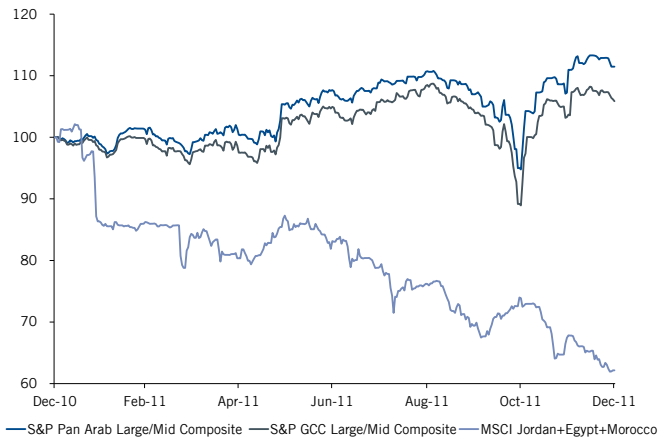


Rebased Performance of Regional Indices



Inside This Issue

In Focus 1: Performance Review of the GCC Markets in 2011

This section reviews the performance of the Gulf Cooperation Council (GCC) markets in 2011. We mainly cover the performance of the six countries (based on country indices provided by MSCI and Standard & Poor's [S&P]) and trading activity in each market. We further present a comparative analysis, taking into account the 2011 performance, expected FY2012 real gross domestic product (GDP) growth rates, and respective valuations (based on FY2012 price-to-earnings [PE] and price-to-book [PB]) for the GCC, G-7, and emerging markets (EM).

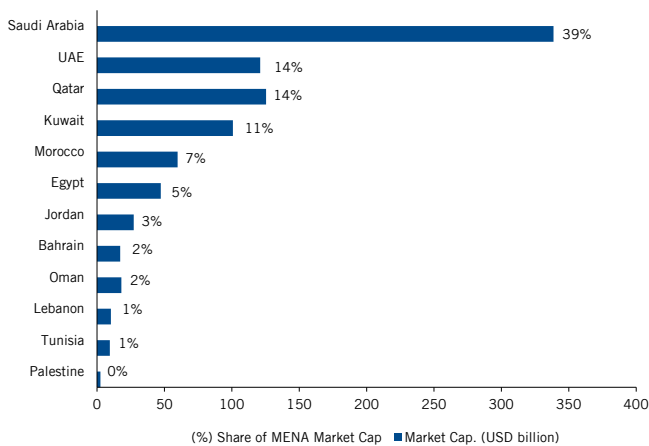
By: *Mariam Al Bahar*

In Focus 2: Defensive Sectors/Markets in the GCC During Bear Runs

In this report, we analyzed the performance of the Gulf Cooperation Council (GCC) listed companies to identify the defensive sectors and markets in the region. We found the consumer and utility sectors typically behaved defensively while the banking, real estate and construction, and petrochemical sectors seem to be largely cyclical. We did not consider dividends while calculating returns, which may call for including the telecom sector in the list of defensive sectors. On the other hand, Qatar and Saudi Arabia provided better returns in the current bear markets. Long-term growth fundamentals supported by strong spending government plans to broaden the economic base were the key drivers behind the outperformances of the Qatari and Saudi Arabian markets, in our view.

By: *Ashish Jain*

MENA Market Caps



Summary of Performance of MENA Indices

INDEX	Index Level as of 31-Dec-11	52-Week High	52-Week Low	% Change				Market Cap (USD billions)
				% below 52-Week High	% over 52-Week Low	1-Month Period	2011	
REGIONAL								
S&P Pan Arab Large/Mid Composite	120	135	113	-11.7%	5.5%	1.5%	-10.3%	897
S&P GCC Large/Mid Composite	126	137	112	-8.0%	12.4%	2.4%	-5.5%	721
MSCI Jordan+Egypt+Morocco	890	1,463	887	-39.1%	0.4%	-7.8%	-37.8%	134
GCC								
MSCI Bahrain	243	295	218	-17.7%	11.3%	6.4%	-16.7%	17
MSCI Kuwait	804	984	778	-18.3%	3.4%	-2.0%	-15.7%	101
MSCI Oman	975	1,171	892	-16.7%	9.4%	7.7%	-13.1%	18
MSCI Qatar	1,038	1,045	852	-0.7%	21.9%	2.0%	8.2%	125
S&P Saudi Arabia Large/Mid Composite	148	158	124	-6.1%	19.9%	4.4%	-3.0%	339
MSCI UAE	204	263	198	-22.5%	2.8%	-3.9%	-17.6%	121
OTHER MENA								
MSCI Egypt	933	1,773	925	-47.4%	0.9%	-10.0%	-46.9%	47
MSCI Jordan	212	259	200	-18.0%	6.2%	5.4%	-14.7%	27
MSCI Morocco	647	833	642	-22.3%	0.9%	-5.7%	-14.8%	60
MSCI Lebanon	885	1,184	851	-25.3%	3.9%	2.7%	-20.1%	10
MSCI Tunisia	1,268	1,430	1,132	-11.3%	12.1%	-4.4%	-9.2%	10
Palestine SE	477	513	465	-7.1%	2.7%	1.1%	-3.3%	3

IN FOCUS 1

IN FOCUS 1 PERFORMANCE REVIEW OF THE GCC MARKETS IN 2011

This section reviews the performance of the Gulf Cooperation Council (GCC) markets in 2011. We mainly cover the performance of the six countries (based on country indices provided by MSCI and Standard & Poor's [S&P]) and trading activity in each market. However, we discuss in detail only the four biggest GCC markets: Saudi Arabia, Kuwait, the United Arab Emirates (UAE), and Qatar. We further present a comparative analysis, taking into account the 2011 performance, expected FY2012 real gross domestic product (GDP) growth rates, and respective valuations (based on FY2012 price-to-earnings [PE] and price-to-book [PB]) for the GCC, G-7, and emerging markets (EM).

