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GCC Stock Markets Review

Q1 2009

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FALCOM فالكم

INTELLIGENT
INVESTMENT
IDEAS

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Trending market is the best friend of an investor. In the absence of short-selling, investors can only earn when the market is trending up. However for number of quarters, investors are left nursing their bleeding portfolios with no end in sight. Q4 of 2008 did the maximum damage. Q1 2009 was less catastrophic. Although six of the seven GCC indices closed in the red, three of them had single digit losses while Abu Dhabi actually registered gains.

Compared to the gloomy and jittery fourth quarter performance of 2008, the first quarter of 2009 provided some breathing space to investors. GCC indices on an average lost 10.1% in Q1 2009 which is one third of the 37.67% loss they faced in the last quarter of 2008. Dubai stock market index was the worst hit in the last quarter of 2008 falling as much as 60%, whereas Doha stock market index had the lowest fall of 26%. However, in Q1 2009, other GCC markets were able to give some respite to investors, while Doha stock market index surpassed its Q4 2008 fall by dropping 29%.

The standard deviation and the difference between the maximum and minimum daily returns also declined in Q1 2009 from Q4 2008 levels suggesting lower risk levels and prevalence of buy and hold strategy. In spite of the fall, the standard deviations are at above average levels, suggesting that investors are holding on their stock but the level of confidence in the market needs further improvement.

Except for Abu Dhabi stock market index which saw a 2% increase in market capitalization (in USD terms) in Q1 2009, all the other GCC indices have faced decline in market capitalization with Doha stock market index losing as much as 29% of its market cap (in USD terms).

Given the fact that all the GCC markets are trading at P/E and P/B ratios lower than the Q4 2008 levels and that there are positive signs of recovery from the financial markets all over the world, this looks like a good time to venture into the regional markets and conduct some cherry picking exercise. As on 31st March 2009, Dubai Financial Market stock index had the lowest P/E and P/B ratios, whereas, TASI and Doha stock market indices had the maximum P/E and P/B ratios respectively.

Banking sector across the region registered losses for Q1 2009 with Qatar and Saudi Arabian banking sector registering maximum and minimum losses respectively. Except for four sectors in Saudi Arabia, two in Kuwait and three in Abu Dhabi, all the other regional sector indices declined in Q1 2009.

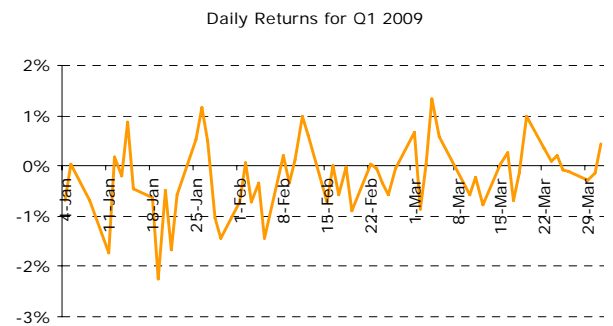
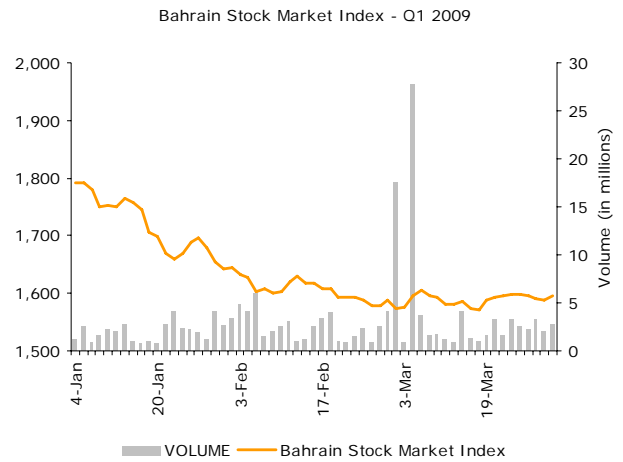
The nine sectors with positive Q1 2009 returns were cement, hotel and tourism, insurance and industrial investment in Saudi Arabia; health care, energy and telecom in Abu Dhabi; and food and transportation in Kuwait. The energy and telecom sector in Abu Dhabi registered quarterly returns of 52% and 33% respectively, which are the highest and second highest sector returns in the region for Q1 2009. The worst performing sector in the region for Q1 2009 was materials sector of Dubai (-40%) followed by the banking sector of Qatar (-32.4%).

