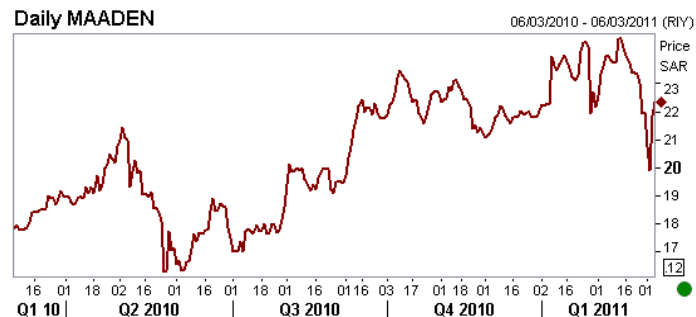
Qatar Electricity and Water Company (QEWC)

Qatar Electricity and water company announced net profit of 1163 for the full year 2010 an increase of 26% compared to last year. The revenue increased by 30% to reach 3800 million Rial. The management of the company proposed a 60% dividend for the year 2010. The stock is trading at 10.25x its earning while the P/BV is 3.17 and with dividend yield of around 5% at current trading price.



Saudi Arabian Mining-Maaden (1211)

Maaden currently operates in the gold segment with planned near-term (2011E) production in phosphate and longer-term (2013E) entry into the aluminum segment. Maaden is among the largest phosphate fertilizer pure plays globally and featuring cheap infrastructure and lower project risk by strong government backing which helping also to attract strong project partners (Alcow in Aluminum). Recently, the sudden drop in the share price will increase the positive momentum on the company's shares. The company is trading at 1.25 price to book value, and we believe it is attractive at these levels to accumulate.



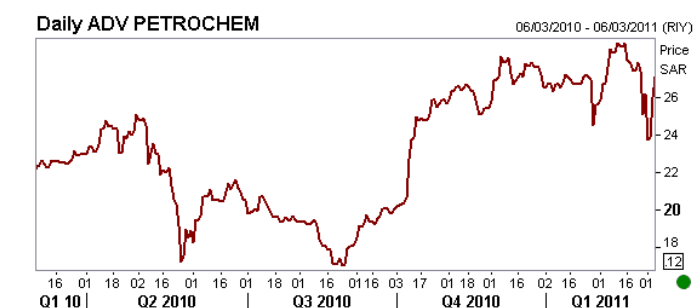
Saudi Basic Industries Corporation (2010)

SABIC reported a Q4 net income of SAR 5.8 bn (up 9% qoq and 27% yoy), missing consensus by 6%. With the current oil prices and the strong demand in their product, SABIC is expected to reach a profit of 6 bn for FY11. SABIC is trading At 2011E P/E of 13.09, a 10% discount to global chemicals.



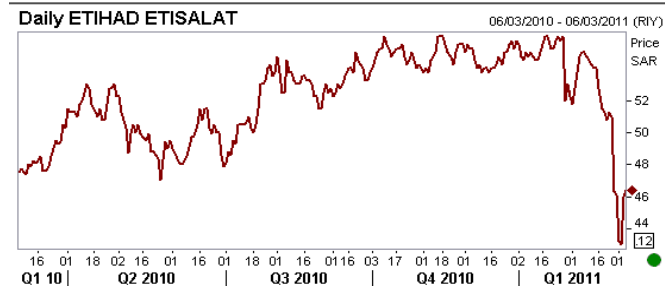
Advanced Petrochemical (2330)

Advanced Petrochemicals Co. Ltd is a Saudi Arabia-based joint stock company that operates in the chemicals and petrochemicals sectors. The Company have posted fourth-quarter profit of SAR89.4m vs Consensus SAR103m. The company is a pure play on propylene product segment and has good growth in their sales and profit. Advanced is trading at expected 2011 p/e of 11.64 x at around 30% discount to the sector.