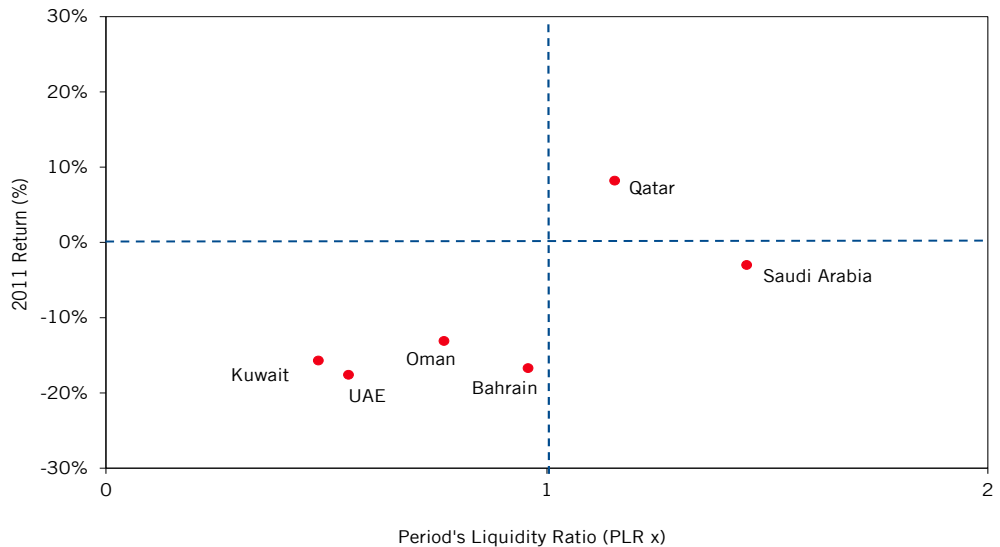
Figure 1-1 illustrates the performance of the GCC markets in 2011. The chart plots the 2011 performance of the individual country indices on the y-axis and the period's liquidity ratio (PLR) on the x-axis. The PLR denotes the average daily traded value in 2011 divided by the average daily traded value in 2010. Qatar was the best performer among the GCC markets, posting a positive return of 8.2% in 2011, while the rest of the GCC markets yielded negative returns. The MSCI UAE index was the worst performer among the GCC markets, posting a negative return of 17.6% in 2011. Continuing the negative trend, Bahrain, Kuwait, Oman, and Saudi Arabia posted negative returns of 16.7%, 15.7% 13.1%, and 3%, respectively. In terms of liquidity, Saudi Arabia topped the GCC markets in 2011, with an increase of 45% compared to 2010, followed by Qatar with a rise of 15%. However, the Kuwaiti market saw a 52% drop, and ranked as the worst performer among the GCC markets.

All GCC markets had negative returns in 1Q2011, which coincided with the start of the Arab Spring. Only since 2Q2011, after the markets had some time to assess the situation, did divergence emerge again.

Moreover, there was a general trend of lower liquidity in 2H2011 compared to 1H2011, in some cases sharply so. This would seem to indicate a general reluctance on the part of foreign investors to trade in the region. Confirmation can be seen in the fact that the only market to show sustained liquidity throughout the year was Saudi Arabia, where foreign trading is heavily restricted, and locals therefore essentially drive the market. Whether this trend will continue may be an issue for FY2012.

Figure 1-1 GCC Markets' 2011 Performance and Liquidity

MSCI Qatar was the outperformer in 2011 within the GCC basket, while the rest of the markets yielded negative returns



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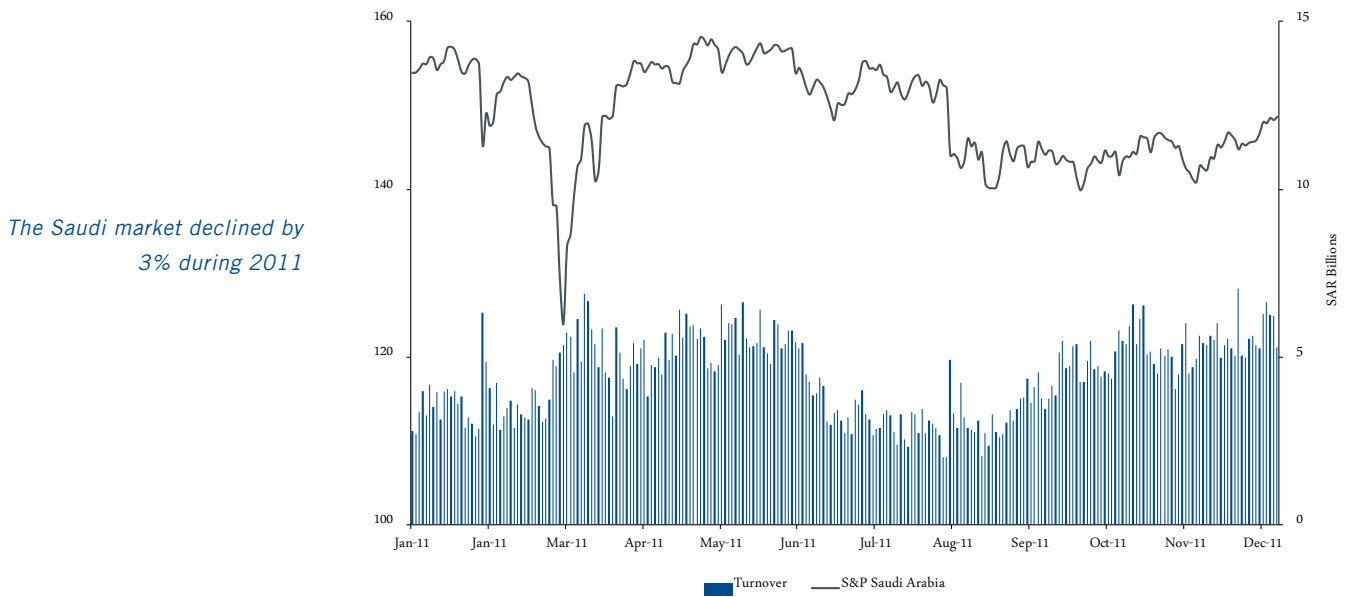
Sources: MSCI, Reuters, Bloomberg, respective stock exchanges, and NBK Capital

Saudi Arabia

The Saudi market declined by 3% during 2011, with the majority of the losses recorded during the third quarter of the year. The index started the year on a negative note, as in other GCC markets, due to the political turmoil that erupted in the Middle East and North Africa (MENA) region. During March, the index bounced back and then moved sideways until the end of 1H2011. During the second half of the year, the index entered a bear phase, posting negative returns of 2.9%.