| Quarterly Returns for Last Five Quarters | | | | | |
|--|---------|---------|---------|---------|---------|
| | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | Q1 2009 |
| Bahrain Stock Market Index | 1.3% | 2.5% | -13.9% | -26.7% | -11.5% |
| Kuwait Stock Market Index | 13.8% | 8.2% | -16.9% | -39.4% | -13.3% |
| Muscat Stock Market Index | 11.8% | 12.1% | -25.0% | -35.9% | -14.9% |
| Doha Stock Market Index | -0.3% | 24.2% | -2.5% | -26.1% | -29.0% |
| Tadawul All Share Index | -18.5% | 4.0% | -20.2% | -35.6% | -2.1% |
| UAE - Abu Dhabi Stock Market Index | 0.1% | 8.7% | -20.1% | -39.6% | 4.1% |
| UAE - Dubai Financial Market Index | -9.8% | 1.7% | -24.2% | -60.4% | -4.1% |

(Source: Bloomberg, FALCOM Research)

All the GCC indices registered positive returns in the second quarter of 2008, mainly due to high oil prices. All the market indices except for Abu Dhabi stock market index posted negative returns in the last three quarters. The fourth quarter of 2008 was a nightmare for the regional financial markets as all the regional indices registered sharp falls. Except for Qatar stock market index, all other regional indices registered improved q-o-q returns in Q1 2009.

| Bahrain Stock Market Index | | |
|-------------------------------------|---------|---------|
| | Q4 2008 | Q1 2009 |
| Performance Indicators | | |
| Close | 1,804 | 1,596 |
| High (daily close for the quarter) | 2,454 | 1,793 |
| Low (daily close for the quarter) | 1,804 | 1,572 |
| Average Daily Volume (million) | 7 | 3 |
| Total Market Cap (USD million) | 18,757 | 17,257 |
| Valuation Indicators | | |
| P/E | 8.2 | 7.4 |
| P/B | 1.3 | 1.1 |
| Dividend Yield (%) | 5.8% | 5.5% |
| Return Analysis | | |
| Quarterly Return (%) | -26.7% | -11.5% |
| Average Daily Return (%) | -0.54% | -0.21% |
| Standard Deviation of Daily Returns | 0.01 | 0.01 |
| Maximum Daily Return (%) | 2.66% | 1.34% |
| Minimum Daily Return (%) | -3.65% | -2.24% |



(Source: Bloomberg, Zawya, Bahrain Stock Exchange, FALCOM Research)

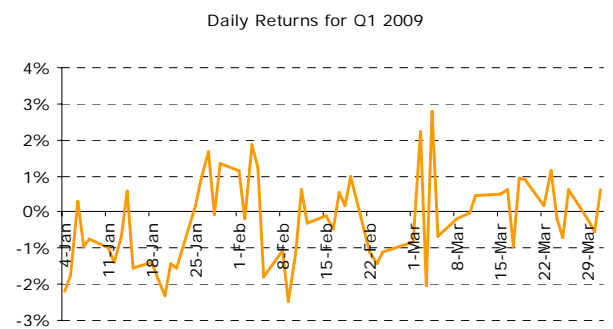
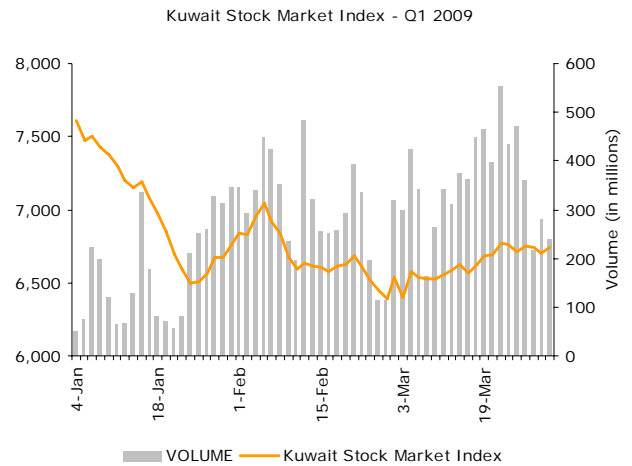
HIGHLIGHTS

