المتحدة للأوراق المالية ش.م.م
UNITED SECURITIES LLC

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Monthly GCC Top Picks

December 8th, 2010

Markets Overview:

Regional markets witnessed a mixed sentiment amid global uncertainty. QE and MSM were the only gainers on a monthly basis, rising by 4.44% and 0.59% respectively. Qatar's index rose to its highest close in more than two years and volumes peaked to 18-months high after the successful world cup bid for 2022. On the other hand, DFM ended its upward trend and was the top loser declining by 5.42% during the month as investors fear the threat of more debt-restructuring pain and negative Q3 results for some major companies. For the 3rd consecutive month, Qatar, Oman and Saudi were the best performers on YTD basis reporting gains of 17.00%, 3.50% and 3.21% respectively. Dubai remains to be the worst performer on YTD basis at a loss of 7.47%.

Weaker-than-expected US jobs report painted a dim picture of an economy limping towards recovery. Unemployment rate jumped to 9.8% from 9.6%, the 5th highest monthly rate since the beginning of the downturn. Economy added 39,000 jobs in November fewer than the 144,000 economists had expected. Earlier in November, Fed officials downgraded their assessment of the US economy from a projected growth of 3.5% in 2011 to 3.0% suggesting that interest rates could stay very low for years.

Moreover, Fed did not rule out the possibility of more asset purchases, meaning a third round of quantitative easing (QE3) extending dollar losses against the euro. In Europe, Ireland was forced to accept an 85 billion-euro emergency-aid package increasing their reliance on European Central Bank funding by 3.3 % in October. Though, this bailout plan failed to control investor nervousness intensifying the market pressure on Europe's weaker economies. Oil futures reached fresh two-year high hitting $91.24 a barrel. Many Petrochemical prices increased by more than 10% QoQ, such as Methanol, which gained 54% QoQ.

GCC Markets' Performance

Market	Nov 2010	YTD 2010
Abu Dhabi	-3.06%	-0.50%
Bahrain	-1.67%	-1.39%
Dubai	-5.42%	-7.47%
Doha	+4.44%	+17.0%
Kuwait	-2.45%	-1.63%
Muscat	+0.59%	+3.50%
Saudi	-0.56%	+3.21%
S&P GCC	-0.45%	+7.89%

Notes: All data as of the end of November 2010
Source: Zawya, United Securities Research

Top Pick List:

Company	Market	Industry	Closing Price (Local Currency)	52-w high (Local Currency)	52-w low (Local Currency)	Valuation PE 10E	Valuation PB 10	Market Cap (MM USD)
Qatar National Bank	Qatar	Banking	188.50	193.20	114.00	13.32	3.26	20,227
Qatar Electricity and Water	Qatar	Industry	127.50	132.00	88.60	11.46	5.05	3,480
Almarai Company	Saudi	Agriculture & Food	112.00	116.50	76.75	19.29	4.38	6,869
Saudi Basic Industries Corporation	Saudi	Petrochemical	105.50	108.25	76.75	15.05	2.75	84,391
Saudi International Petrochemical Co	Saudi	Petrochemical	28.30	28.30	18.65	28.02	1.98	2,515
Etihad Etisalat Co	Saudi	Telecommunication	54.50	57.00	40.50	10.40	2.70	10,172
AlHokair	Saudi	Retail	41.00	50.50	34.10	6.35	2.43	765
Bank Muscat	Oman	Banking	0.958	1.030	0.715	12.77	1.69	3,319
Renaissance Services	Oman	Services	1.018	1.025	0.650	11.44	1.55	737

Notes: All data unless mentioned are based on quarter ending in Sep 30th 2010 - Prices are based on closing of 7th December 2010
Source: United Securities Research, Official markets websites, Zawya, Reuters , Argaam

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Overview on "November GCC Top Picks":

A portfolio equally weighted between November GCC Top Picks increased in value by 5.73% on a MTD basis. This brings the portfolio's performance since the beginning of the year to 34.20% compared to S&P GCC Index performance of 9.91% for the corresponding period.