On the liquidity front, the Saudi market improved significantly in 2011, as the average daily traded value increased by 45% compared with 2010, reaching SAR 4.4 billion.

Figure 1-2 Performance of the S&P Saudi Arabia Index



Sources: MSCI, Reuters, and NBK Capital

Kuwait

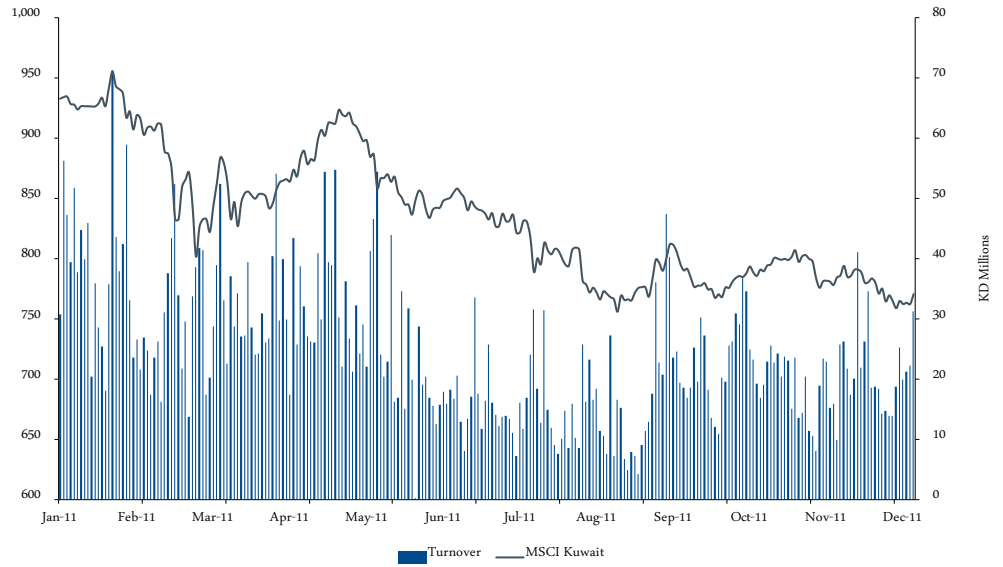
The MSCI Kuwait index posted negative returns of 15.7% during 2011. The index started the year on a negative note, as in other GCC markets, declining by 9% during 1Q2011. However, the index rallied 10% during April. This rally was followed by a bearish trend over the following months, as the index posted negative returns of 7.6% during 2H2011.

Among the reasons Kuwait performed poorly, the most significant were the recent political unrest, which essentially resulted in dissolution of the parliament in December 2011, and the pending development plan, which has recently been losing momentum.

The market witnessed a significant drop in liquidity, as the average daily traded value decreased by almost half in 2011, compared with the previous year, reaching KD 24.5 million. As shown in Figure 1-3, the market's performance in 1H2011 was responsible for the decline in the average daily traded value for the year.

Figure 1-3 Performance of the MSCI Kuwait Index

The Kuwaiti market witnessed a significant decline in liquidity during 2011



Sources: MSCI, Reuters, and NBK Capital

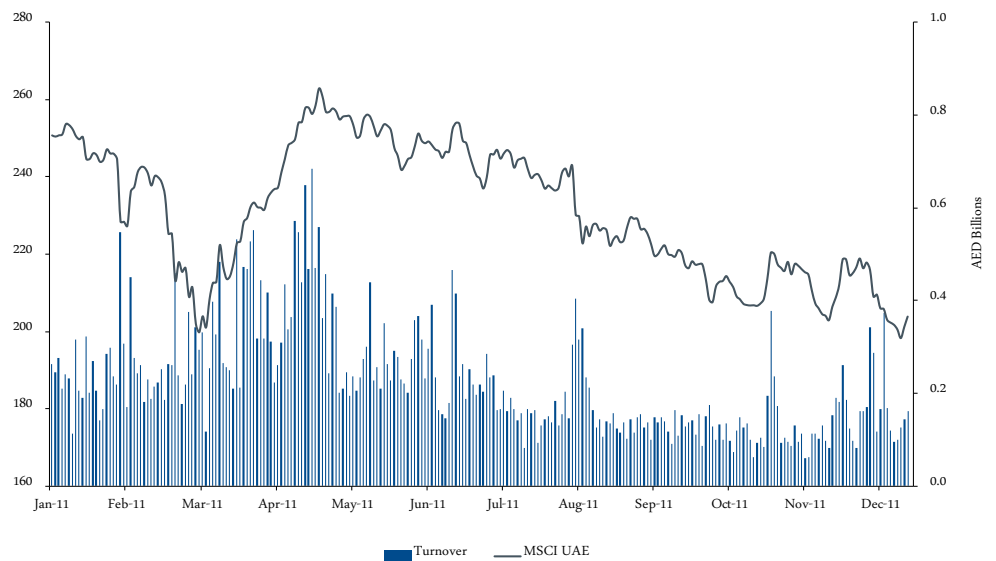
UAE

Declining by 17.6% in 2011, the UAE market ranked as the worst among its GCC counterparts. The index started the year with a sharp decline, setting the lowest point for the year during March 2011 (a 19% decrease from the beginning of the year). Then the market witnessed a rise during 2Q2011, recording a positive return of 2.3%. However, the index experienced a bearish trend during the second half of the year, resulting in a negative return of 15%.

On the liquidity front, the market reported a hefty decrease of 45% in 2011, compared with 2010, reaching an average daily traded value of AED 226 million in 2011. As seen in Figure 1-4, lower trading levels in the second half of 2011 caused the average daily traded value to drop in 2011.