- Bahrain Stock Market Index lost over 11.5% of its value in Q1 2009 after shedding 26.7% in Q4 2008.
- The slight decline in volatility is evident from the fact that the standard deviation of daily returns and the difference between maximum and minimum daily returns decreased in Q1 2009 from Q4 2008 levels.
- The market capitalization in dollar terms of the index was down 8% from USD 18,757 million to USD 17,257 million in Q1 2009.
- The P/E, P/B and dividend yield declined in Q1 2009 mainly due to the decrease in market capitalization.
- The average daily trading volume declined by 57% in Q1 2009.
- Insurance and Banking sectors had the maximum and minimum returns for the first quarter respectively; Banking and Insurance sectors had the maximum and minimum standard deviation of daily returns respectively. All the sectors registered losses in Q1 2009.
- Banking sector had the maximum return correlation with the index; also Industrial sector had negative correlation with the main index.

| Sector Performance in Q1 2009 | | | | | | | |
|-------------------------------------|--------|------------------|------------|-----------|------------|----------|--------|
| | Banks | Hotels & Tourism | Industrial | Insurance | Investment | Services | Index |
| Quarterly return | -18.1% | -2.8% | -5.8% | -2.7% | -6.8% | -13.4% | -11.5% |
| Average of daily returns | -0.3% | 0.0% | -0.1% | 0.0% | -0.1% | -0.2% | -0.2% |
| Standard deviation of daily returns | 0.01 | 0.01 | 0.01 | 0.00 | 0.01 | 0.01 | 0.01 |
| Return correlation with main index | 0.73 | 0.02 | -0.14 | 0.06 | 0.70 | 0.34 | 1.00 |

| Kuwait Stock Market Index | | |
|-------------------------------------|---------|---------|
| | Q4 2008 | Q1 2009 |
| Performance Indicators | | |
| Close | 7,783 | 6,745 |
| High (daily close for the quarter) | 12,379 | 7,611 |
| Low (daily close for the quarter) | 7,783 | 6,392 |
| Average Daily Volume (million) | 295 | 274 |
| Total Market Cap (USD million) | 115,478 | 97,702 |
| Valuation Indicators | | |
| P/E (adjusted) | 8.4 | 7.6 |
| P/B | 1.3 | 1.1 |
| Dividend Yield (%) | 7.4% | 6.6% |
| Return Analysis | | |
| Quarterly Return (%) | -39.4% | -13.3% |
| Average Daily Return (%) | -0.86% | -0.24% |
| Standard Deviation of Daily Returns | 0.02 | 0.01 |
| Maximum Daily Return (%) | 3.78% | 2.78% |
| Minimum Daily Return (%) | -3.59% | -2.49% |

(Source: Bloomberg, Zawya, FALCOM Research)