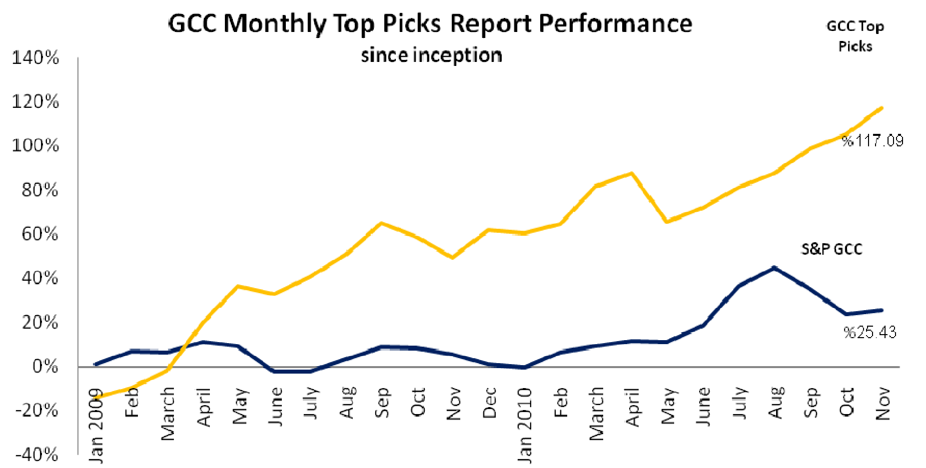
The largest gainers were: QNB 11.5%, Renaissance Services 11% and SIPCHEM 10.1% while the worst performing stock in the Monthly GCC Top Picks was Fawaz Al Hokair, which lost 4.9 % of its Market value.

Company	Market	Price Rcmd	Price 7th December	Return
Qatar National Bank	Doha	169.00	188.50	11.5%
Qatar Electricity and Water	Doha	116.20	127.50	9.7%
Al Marai Company *	Saudi	107.88	112.00	3.8%
SABIC	Saudi	102.50	105.50	2.9%
Saudi International Petrochemical Co	Saudi	25.70	28.30	10.1%
Etihad Etisalat Co	Saudi	55.00	54.50	-0.9%
Fawaz Alhokair and Company	Saudi	43.10	41.00	-4.9%
Bank Muscat	Muscat	0.885	0.958	8.2%
Renaissances Services	Muscat	0.917	1.018	11.0%
Monthly Top Picks November Returns (equaly weighted portfolio)				5.73%
YTD Return				34.20%
Performance since inception				117.09%

Notes: * Al Marai distibuted bonus share 1 to 1 **Inception data 1 Jan 2009 **Source:** US Research, Zawya, official stock markets websites

Highlights on "December GCC Top Picks":

Positive sentiment continued toward the end of November and early December with easing Korean conflict, higher oil price, and Qatar hosting World Cup 2022. The latter will contribute directly on the Qatari market in specific and other GCC markets in general in the coming period.



Overall, we positively value Qatar hosting World Cup 2022 and expect Qatari market to outperform its peers supported by strong macro economy and the infrastructure spending in preparation for World Cup 2022. Banking sector will also benefit with an increase in loans and deposits growth. We also continue to focus on the Saudi and Omani markets supported by the growth in the Saudi and Omani companies.

In terms of sectors, we urge investors to focus on the petrochemicals & retail sectors in Saudi, banking and service sectors in Qatar and service sector in Oman.

In our December 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.

Monthly GCC Top Picks

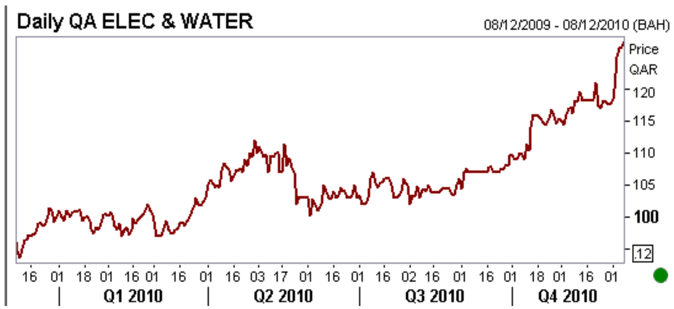
December 8th, 2010

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 QNB successfully issued a $1.5B worth of bonds in the international markets. The bonds interest rate is rated at 3.125% for the duration of 5 years. On issuance the international buyers had a huge interest in the bond bidding around $6b which shows the level of confidence in the Qatari economy and the banks operation & approach. On the other hand Qatar won the privilege of hosting World Cup in 2022 and with it Qatar will have an ambitious plan to develop the infrastructure of the country. This will reflect positively on the economy and the banking sector in particular; and since QNB is the largest bank in the country it's logical to say they will have the largest slice of the pie.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 13.32 and P/BV 3.26 which is at attractive levels.