Figure 1-4 Performance of the MSCI UAE Index

UAE was the worst performer among the GCC markets



Sources: MSCI, Reuters, and NBK Capital

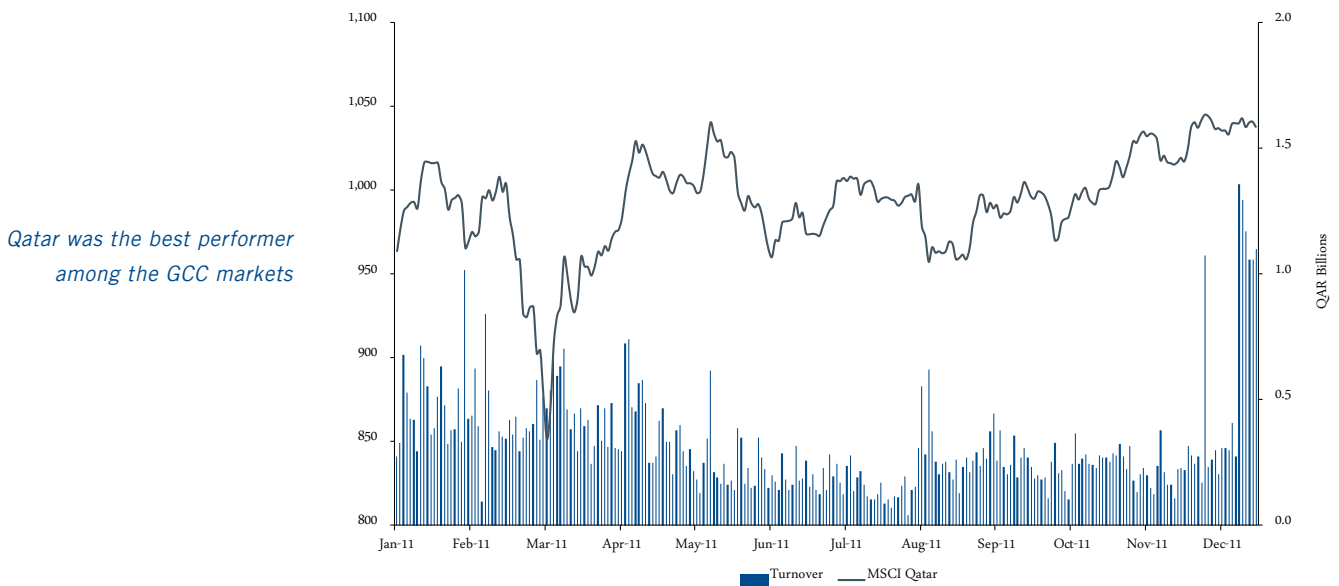
Qatar

The star performer among the GCC markets, the Qatari market yielded returns of 8.2% in 2011, with the majority of the gains recorded during the second half of the year. The index started the year on a negative note, posting negative returns of 11% during the first two months. However, this was followed by a bullish run in the following months of the year, as the index recorded positive returns of 7% during the last nine months of 2011. We believe this positive performance was influenced by massive spending on infrastructure projects, steady natural gas prices, impressive GDP growth, and the robust net profit growth of the Qatari listed companies.

The robust growth in the combined 9M2011 net profits of the Qatari listed companies had a major influence on the positive index returns. The 42 listed Qatari companies reported combined net profits of QAR 27.8 billion during 9M2011, compared to QAR 22.8 billion in 9M2010, an increase of 22%. This growth was relatively broad-based, with 33 out of the total 42 listed companies reporting an increase in net profits. The industrial sector was the best performer with year-on-year (YoY) net profit growth of 69.5% in 9M2011. This was followed by the banking sector, which reported an increase of 21.8%. On the other hand, the services sector was the worst performer as net profit decreased by 7% in 9M2011. Meanwhile, the insurance sector's net profit was almost flat in 9M2011, compared to 9M2010.

The Qatari market also witnessed an increase in liquidity, as the average daily traded value reached QAR 309 million in 2011, up 15% compared to QAR 268 million in 2010. As is clear in Figure 1-5, higher trading levels in the first half of 2011 caused the average daily traded value to rise in 2011.

Figure 1-5 Performance of the MSCI Qatar Index



Sources: MSCI, Reuters, and NBK Capital

In this section, we further present a comparative analysis, taking into account the 2011 performance, the expected FY2012 real GDP growth rates, and their respective valuations (based on FY2012 PE and PB) for the GCC, G-7, and EM.

In one of our earlier editions of MENA in Focus (dated January 5, 2011), we pointed out that the GCC basket looked attractive compared to the G-7 economies and EM in terms of higher real GDP growth (with a GDP growth rate of 7.5% compared to 4% and 1.7% for the EM and G-7, respectively), and attractive stock market valuations. Although the GCC, G-7, and EM performed poorly in 2011, the GCC fared relatively better in comparison.

Moreover, although the EM had a significantly higher GDP growth rate and only marginally less attractive valuations for 2011 than the G-7, the EM underperformed with negative returns of 15.7% compared to 12.5% for the G-7 in 2011.

We believe the current Eurozone crisis coupled with the geopolitical turmoil in the MENA region had significant impact on the markets and provide the main explanation for the negative performance.

We observe in Figure 1-6 that the GCC and EM are comparably attractive, with expected GDP growth 3.9% and 3.7%, respectively, for FY2012. Furthermore, those markets look favorable in terms of valuation.