HIGHLIGHTS

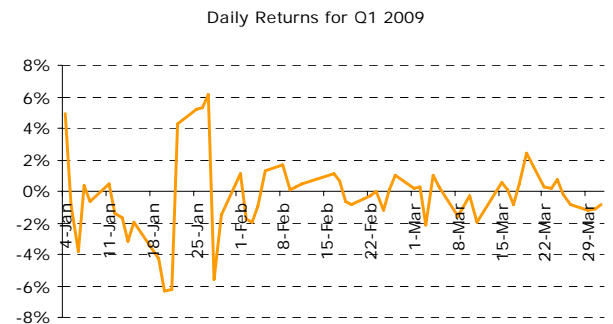
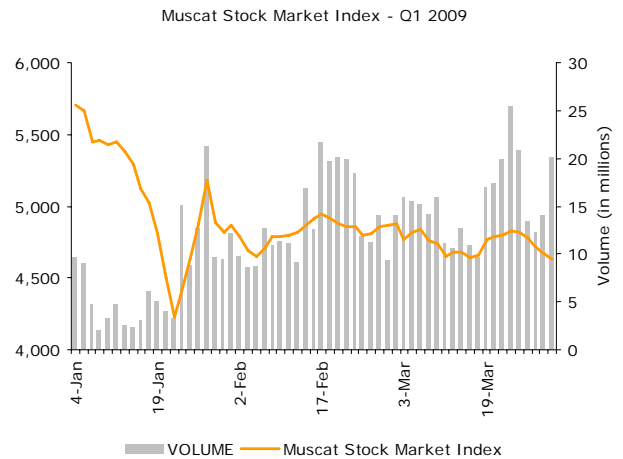
- Kuwait Stock Market Index lost over 13% of its value in Q1 2009 after shedding 39.4% in Q4 2008.
- The decline in volatility is evident from the fact that the standard deviation of daily returns and the difference between maximum and minimum daily returns decreased in Q1 2009 from Q4 2008 levels.
- The market capitalization in dollar terms of the index was down 15.4% from USD 115,478 million to USD 97,702 million in Q1 2009.
- The P/E, P/B and dividend yield declined in Q1 2009 mainly due to the decrease in market capitalization.
- The average trading volume also declined by 7.1% in Q1 2009.
- Food and Insurance sectors had the maximum and minimum returns for the first quarter respectively; Food and Non Kuwait sectors had the maximum and minimum standard deviation of daily returns respectively. All the sectors except Food registered losses in Q1 2009.
- Investments sector had the maximum return correlation with the index; whereas Non-Kuwait sector had the minimum.

Sector Performance in Q1 2009

| | Banks | Investments | Insurance# | Real Estate | Industrial | Services | Food | Non Kuwait | Index |
|-------------------------------------|-------|-------------|------------|-------------|------------|----------|-------|------------|--------|
| Quarterly return | -8.2% | -25.1% | -27.9% | -22.0% | -14.8% | -10.4% | 10.9% | -3.9% | -13.3% |
| Average of daily returns | -0.1% | -0.5% | - | -0.4% | -0.2% | -0.1% | 0.2% | -0.1% | -0.2% |
| Standard deviation of daily returns | 0.03 | 0.02 | - | 0.02 | 0.02 | 0.03 | 0.03 | 0.01 | 0.01 |
| Return correlation with main index | 0.83 | 0.91 | - | 0.90 | 0.91 | 0.73 | 0.68 | 0.50 | 1.00 |

#data not available for all dates.

| Muscat Stock Market Index (MSM 30) | | |
|-------------------------------------|---------|---------|
| | Q4 2008 | Q1 2009 |
| Performance Indicators | | |
| Close | 5,441 | 4,629 |
| High (daily close for the quarter) | 8,256 | 5,708 |
| Low (daily close for the quarter) | 4,998 | 4,224 |
| Average Daily Volume (million) | 8 | 12 |
| Total Market Cap (USD million) | 11,318 | 9,566 |
| Valuation Indicators | | |
| P/E | 8.1 | 7.8 |
| P/B | 1.5 | 1.4 |
| Dividend Yield (%) | 5.6% | 5.4% |
| Return Analysis | | |
| Quarterly Return (%) | -35.9% | -14.9% |
| Average Daily Return (%) | -0.73% | -0.26% |
| Standard Deviation of Daily Returns | 0.04 | 0.02 |
| Maximum Daily Return (%) | 8.37% | 6.12% |
| Minimum Daily Return (%) | -8.29% | -6.29% |



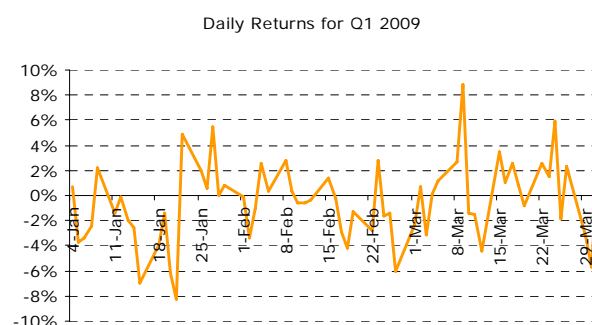
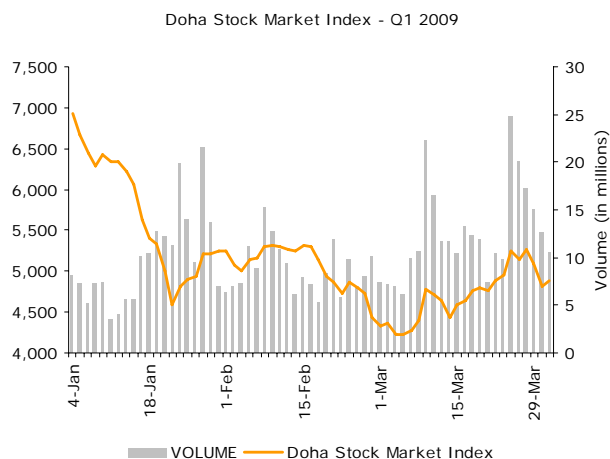
(Source: Bloomberg, Zawya, FALCOM Research)