Etihad Etisalat (7020)

Mobily posted a solid 39% increase in fourth quarter net profit to SAR1.46 billion on higher use of services and more broadband subscribers. This is 22% higher than analysts' estimates of SAR1.20 billion. Full year net profit was 40% higher to SAR4.21 billion. Mobily is trading at an attractive P/E of 7.69 and P/B of 2.08



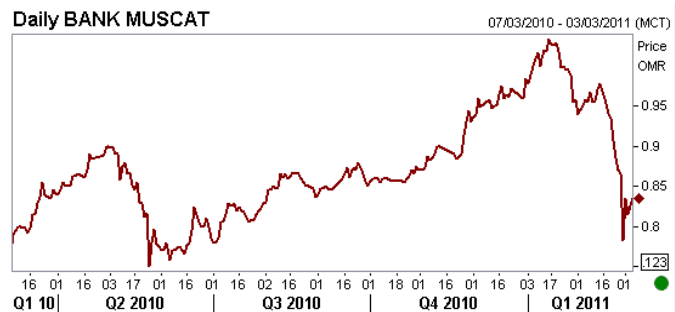
Fawaz Abdulaziz Alhokair (4240)

Al Hokair continue to report solid results as it announced a net profit of SAR 260 million for the 9 months ending December 2010, an increase of 28%. Al Hokair operates is a fashion retailer than operates more than 900 stores in Saudi. The company decided to expand outside Saudi and will open 112 new stores in 2011. As part of the expansion plan, Al Hokair has entered preliminary agreements to buy stakes in three retail firms. The retail group is trading at a P/E of 7.09 and P/B of 2.02.



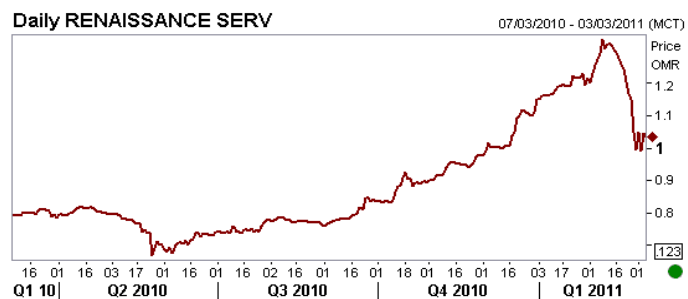
Bank Muscat (BKMB)

Bank Muscat continued its solid earnings reporting an annual net profit of RO 101.7 million compared to RO 73.7 million in 2009, an increase of 38%. For 4Q10, Net profit was RO 29.5 million, the best quarter since March 2009. Bank Muscat is currently trading at a P/E of 11.63 x to 2010 earnings and P/B of 1.48x. The Central Bank of Oman decided to amend the recommendation of the board of directors of Bank Muscat by allocation of dividends from 45 % to 40 %, divided into 25 % cash dividends, and 15% bonus shares.



Renaissance Services (RNSS)

Renaissance Services continue its expanding as Doha Marine Services, a Renaissance subsidiary, won a 5-year vessel contract worth RO 18.5 million. Further, National Training Institute (NTI), a Renaissance subsidiary, has expanded into Saudi Arabia. Net profit for the year 2010 increased by 13% to reach RO 32.28 million. The board of directors of RNSS proposed a cash dividend of 12%. Valuation wise, Renaissance is trading at a P/E of 9.23x and P/B of 1.63.



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Notes: * Graphs are sourced from Reuters **Disclaimer:** Please note that any advice given by United Securities LLC staff in this report is deemed to be GENERAL advice, as the information or advice given does not take into account your particular objectives, financial situation or needs. The report also intends to provide medium-to-long term advice. Therefore, at all times you should consider the appropriateness of the advice before you act further. United Securities LLC will not be held responsible for any losses on such advice. Also, all opinions expressed herein are subject to change without notice. "Top Pick List" takes in consideration market, industry and company outlooks and is planned to be diversified. United Securities has based this document on information obtained from sources it believes to be reliable. However, it makes no guarantee to its accuracy or completeness and accepts no responsibility for any reliance placed on this information. United Securities may or may not have official coverage of companies covered in Monthly GCC Top Picks Report