Figure 1-6 Valuation Multiples for the GCC, the G-7, and EM

Country	Index	Closing	Nominal GDP-2012 (USD Bn)	Real GDP growth rate	Mkt. Cap. (USD Bn)	Mkt. Cap. - to - GDP	PE	PB	Div. Yield	Returns
				2012E			2012E	2012E	2012E	
Saudi Arabia	Tadaw ul	6417.7	582	3.6%	337	0.6	10.9	4.1	1.6%	-3.1%
Kuwait	KSE Price	5814.2	177	4.5%	97	0.5	12.6	n/a	n/a	-16.4%
Dubai*	DFM General	1353.4	376	3.8%	98	0.3	9.6	3.1	0.5%	-17.0%
Abu Dhabi*	ADX General	2402.3					8.1	4.2	1.1%	-11.7%
Qatar	DSM 20	8779.0	181	6.0%	126	0.7	12.2	4.1	1.8%	1.1%
Bahrain	BHSE A II Share	1143.7	27	3.6%	16	0.6	8.2	n/a	n/a	-20.1%
Oman	MSM 30	5695.1	69	3.6%	18	0.3	9.8	4.9	1.4%	-15.7%
GCC Average				3.9%		0.5	10.3	4.3	1.5%	-11.8%
United States	DJIA	12217.6	15,491	1.8%	15,006	1.0	12.5	2.6	2.5%	5.5%
Japan	Nikkei 300	147.1	6,126	2.3%	3,498	0.6	15.3	2.6	0.9%	-19.3%
United Kingdom	FTSE 100	5572.3	2,604	1.6%	3,034	1.2	10.0	4.0	1.6%	-5.6%
France	CAC 40	3159.8	2,889	1.4%	1,411	0.5	9.2	4.8	1.0%	-17.0%
Germany	DAX	5898.4	3,708	1.3%	1,238	0.3	9.9	4.1	1.2%	-14.7%
Canada	S&P/TSX	11955.1	1,826	1.9%	1,891	1.0	13.1	2.9	1.7%	-11.1%
Italy	FTSE/MIB	15089.7	2,288	0.3%	459	0.2	10.6	4.8	0.7%	-25.2%
G-7 Average				1.2%		0.7	11.5	3.7	1.4%	-12.5%
China	CSI 300	2345.7	7,744	9.0%	3,133	0.4	11.1	2.1	1.7%	-25.0%
India	SENSEX 30	15390.3	2,013	7.5%	1,005	0.5	13.5	1.8	2.1%	-25.0%
Brazil	Bovespa	56754.1	2,617	3.6%	1,195	0.5	10.0	3.9	1.2%	-18.1%
Russia	Russian RTS	1381.9	2,117	4.1%	770	0.4	4.9	3.6	0.8%	-21.9%
Mexico	Mexico Blosa	37077.5	1,242	3.6%	413	0.3	15.9	1.6	2.4%	-3.8%
South Africa	FTSE/JSE	31985.7	443	3.6%	445	1.0	10.4	3.4	1.3%	-0.4%
EM** Average				3.7%		0.5	11.0	2.7	1.6%	-15.7%

*For Dubai and Abu Dhabi, the GDP, market cap, and GDP growth rates are for the UAE as a whole. **EM – Emerging Markets. Sources: IMF, Bloomberg, respective stock exchanges, and NBK Capital

The GCC and EM are comparably attractive in terms of expected GDP growth and valuations

DEFENSIVE SECTORS / MARKETS IN THE GCC DURING BEAR RUNS

We looked at companies listed on the GCC stock exchanges and created a list of sectors that outperformed their home markets during downturns. The GCC markets suffer from an insufficient history of data to perform the analysis with great conviction; we tried to base our analysis on the slowdowns during 2008-2009 and the recent bear market in the backdrop of the weakening of the Eurozone and the global economic environment.

Overall, the GCC equity markets have been highly dependent upon government fiscal spending plans and the government's willingness to support overall private sector development in the country. Therefore, countries with aggressive spending plans such as Qatar and Saudi Arabia have been relatively defensive compared to their GCC peers. On the other hand, sectors such as consumer and utilities turn out to be defensive, while the banking, real estate and construction, and petrochemical sectors seem to be cyclical.

We also believe that the GCC markets have been gradually maturing as investors are putting more weight on the long-term growth fundamentals of the markets rather than speculating on near-term movements as in 2008.

Methodology

For our study, we analyzed the stock performance of large and mid-cap companies listed on the exchanges in the GCC. We acknowledge that many equity markets in the GCC suffer from a lack of depth of liquidity, and therefore, we excluded companies with extremely thin trading volumes. We compared the companies' performance between the markets' highs in 2008 and lows in Q12009 – a period when, due to the global economic slowdown, regional equities took a hit. We also looked at the performance of the same companies between the markets' late 2010 and early 2011 highs and the end of 2011 – a period when first the Arab Spring and then the ongoing Eurozone economic woes affected regional equities. Our performance measures are based on absolute price performance that does not take dividend payouts into consideration.

Performance of GCC equities in bear markets

We reproduced the broader GCC indices covered by MSCI and Standard & Poor's (S&P). MSCI stopped covering the MSCI GCC Index (including Saudi Arabia) in September 2010, and S&P started the S&P GCC Large and Mid-Cap Index at the end of 2008. To put things into perspective and have a consistent trend, we attempt to merge these two indices to get an overlap for the period of our study, although without adjusting for securities or the weights of those securities. We realize that a simple merging of the two indices may not be as accurate since the indices have different sets of securities, different weights assigned to them, and different calculation methodologies. We believe, even if we had attempted to reproduce the index after adjusting for these differences, we might not have got a significantly different trend.