HIGHLIGHTS

- Muscat Stock Market Index lost 15% of its value in Q1 2009 after shedding 35.9% in Q4 2008.
- The decline in volatility is evident from the fact that the standard deviation of daily returns and the difference between maximum and minimum daily returns decreased in Q1 2009 from Q4 2008 levels.
- The market capitalization in dollar terms of the index was down 15.5% from USD 11,318 million to USD 9,566 million in Q1 2009.
- The P/E, P/B and dividend yield declined in Q1 2009 mainly due to the decrease in market capitalization.
- The average trading volume however increased by over 50% in Q1 2009. However, the volumes are significantly lower than UAE, Saudi or Kuwait indices.
- Industrial and, Services and Insurance sectors had the maximum and minimum sector returns for the first quarter respectively; Industrial sector had the maximum standard deviation of daily returns. All the sectors registered losses in Q1 2009.
- Services and Insurance sector had the maximum return correlation with the index, also all the sectors had relatively low correlations with the main index.

| Sector Performance in Q1 2009 | | | | |
|-------------------------------------|-----------------------|------------|------------------------|--------|
| | Banks and Investments | Industrial | Services and Insurance | Index |
| Quarterly return | -11.3% | -8.4% | -17.0% | -14.9% |
| Average of daily returns | -0.2% | -0.1% | -0.3% | -0.2% |
| Standard deviation of daily returns | 0.03 | 0.03 | 0.02 | 0.02 |
| Return correlation with main index | 0.31 | 0.40 | 0.52 | 1.00 |

| Doha Stock Market Index | | |
|-------------------------------------|---------|---------|
| | Q4 2008 | Q1 2009 |
| Performance Indicators | | |
| Close | 6,886 | 4,887 |
| High (daily close for the quarter) | 8,664 | 6,936 |
| Low (daily close for the quarter) | 5,505 | 4,230 |
| Average Daily Volume (million) | 8 | 10 |
| Total Market Cap (USD million) | 54,622 | 38,582 |
| Valuation Indicators | | |
| P/E | 7.9 | 7.5 |
| P/B | 1.7 | 1.6 |
| Dividend Yield (%) | 6.3% | 5.9% |
| Return Analysis | | |
| Quarterly Return (%) | -26.1% | -29.0% |
| Average Daily Return (%) | -0.43% | -0.49% |
| Standard Deviation of Daily Returns | 0.04 | 0.03 |
| Maximum Daily Return (%) | 9.88% | 8.85% |
| Minimum Daily Return (%) | -8.93% | -8.26% |



(Source: Bloomberg, Zawya, FALCOM Research)

