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# Quant Analysis – Quarterly Update **Value Picks Portfolio Rebalancing**

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# Value Picks Portfolio Performance

- The Value Picks Portfolio has returned 2.7% over the past 12 months versus 6.6% for the TASI.
- Over the last 3 months (since 27 March 2011), the Value Picks Portfolio gained 2.9%, while TASI rose 0.1%.

## Exhibit 1: 1Q11 Value Picks Portfolio Performance

Ticker	Company	Price <sup>A</sup> (SAR)	Market Cap (SAR mn)	P/E TTM	Earnings Yield (%)	Return <sup>A,B</sup>
7020.SE	Etihad Etisalat	52.0	36400.0	8.1	12.4	0.1
8010.SE	Tawuniya	62.5	3,125.0	6.4	15.7	-3.4%
2230.SE	Saudi Chemical	44.5	2,814.2	8.9	11.2	5.7%
7010.SE	STC	36.3	72,600.0	7.9	12.7	-4.8%
3040.SE	Qassim Cement	72.0	6,480.0	12.9	7.8	18.0%
4240.SE	AlHokair	45.8	3,206.0	10.2	9.8	12.9%
8030.SE	MEDGULF	28.8	2,304.0	11.3	8.8	1.9%
4001.SE	Al Othaim	97.5	2,193.8	13.2	7.6	7.2%
4190.SE	Jarir	173.3	6,930.0	16.5	6.0	22.4%
2240.SE	Zamil Ind	31.6	1,896.0	9.8	10.2	-4.6%

Source: Reuters, NCBC Research

<sup>A</sup>As of 26 June 2011

<sup>B</sup>from 27 March 2011 to 26 June 2011

# 2Q2011 Value Picks Portfolio Construction

- The Value Picks Portfolio construction is based on TTM ROE and Earnings Yield rankings.
- YANSAB and Advanced Petrochemical Company have been added to the portfolio this quarter, replacing Jarir Marketing Company and Zamil Industries.

**Exhibit 2: 2Q11 Value Picks Portfolio Construction**

Company	Ticker	Market Cap (SAR mn)	Price* (SAR)	Price Chg % YTD	ROE Rank	EY Rank	TTM (%)		PE-TTM	P/B	DY '10 (%)
							ROE	EY			
Tawuniya	8010.SE	3,125.0	62.5	(12.4)	6	1	31.6	15.7	6.4	1.8	4.8
Etihad Etisalat	7020.SE	36,400.0	52.0	(5.9)	5	4	33.1	12.4	8.1	2.4	3.8
AlHokair	4240.SE	3,206.0	45.8	6.5	10	8	28.8	9.8	10.2	2.9	5.5
Saudi Chemical	2230.SE	2,814.2	44.5	7.0	14	5	22.9	11.2	8.9	2.0	7.9
YANSAB	2290.SE	26,437.5	47.0	(1.3)	7	14	30.5	8.1	12.4	3.3	N/A
STC	7010.SE	72,600.0	36.3	(14.8)	19	3	21.1	12.7	7.9	1.6	6.2
Al Othaim	4001.SE	2,193.8	97.5	25.0	2	21	45.3	7.6	13.2	5.3	3.1
APPC	2330.SE	4,736.1	33.5	23.2	13	12	23.6	8.6	11.6	2.6	5.2
Qassim Cement	3040.SE	6,480.0	72.0	15.7	9	19	29.1	7.8	12.9	3.7	6.9
MEDGULF	8030.SE	2,304.0	28.8	3.2	20	11	20.0	8.8	11.3	2.2	4.3

Source: Reuters, NCBC Research

\*As of 26 June 2011

# Appendix II: Value Picks Methodology

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- We create a portfolio of stocks which look favourable on a valuation basis using both TTM ROE and Earnings Yield
- We limit the companies under consideration to those above \$500mn market cap in order to avoid small-cap bias.
- The selected companies are then ranked based on ROE (TTM) with the company recording the highest ROE getting a rank one
- A similar ranking is generated for the selected companies based on trailing twelve month's Earnings Yield, the company with the highest yield getting a rank one
- Both ranks are then added to arrive at a cumulative score with lower scores resulting in top picks

# Thank You

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