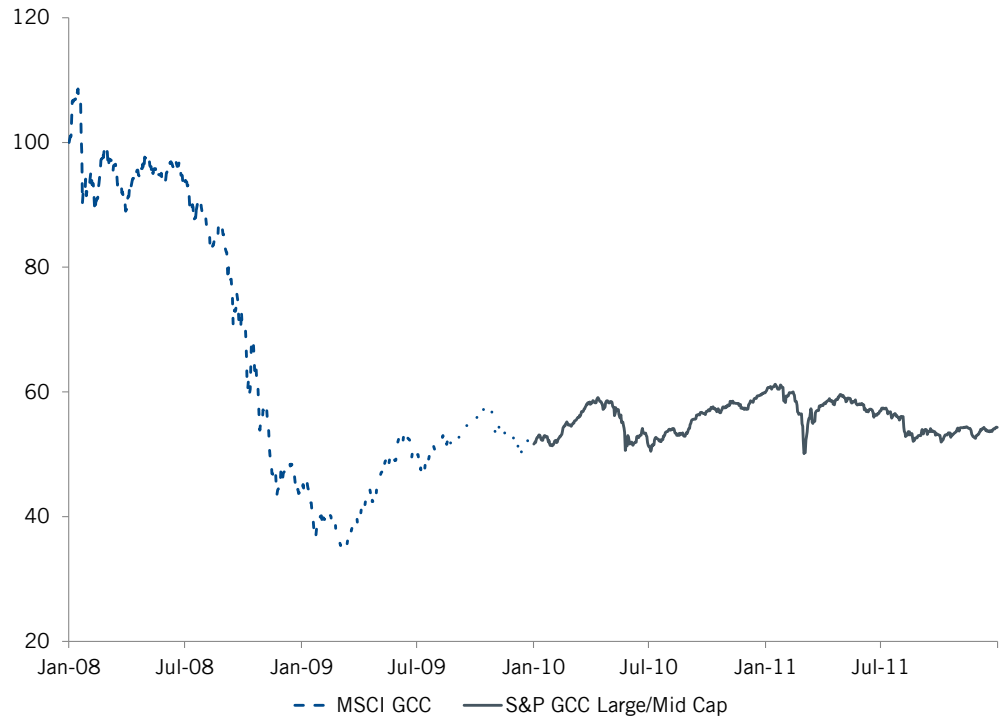
Note that the merging of the indices has no impact on our performance measures for the study, because to calculate absolute returns in the 2008-2009 bear market we used the MSCI GCC Index and for the 2010 to the end of 2011 bear market we used the S&P GCC Large and Mid-Cap Index.

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Figure 2-1 GCC Market Performances (Rebased)



Two bear markets appeared in 2008-2009 and late 2010-2011

Note: We merged the MSCI GCC Index (including Saudi Arabia) and the S&P GCC Large and Mid-Cap Index on January 1, 2010. Sources: Bloomberg and NBK Capital

Within the GCC markets, Abu Dhabi and Bahrain outperformed during the 2008-2009 slowdown in equities. However, we believe the outperformance of the Bahraini market can be broadly attributed to a lack of depth in liquidity while Abu Dhabi benefited, in our view, from investors' view of the emirate's economy as being relatively more stable than that of its neighbor Dubai.

Long-term growth fundamentals and aggressive government spending plans are believed to be the key drivers behind the outperformances of the Qatari and Saudi Arabian markets in bearish sentiments for the latter half of 2011

In contrast, Qatar and Saudi Arabia remain outperformers compared to their GCC peers in the 2011 bear market. Interestingly, the impact of the Arab Spring was felt most in these two markets, and the recovery was equally steep for them. We believe Saudi Arabia's strong and young population base coupled with the big government spending plans to diversify the economy away from oil revenues remained intact as long-term growth fundamentals for the economy. Moreover, the Saudi Arabian government's announcement of a social welfare package subsequent to the Arab Spring has helped boost consumer goods demand in the short-term and housing and construction sector demand over the long-term. Clearly, consumer and building material stocks are among the outperformers.

As for Qatar, the government's strong spending on expanding the gas infrastructure over the past three to four years and plans for spending on non-gas sectors for the coming years have helped the market recover sharply from the lows witnessed after the Arab Spring.

Figure 2-2 Performance of the GCC Markets (between highs and lows for 2008-2009 and end 2010-2011 highs and current levels)

Markets	2008-09	Late 2010-2011
<i>Abu Dhabi and Bahrain outperformed during the 2008-2009 slowdown, while Qatar and Saudi Arabia gave better returns in the 2011 bear run compared to the broader GCC markets</i>		
Abu Dhabi	-58.5%	-15.2%
Bahrain	-45.8%	-22.5%
Dubai	-77.2%	-24.0%
Kuwait	-59.2%	-18.4%
Oman	-65.1%	-19.0%
Qatar	-66.5%	-5.0%
Saudi Arabia	-64.7%	-5.5%
Broader GCC Market	-67.5%*	-11.3%*

*MSCI GCC for 2008-2009 and S&P GCC Large and Mid-Cap for Late 2010-2011 Sources: Bloomberg and NBK Capital

Defensive sectors continue to be defensive except for the UAE

We found many stocks that outperformed during the 2008-2009 slowdown also outperformed in the drops recorded in the equity markets during 2011 except in the case of the companies listed on the exchanges in the UAE. Many companies in the consumer and utility sectors generally performed better than the overall markets during both periods, confirming the trend we highlighted in our earlier study published in March 2009, "Defensive Plays with Sector Rotation," that the consumer, utility, and healthcare sectors are the most common defensive sector plays in any cyclical downturn. However, we also found outperformers among cyclical sectors such as banking in Qatar and the UAE during 2011 driven by stock or market-specific factors.

Figure 2-3 Summary of Sectors' Performances during the 2008-2009 and Late 2010-2011 Bear Markets

Sectors	2008-09	Late 2010-2011
Consumer	+	+
Utilities	+	+
Building materials	=	=
Insurance	=	=
Logistics and Transportation	=	=
Telecom	=	=
Banks	-	-*
Petrochemical	-	-
Real estate and Construction	-	-

+ represents mostly outperformers, - represents mostly underperformers, and = represents a broadly equal mix of outperformers and underperformers *Except for some banks in Qatar and the UAE, Source: NBK Capital

The trend seems to be continuing with the consumer and utility sectors proving to be relatively defensive

The above analysis is based on the trends followed by the majority (not all) of the companies from a sector.

In the section below, we summarize and explain the underlying drivers behind each sector's performance vis-à-vis the broader markets.

Consumer

Sectors such as consumer staples (including producers and retailers) tend to outperform during bear markets due to the defensive nature of the products offering, and therefore, sales tend to be less volatile compared to economic cycles. Many consumer companies based in Saudi Arabia, in addition to being defensive, outperformed their GCC peers in 2011 as the sector benefited significantly from the social welfare package announced by the King in 1Q2011.