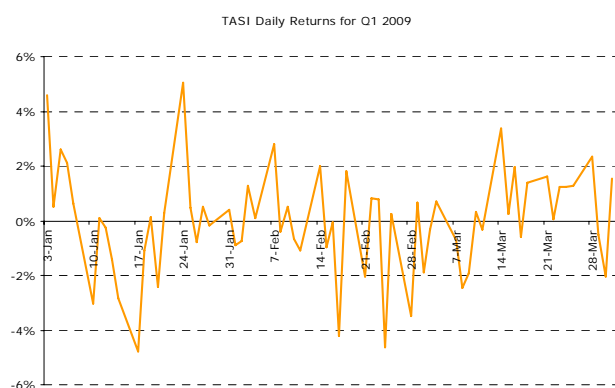
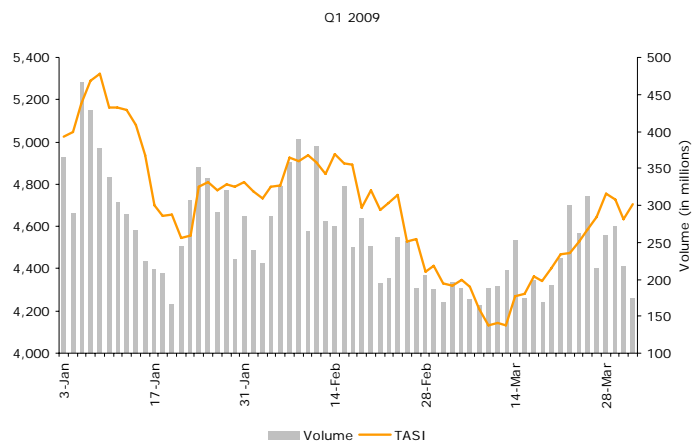
HIGHLIGHTS

- Doha Stock Market Index shed 29% of its value in Q1 2009 after loosing 26.1% in Q4 2008. It experienced the biggest fall in Q1 2009 among all the GCC markets.
- The decline in volatility is evident from the fact that the standard deviation of daily returns and the difference between maximum and minimum daily returns decreased in Q1 2009 from Q4 2008 levels.
- The market capitalization in dollar terms of the index was down 29.4% from USD 54,622 million to USD 38,582 million in Q1 2009.
- The P/E, P/B and dividend yield declined in Q1 2009 mainly due to the sharp decrease in market capitalization.
- The average trading volume however increased by over 25% in Q1 2009.
- Industrial and Banks sectors had the maximum and minimum sector returns for the first quarter respectively; Industrial sector had the maximum standard deviation of daily returns. All the sectors registered relatively high losses in Q1 2009.
- Banking sector had the maximum return correlation with the index followed by industrial and services sector. Insurance sector had the minimum return correlation with the index.

| Sector Performance in Q1 2009 | | | | | |
|-------------------------------------|--------|-----------|------------|----------|--------|
| | Banks | Insurance | Industrial | Services | Index |
| Quarterly return | -32.4% | -32.2% | -22.8% | -23.7% | -29.0% |
| Average of daily returns | -0.6% | -0.6% | -0.3% | -0.4% | -0.5% |
| Standard deviation of daily returns | 0.03 | 0.03 | 0.04 | 0.03 | 0.03 |
| Return correlation with main index | 0.98 | 0.68 | 0.93 | 0.91 | 1.00 |

| TASI | | |
|--|---------|---------|
| | Q4 2008 | Q1 2009 |
| Performance Indicators | | |
| Close | 4,803 | 4,704 |
| High (daily close) | 6,863 | 5,322 |
| Low (daily close) | 4,265 | 4,130 |
| Average Daily Volume (million) | 276 | 259 |
| Total Market Cap (USD million) | 246,338 | 235,766 |
| Floating Market Cap as a % of Total Market Cap | 37.2% | 34.8% |
| Valuation Indicators | | |
| P/E - excluding loss making companies | 9.7 | 9.6 |
| P/B | 1.7 | 1.6 |
| Dividend yield (%) | 4.4% | 3.9% |
| Return Analysis | | |
| Quarterly Return (%) | -35.6% | -2.1% |
| Average Daily Return (%) | -0.67% | -0.01% |
| Standard Deviation of Daily Returns | 0.04 | 0.02 |
| Maximum Daily Return | 9.51% | 5.05% |
| Minimum Daily Return | -9.81% | -4.76% |

(Source: Tadawul, FALCOM Research)



