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Quant Analysis – Quarterly Update

Dividend Picks Portfolio

Rebalancing

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Please read the “**Important Information**” section at the end of this document.

4Q09 Dividend Picks Portfolio Performance

- The Dividend Picks Portfolio has returned 33.3% over the past 12 months versus 38.0% for the TASI.
- Over the last 3 months (since 17 November 2009), the Dividend Picks Portfolio and TASI generated an equal return of 3.9% each.

Exhibit 1: 4Q09 Dividend Picks Portfolio Performance * *

Ticker	Company	Price *	Market Cap (SR mn)	Div. Yield - 09 (%)	PE TTM	Return (%) **
2020.SE	SAFCO	146.8	36,687.5	8.2 %	19.9	27.9
3040.SE	Qassim Cement	76.0	6,840.0	7.9 %	11.3	3.8
4270.SE	SPPC	16.0	960.0	-	12.8	(3.3)
4030.SE	NSCSA	19.1	6,016.5	5.2 %	16.6	10.7
3060.SE	Yanbu Cement	48.4	5,082.0	6.2 %	10.6	(2.0)
3050.SE	Southern Cement	70.0	9,800.0	7.1 %	13.4	9.4
4210.SE	SRMG	26.4	2,112.0	1.9 %	41.3	(5.4)
3010.SE	Arab Cement	43.3	3,464.0	2.9 %	20.2	1.4
7010.SE	STC	44.8	89,600.0	6.7 %	8.3	(5.7)
4090.SE	Taiba	16.9	2,535.0	7.1 %	36.9	2.4
Average Return						3.9 %
TASI Return						3.9 %

Source: Reuters, NCBC Research

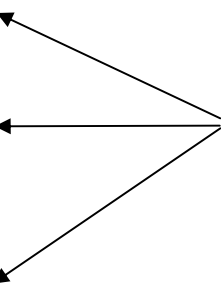
*As of 15/03/2010

** from 17 Nov 2009 to 15 Mar 2010

1Q2010 Dividend Picks Portfolio Construction

- The Dividend Picks Portfolio construction is based on latest dividend yield with filters liquidity and earnings (see Appendix for details).
- Saudi Chemical, AlAbdullatif, and Tabuk Cement have been added to the portfolio this quarter, replacing SPPC, NSCSA, Yanbu Cement, SRMG and Arab Cement

Exhibit 2: 1Q10 Dividend Picks Portfolio Construction

Ticker	Company	Price *	Market Cap (SR mn)	Div. Yield - 09 (%)	ROE (TTM %)	PE TTM	
2230.SE	Saudi Chemical	41.8	2,643.4	9.6 %	24.3	8.8	 Additions for the current quarter
2020.SE	SAFCO	146.8	36,687.5	8.2 %	26.1	19.9	
3040.SE	Qassim Cement	76.0	6,840.0	7.9 %	33.1	11.3	
2340.SE	AlAbdullatif	45.7	3,713.1	7.7 %	12.2	22.0	
4090.SE	Taiba	16.9	2,535.0	7.1 %	2.5	36.9	
7010.SE	STC	44.8	89,600.0	6.7 %	25.8	8.3	
3050.SE	Southern Cement	70.0	9,800.0	7.1 %	29.8	13.4	
3090.SE	Tabuk Cement	19.2	1,728.0	6.5 %	11.0	14.3	

* As of 15/03/2010

Source: Reuters, NCBC Research

Appendix I: Dividend Picks methodology

- We create a portfolio of high dividend yield stocks which also pass a number of valuation screens including liquidity position, capital structure, financial performance and valuation
- The beginning portfolio has been created as of May 2005, taking 2005 as the base year. The majority of dividends are distributed in March–April, therefore most of the stocks become ex-dividend by the end of April. We have taken this ex-dividend state as the starting point
- We create a new portfolio every three months (in Feb, May, Aug and Nov). The portfolios have been screened against the following criteria and filters:
 - *Qualification criterion:* Every quarter the top quartile of high dividend yield stocks is selected. We maintain a flexible number for the stocks in the portfolio but target 8-10 names every quarter.
 - *Screening filters:* The filters used are Cash/Assets to judge the liquidity position, Market Capitalization to remove small-cap bias, Debt/Equity Ratio for leverage, ROE-TTM to gauge financial performance and P/E Ratio as a valuation factor. All the stocks are ranked according to the given filters individually. The bottom 20-30 stocks in each criteria are filtered out. Among the stocks identified by high dividend yield, the stocks which pass all the subsequent filters are included in final portfolio
- The portfolio is re-balanced equally every quarter with the total portfolio (including dividends received) rolled over for the next quarter.

Thank You

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