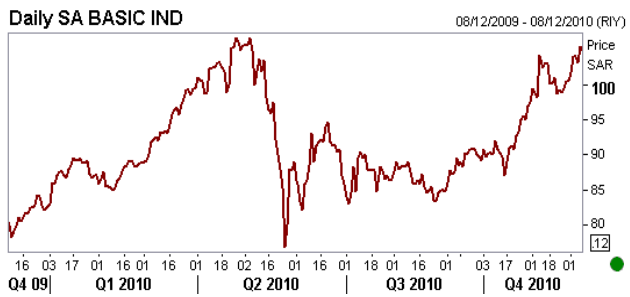
Qatar Electricity and Water Company (QEWC)

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 QEWC which make them the only owner of the company. The company's PE is 11.46 while the P/BV is 5.05. 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. Qatar's economy during 2010 achieved a substantial growth of 20.4% and the forecasted growth for 2011 is around +21%. In addition, Qatar will also host World Cup 2022 which is a clear indication for even an increasing growth in demand in electricity and water in the years to come. With it, huge investments will be done in this sector to cover the growing demand which will create a whole new cycle of growth and potential domestically.



Saudi Basic Industries Corporation (2010)

Oil prices are in a comfortable zone nearing USD 90 which 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 5/ton to reach SAR 1320/ton, this is the 5th increase for the 5th consecutive month. Also, Sabic increased the prices for phosphate fertilizers "DAP" by SAR 75 to reach SAR 2280/ton. Currently the stock is trading at 15.05 P/E and 2.75 P/BV.



Etihad Etisalat (7020)

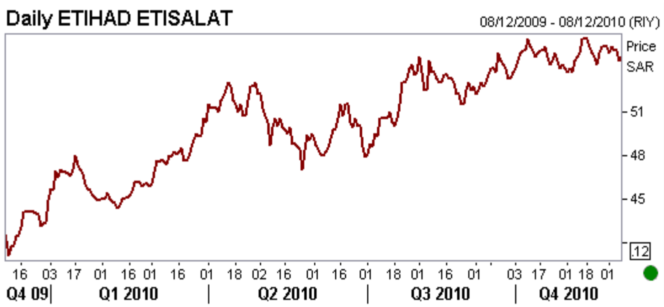
Etihad Etisalat is one of 3 mobile operators in KSA. Mobily offers one of the best 3G services worldwide and they are considering the visibility of including a 4G service, which could make it the 1st mobile operator to offer 4G in the region. They are covering more than 500 cities and villages in the Kingdom and expanding on the broadband service. The continental sea cables is the latest addition to Mobily services these cables are high tech fiber optic cables which will link the whole of the kingdom with the neighboring countries. The company is also well positioned to report robust Q4 numbers due to the Hajj season. Etihad Etisalat is trading at 10.40 PE which is attractive compared to the average PE of the telecom sector in 2010. Although the P/Bv is xxx, 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.

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. Al Hokair is trading at a PE and P/BV of 6.35 and 2.43.

AlMarai(2280)

Al Marai's 9M10 revenue showed a growth of 19% YoY to reach SAR 5.13 billion in 3Q10. The growth was mainly attributed to strong growth of 32% I the Bakery segment. Net profit also improved by 18% to reach SAR 1.00 billion on lower finance charges. Recently, Al Marai doubled its share capital through a 2-for-1 bonus shares. Although, this move is purely an accounting exercise, this may lead to positive sentiment in the stock, primarily with improved liquidity.Al Marai is trading at a PE of 19.29



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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 28.02and P/BV of 1.98

Bank Muscat

Bank Muscat reported net profit of RO 72.2 million for 9M10 compared to RO 80.4 million for the corresponding period last year. This is as 2009 included a post-tax gain of RO 53.20 million on sale of investments in HDFC bank, losses of available-for-sale investments and credit losses in Saudi Branch. Excluding these one-time items, net profit was up 17.0%.

Bank Muscat trades on an attractive PB 1.69 and PE 12.77, which makes it among the cheapest in Oman banking sector.

Renaissance Services

Renaissance Services continued to report upward trend in its revenue and profitability. Revenue reported for 9M10 was 186.5 million, an increase by 7.8% from the corresponding period last year on persistent growth in contracting, engineering and robust growth in marine segment.Net profit accelerated by 15.4% to reach 17.5 million in 9M10 on improvements in profit margins. The company has also issued a RO 40 million in long-term subordinated loan which will help the company reduce the overall cost of capital employed and extend its capacity to fund projected growth.

Renaissance Service is currently trading at a PE of 11.44, cheaper to its global peers. Renaissance continues to be a capex driven story backed by the continued contract orders.