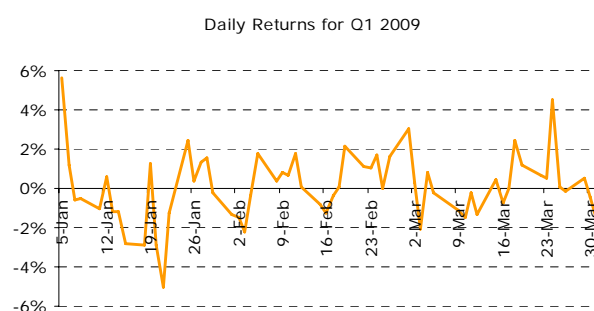
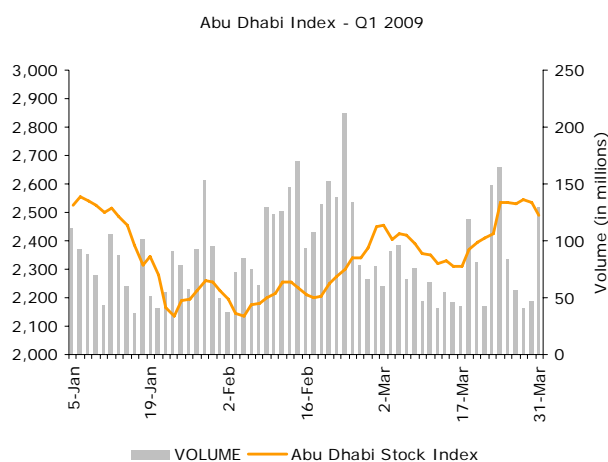
HIGHLIGHTS

- TASI declined by 2.1% in Q1 2009 to close at 4,704 on 31st March 2009.
- The volatility of daily returns declined in Q1 2009 as compared to Q4 2008. This is evident from the lower standard deviation and difference between the maximum and minimum daily returns.
- The percentage of floated market capitalization declined in Q1 2009 (34.8%) from Q4 2008 levels (37.2%).
- Market capitalization of TASI decreased from USD 246,338 million, to USD 235,766 million in absolute terms and 4.3% in % terms. Atheeb Telecom, the newly listed telecom company had a market capitalization of SR 1,420 million as on 31st March 2009 with a contribution of 0.14% to total TASI market cap.
- Q1 2009 P/E ratio, P/B ratio and dividend yield declined slightly from Q4 2008 levels mainly due to decrease in market capitalization.
- Media and Publishing and Building and Construction had the maximum and minimum quarterly returns for the first quarter respectively.
- Petrochemical sector had maximum return correlation with the index followed by banking and financial services, industrial investment and real estate.

| Sector Performance in Q1 2009 | | | | | | | | | | | | | | | | |
|-------------------------------------|----------------------------|---------------|--------|--------|--------------------|--------------|-----------|--------------------|----------------------|-----------------|-----------------------|------------------|----------------------|-------------|-----------|-------|
| | Banks & Financial Services | Petrochemical | Cement | Retail | Energy & Utilities | Telecom & IT | Insurance | Agriculture & Food | Building & Construct | Hotel & Tourism | Industrial Investment | Multi-Investment | Media And Publishing | Real Estate | Transport | TASI |
| Quarterly return | -1.5% | -3.8% | 6.8% | -2.8% | 9.5% | -5.1% | 13.5% | -1.8% | -15.7% | 8.6% | 0.8% | -4.5% | 14.8% | -5.9% | -1.1% | -2.1% |
| Average of daily returns | 0.0% | 0.0% | 0.1% | 0.0% | 0.1% | -0.1% | 0.2% | 0.0% | -0.2% | 0.2% | 0.0% | 0.0% | 0.3% | -0.1% | 0.0% | 0.0% |
| Standard deviation of daily returns | 0.02 | 0.03 | 0.02 | 0.02 | 0.01 | 0.02 | 0.03 | 0.02 | 0.02 | 0.03 | 0.03 | 0.02 | 0.03 | 0.02 | 0.02 | 0.02 |
| Return correlation with main index | 0.95 | 0.96 | 0.70 | 0.81 | 0.65 | 0.81 | 0.71 | 0.83 | 0.92 | 0.46 | 0.92 | 0.81 | 0.62 | 0.90 | 0.74 | 1.00 |

| Abu Dhabi Stock Market Index | | |
|-------------------------------------|---------|---------|
| | Q4 2008 | Q1 2009 |
| Performance Indicators | | |
| Close | 2,390 | 2,488 |
| High (daily close for the quarter) | 3,770 | 2,556 |
| Low (daily close for the quarter) | 2,282 | 2,137 |
| Average Daily Volume (million) | 104 | 88 |
| Total Market Cap (USD million) | 68,019 | 69,529 |
| Valuation Indicators | | |
| P/E | 7.1 | 6.7 |
| P/B | 1.3 | 1.2 |
| Dividend Yield (%) | 5.0% | 4.8% |
| Return Analysis | | |
| Quarterly Return (%) | -39.6% | 4.1% |
| Average Daily Return (%) | -0.87% | 0.08% |
| Standard Deviation of Daily Returns | 0.03 | 0.02 |
| Maximum Daily Return (%) | 7.53% | 5.64% |
| Minimum Daily Return (%) | -6.43% | -5.06% |