Utilities

Utilities are usually defensive as most of the utility providers have long-term government contracts. Therefore, sales tend to be less volatile.

Building materials

Building materials stocks are usually linked to the overall construction activity in the economy and can be considered broadly cyclical. However, the Qatari and the Saudi governments have been spending heavily on infrastructure projects in oil and non-oil sectors, which has helped building material companies such as cement producers in these countries post better returns than other regional players.

Logistics and transportation

Logistics and transportation companies are usually linked to business cycles, and the companies' financial performances are affected by a drop in business volumes as they have high operating leverage. However, companies with a high degree of bargaining power and low fixed cost base have outperformed their peers in the past. Lower fuel costs (usually associated with slowdowns) may ease some pressure on margins.

Telecom

With the increasing necessity of mobile telecommunications, telecom companies now behave like utilities and have less volatile financial performances compared to other sectors. Notwithstanding the performance of telecom companies in the stock markets, the telecom sector in the region is usually associated with relatively high dividend yields and payouts (as the business models have been maturing) that could make the sector performance from a total returns perspective appear broadly defensive.

Financial

The financial sector is highly correlated to trends of the economic cycle. During upturns, banks usually expand their loan books and earn high fee-based income driven by overall high economic activities. However, banks tend to report higher delinquencies when the economic cycle is in a downward trend. For 2011, banks in the UAE outperformed their GCC peers as the sector re-rated from a very low base compared to the rest of the GCC.

Petrochemical

Petrochemical stocks' revenues are largely driven by fluctuations in oil and gas prices. In slowdowns, oil and gas prices tend to correct, causing a decline in the companies' revenues. This compounded with reduced demand due to slow business activities produces further volatility in the financial performance of the petrochemical sector.

Real estate and construction

Real estate and construction companies are usually hit hard during an economic slowdown as demand weakens. Real estate companies may also find it difficult to have easy access to funding as banks usually turn risk averse in such environments. Companies from these sectors tend to have large receivables accounts, which may see some delinquencies, further impacting company performance.

Overall, in the background of an uncertain economic and investment environment, consumer and utility companies appear defensive based on our findings. However, attractive dividend payouts could make a few companies (such as some telecom players in the region) appear relatively defensive from a total returns perspective, which we have not taken into consideration for calculating returns. Moreover, as we previously mentioned, factors specific to some companies or sectors could produce returns beyond typical expectations in a bull or bear market.

COMPANIES IN FOCUS (PRICES AS OF DECEMBER 31, 2011)

Sector	Country	Currency	Closing Price	Date of Last Report	12-Month Fair Value	Recommendation	PE			PB		
							T12M	2011	2012	Latest	2011	2012
Banking												
Abu Dhabi Commercial Bank	UAE	AED	2.78	29-Dec-11	3.30	Accumulate	5.4	5.5	8.4	0.7	0.7	0.7
Abu Dhabi Islamic Bank	UAE	AED	3.16	29-Dec-11	3.60	Accumulate	7.1	6.7	6.5	0.9	0.9	0.8
Arab National Bank	Saudi Arabia	SAR	27.50	13-Oct-11	37.50	Buy	11.1	10.1	8.9	1.4	1.4	1.2
BankMuscat	Oman	OMR	0.766	13-Oct-11	0.780	Accumulate	10.2	11.0	9.6	1.4	1.4	1.3
Banque Saudi Fransi	Saudi Arabia	SAR	42.10	13-Oct-11	49.50	Buy	10.3	10.4	9.3	1.6	1.5	1.4
Doha Bank	Qatar	QAR	64.10	08-Dec-11	70.60	Accumulate	11.3	10.6	10.4	1.9	1.9	1.8
First Gulf Bank	UAE	AED	15.45	29-Dec-11	20.00	Buy	6.5	6.4	5.8	0.9	0.9	0.8
National Bank of Abu Dhabi	UAE	AED	10.95	29-Dec-11	12.40	Accumulate	8.5	8.1	7.6	1.2	1.2	1.0
National Bank of Oman	Oman	OMR	0.320	18-Oct-11	0.320	Hold	10.6	11.2	9.4	1.3	1.2	1.2
Qatar Islamic Bank	Qatar	QAR	84.30	08-Dec-11	90.50	Accumulate	12.9	13.1	11.8	1.8	1.8	1.7
Qatar National Bank	Qatar	QAR	152.00	08-Dec-11	161.10	Accumulate	13.9	13.3	11.7	2.4	2.3	2.0
Riyad Bank	Saudi Arabia	SAR	23.30	16-Oct-11	33.80	Buy	11.1	11.5	9.9	1.2	1.2	1.1
Samba Financial Group	Saudi Arabia	SAR	46.60	16-Oct-11	58.00	Buy	9.8	9.5	8.5	1.5	1.5	1.3
Saudi Hollandi Bank	Saudi Arabia	SAR	29.80	13-Oct-11	30.70	Accumulate	9.6	10.2	9.3	1.4	1.3	1.2
The Commercial Bank of Qatar	Qatar	QAR	84.00	08-Dec-11	106.80	Buy	11.4	10.4	9.4	1.5	1.4	1.4
The Saudi British Bank	Saudi Arabia	SAR	40.70	13-Oct-11	49.00	Buy	11.6	10.3	9.1	1.9	1.8	1.5
Union National Bank	UAE	AED	2.89	29-Dec-11	3.70	Buy	4.7	4.7	5.1	0.6	0.6	0.5

