MENA FOCUS LIST

Strategic Shift out of Egypt into Saudi Arabia

08 OCTOBER 2009

STRATEGY NOTE

The MENA Focus List is a collaborative effort between the research and sales departments at EFG-Hermes and comprises our top investment ideas across the MENA region – including stocks that are currently not covered by research. Stocks on the Focus List have an investment horizon of up to six months while performance is benchmarked against the MSCI Arabian Markets index. The list itself is reviewed on a weekly basis, though changes can be applied on an as needed basis and as frequently as opportunities permit, with stock picks themselves based on both fundamental and technical factors. The removal of any company from the list does not necessarily equate to a negative fundamental view on the shares.

Preferred Markets are now UAE and Saudi Arabia: We shift our exposure away from Egypt and towards Saudi Arabia. We believe a neutral stance on Egypt is appropriate given the strength of the market rally, which has lifted the Hermes Financial Index 89% since the 2009 low. We upgrade our stance on Saudi Arabia given apparent progress in resolving the outstanding debts of troubled Saudi groups; our expectations of a subsequent pick-up in bank lending; a shift in focus to relatively more attractive 2010e earnings multiples; and the underperformance of Saudi Arabia relative to the region over the past few months. While we continue to have concerns over a potential correction in global markets spilling over into the MENA region, we believe its effects will be short lived given firm levels of investor appetite, continued momentum, and ongoing 3Q2009 results announcements.

Add NSGB and CBQ: We add National Societe Generale Bank (NSGB.EY), our top pick among Egyptian banks. NSGB generates the highest ROE in the sector and our recently upgraded LTFV offers 36% upside. Shares in Commercial Bank of Qatar (CBQK.QA) have underperformed the sector materially over the year and we believe there is catch-up potential in the short-term. We understand that exposure to the troubled Saad and Algosaibi Groups is minimal. Shares trade at 11.4x 2009e and 11.2x 2010e earnings (1.7x P/BV).

Add Amiantit and Arabian Cement: In Saudi Arabia we focus on companies benefiting from infrastructure spend. We add Amiantit (2160.SE), whose core activities include pipe systems and technologies as well as engineering and consulting services. At 12.2x trailing earnings, shares trade at a material discount to the market and offer exposure to a wide variety of construction and building activity. Arabian Cement (3010.SE) is located in the Western region and therefore benefits from strong end demand (due to high levels of development activity), limited competition, and limited overall capacity increases. We expect earnings to benefit in 2H2009 from new volume coming on stream. Shares are attractively valued at 12.2x trailing earnings.

Remove CIB, Sidpec, Almarai, and QEWC: Commercial International Bank has rallied 47.6% since inclusion and we now see limited upside from current levels. We cut our losses on Sidi Kerir Petrochemicals and Almarai, both of which were added into the list as defensive plays and which have underperformed over recent months. We remove Qatar Electricity & Water since we believe CBQ offers better near term upside potential.

Focus List Summary: The MENA Focus List now comprises EIPICO, El Sewedy Cables, and NSGB in Egypt; Commercial Bank of Qatar and Nakilat in Qatar; Amiantit, Arabian Cement, and Saudi Electricity Company in Saudi Arabia; and Agthia and First Gulf Bank in the UAE. Year-to-date, the MENA Focus List has risen 43.1% versus 28.2% for the MSCI Arabian Markets Index and 21.6% for the MSCI Arabian Markets ex Saudi Arabia. The Focus List continues to lag the continued strength of emerging markets, with the MSCI EM benchmark having risen 63.3% year-to-date.

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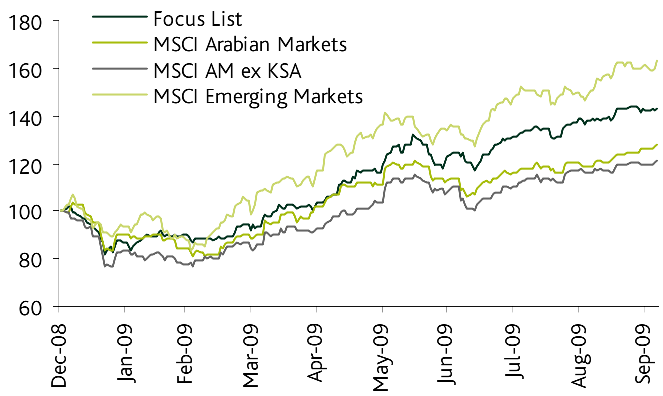
FOCUS LIST ANALYSIS

Figure 1: MENA Focus List
Prices in local currency

Ticker	Company Name	Country	Rec. ST/LT	Price 6 Oct	Perf. Since Last Rebal.	LTFV	Upside	M Cap (USD mn)	ADVT* (USD mn)	P/E 2008a	P/E 2009e	P/E 2010e	EPS Growth 08-09e	EPS Growth 09-10e	Yield 2009e
SWDY.CA	El Sewedy Cables	Egypt	Neu./Buy	75.6	-4.3%	100.0	32%	1,821	3.0	12.5	10.5	8.1	18.7%	30.2%	0.0%
PHAR.CA	EIPICO	Egypt	Buy/Buy	35.3	0.9%	44.4	26%	465	0.3	10.6	9.6	9.5	11.3%	1.2%	6.4%
NSGB.CA	NSGB**	Egypt	Buy/Buy	28.2	N/A	38.2	36%	1,712	0.4	6.4	7.2	6.5	-10.9%	10.2%	4.2%
2160.SE	Amiantit	Saudi	-	22.9	N/A	-	-	704	3.3	11.2	-	-	-	-	-
3010.SE	Arabian Cement	Saudi	-	46.6	N/A	-	-	994	0.6	11.6	-	-	-	-	-
5110.SE	Saudi Electricity	Saudi	Neu./Buy	10.7	12.1%	12.7	19%	11,833	5.4	40.2	27.0	24.7	48.8%	9.2%	6.6%
COMB.QA	CBQ	Qatar	Acc./Buy	82.0	N/A	113.5	38%	4,877	7.1	9.3	11.4	11.2	-18.6%	1.8%	7.2%
QGTS.QA	NAKILAT	Qatar	Buy/Buy	25.4	1.2%	38.6	52%	3,865	10.0	109.0	24.1	14.2	352.8%	69.0%	0.0%
AGTH.AD	Agthia	UAE	-	2.1	2.5%	-	-	340	1.3	17.3	-	-	-	-	-
FGB.AD	First Gulf Bank	UAE	Acc./Buy	17.9	8.8%	26.3	47%	6,682	2.0	8.6	9.1	8.0	-5.3%	14.3%	1.6%

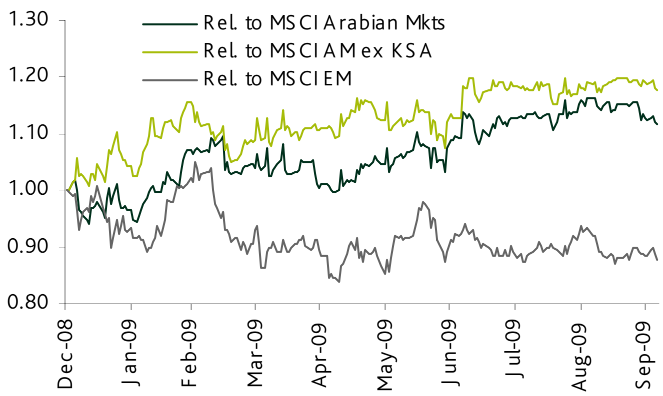
*ADVT = Average daily value traded, based on last 3-months trading activity.
** NSGB EPS excludes goodwill amortization charges
Source: EFG-Hermes, Reuters, Zawya, and company data

Figure 2: MENA Focus List vs Benchmark Indices



Source: Reuters, EFG-Hermes

Figure 3: MENA Focus List Relative Performance



Source: Reuters, EFG-Hermes

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The Long-Term (LT) rating is based on the percentage upside or percentage downside of the stock price to the analyst's Long Term Fair Value (LTFV). Long Term is defined as any time period beyond 1 year. The LTFV is based on the analyst's current expectations of the equity fair value of the company on a per share basis which is normally based on rigorous and fundamental long-term analysis of the company's financial potential. Of course, any such analysis is based on the analyst's expectations for the future and are always considered estimates.

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Neutral	(10%) to 10%
Reduce	(10%) to (25%)
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