Sector	Country	Currency	Closing Price	Date of Last Report	12-Month Fair Value	Recommendation	PE			EV/EBITDA		
							T12M	2011	2012	T12M	2011	2012
Building Materials												
Ezz Dekheila Steel	Egypt	EGP	426.80	Under Review	Under Review	Under Review	11.5	na	na	5.6	na	na
Ezz Steel	Egypt	EGP	3.73	Under Review	Under Review	Under Review	32.8	na	na	4.7	na	na
Lecico	Egypt	EGP	5.80	07-Dec-11	8.90	Buy	17.8	11.3	6.1	5.4	5.3	4.3
Oman Cement Co.	Oman	OMR	0.432	30-Oct-11	0.631	Buy	12.4	9.1	8.9	6.5	6.3	6.0
Qatar National Cement Co.	Qatar	QAR	112.00	23-Oct-11	93.60	Reduce	22.9	14.3	11.1	10.4	11.8	9.6
Raysut Cement Co.	Oman	OMR	0.760	02-Nov-11	0.869	Hold	11.3	10.3	9.8	9.1	10.3	9.8
Yamama Cement	Saudi Arabia	SAR	70.00	14-Nov-11	71.73	Accumulate	13.3	13.1	12.6	10.0	13.1	12.6
Contractors												
Arabtec	UAE	AED	1.59	07-Dec-11	1.47	Hold	7.7	20.2	13.2	4.3	6.4	5.7
DEPA	UAE	USD	0.42	07-Dec-11	0.77	Buy	nmf	7.1	5.6	5.4	4.4	3.3
Drake and Scull	UAE	AED	0.79	20-Nov-11	1.05	Buy	11.8	8.1	8.7	8.5	6.1	6.2
Orascom Construction	Egypt	EGP	201.15	04-Dec-11	287.06	Buy	12.4	9.0	6.7	9.6	6.9	5.6
Real Estate												
Emaar	UAE	AED	2.57	17-Nov-11	3.47	Buy	6.4	9.7	11.6	7.3	6.7	7.3
Mabaneer	Kuwait	KWD	0.860	23-Nov-11	1.080	Buy	24.2	23.3	14.3	21.6	20.6	13.2
Salhia Real Estate Co.	Kuwait	KWD	0.208	29-Nov-11	0.280	Buy	20.0	17.0	24.9	10.0	11.8	12.2
Sorouh	UAE	AED	0.85	13-Nov-11	2.41	Buy	nmf	6.0	6.0	8.9	6.6	7.1
Telecommunications												
Batelco	Bahrain	BHD	0.392	27-Oct-11	0.560	Buy	7.3	6.5	6.6	3.7	3.7	3.7
du	UAE	AED	2.89	16-Nov-11	4.16	Buy	12.9	14.5	12.1	5.1	5.0	4.2
Jordan Telecom	Jordan	JOD	5.53	31-Oct-11	4.45	Reduce	15.1	16.1	15.7	6.9	7.1	6.9
Mobily	Saudi Arabia	SAR	52.50	15-Nov-11	77.00	Buy	7.6	7.7	6.9	6.1	6.0	5.4
Mobinil	Egypt	EGP	78.23	13-Dec-11	100.00	Accumulate	28.8	nmf	20.4	3.9	4.1	3.8
Nawras	Oman	OMR	0.650	07-Dec-11	0.790	Buy	8.9	8.8	9.3	4.7	4.6	4.5
Omantel	Oman	OMR	1.309	07-Dec-11	1.450	Accumulate	8.9	8.9	9.7	4.3	4.2	4.4
Qatar Telecom	Qatar	QAR	140.80	01-Nov-11	180.00	Buy	13.8	9.5	8.9	3.3	3.2	3.1
Saudi Telecom	Saudi Arabia	SAR	33.80	30-Nov-11	42.00	Buy	8.8	8.8	8.8	4.4	4.5	4.4
Telecom Egypt	Egypt	EGP	13.21	14-Nov-11	20.00	Buy	7.3	7.9	8.6	4.1	3.8	3.9
Vodafone Qatar	Qatar	QAR	7.55	03-Nov-11	8.47	Accumulate	nmf	nmf	nmf	nmf	nmf	nmf
Wataniya Telecom	Kuwait	KWD	1.940	01-Nov-11	2.690	Buy	11.8	10.3	11.0	3.4	3.5	3.4
Transportation & Logistics												
Agility	Kuwait	KWD	0.375	Under Review	Under Review	Under Review	nmf	na	na	6.9	na	na
Air Arabia	UAE	AED	0.59	02-Nov-11	0.75	Accumulate	10.4	11.1	12.9	7.9	8.9	6.2
Aramex	UAE	AED	1.80	20-Nov-11	2.20	Buy	12.6	12.4	11.3	7.5	7.2	6.4
DP World	UAE	USD	9.69	25-Oct-11	14.00	Buy	17.7	19.6	17.7	9.0	9.3	8.9
Jazeera Airways	Kuwait	KWD	0.455	03-Nov-11	0.450	Accumulate	10.5	9.1	8.7	13.1	10.2	9.7
Others												
Agthia	UAE	AED	1.72	22-Dec-11	2.20	Buy	10.8	12.1	10.5	7.3	7.8	6.2
Almarai	Saudi Arabia	SAR	99.00	20-Oct-11	114.00	Buy	17.5	19.5	15.3	14.6	14.4	12.2
Dana Gas	UAE	AED	0.45	Under Review	Under Review	Under Review	10.8	na	na	7.9	na	na
GB Auto	Egypt	EGP	20.97	05-Dec-11	32.80	Buy	14.5	12.4	10.3	4.4	4.2	3.8
Oriental Weavers	Egypt	EGP	29.98	01-Dec-11	30.20	Hold	10.0	11.0	8.6	8.3	8.7	6.7
Juhayna	Egypt	EGP	3.90	11-Dec-11	5.50	Buy	11.8	13.0	10.7	7.3	6.9	5.6
Qatar Electricity and Water Co.	Qatar	QAR	139.60	21-Nov-11	167.00	Buy	10.1	10.1	9.9	11.3	10.9	10.7
Savola	Saudi Arabia	SAR	28.70	20-Oct-11	30.00	Accumulate	20.3	14.0	11.1	10.1	10.8	9.3

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION		UPSIDE (DOWNSIDE) POTENTIAL		
BUY		MORE THAN 20%		
ACCUMULATE		BETWEEN 5% AND 20%		
HOLD		BETWEEN -10% AND 5%		
REDUCE		BETWEEN -25% AND -10%		
SELL		LESS THAN -25%		
RISK LEVEL				
LOW RISK			HIGH RISK	
1	2	3	4	5

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