(Source: Bloomberg, Zawya, FALCOM Research)

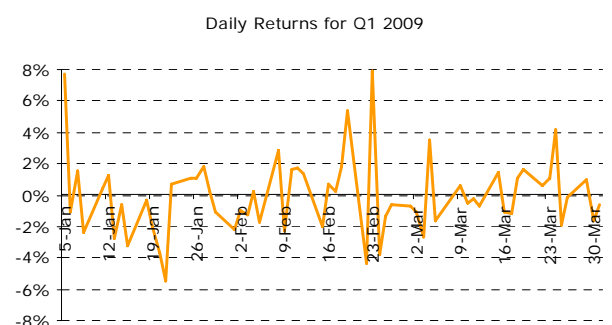
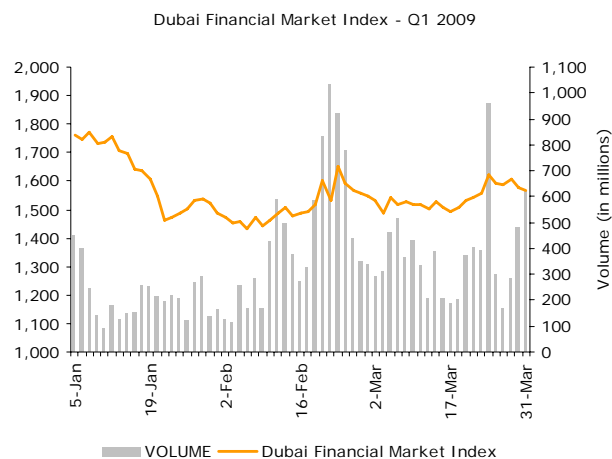


HIGHLIGHTS

- Abu Dhabi stock index gained 4.1% in Q1 2009 as apposed to the other GCC indices which reported decline in values.
- The volatility (measured as standard deviation of daily returns for the quarter) and the difference between the maximum and minimum daily returns also declined from quarter-to-quarter.
- The total market capitalization in dollar terms increased by 2.2% from USD 68,019 million in Q4 2008 to USD 69,529 million in Q1 2009.
- P/E and P/B ratios declined in the first quarter instead of increasing market capitalization depicting increase in earnings and book values of the listed companies.
- The average trading volume also declined by over 15% in the first quarter of 2009.
- Energy and real estate had the maximum and minimum sector returns for the first quarter respectively; they also had maximum standard deviation of daily returns, signifying high risk.
- Banking sector had maximum return correlation with the index followed by telecom, energy and real estate. Healthcare and Industrial sector had a negative return correlation with the main index.

| Sector Performance in Q1 2009 | | | | | | | | | | |
|-------------------------------------|--------|-----------|--------------|----------|------------|-------------|-------------|--------|---------|-------|
| | Banks | Insurance | Construction | Consumer | Industrial | Real Estate | Health Care | Energy | Telecom | Index |
| Quarterly return | -5.8% | -5.1% | -23.0% | -0.3% | -16.2% | -30.2% | 1.1% | 52.2% | 33.4% | 4.1% |
| Average of daily returns | -0.08% | -0.08% | -0.38% | 0.03% | -0.27% | -0.50% | 0.04% | 0.76% | 0.51% | 0.08% |
| Standard deviation of daily returns | 0.02 | 0.01 | 0.03 | 0.03 | 0.02 | 0.04 | 0.02 | 0.04 | 0.03 | 0.02 |
| Return correlation with main index | 0.82 | 0.05 | 0.42 | 0.35 | -0.03 | 0.76 | -0.06 | 0.76 | 0.80 | 1.00 |

| Dubai Financial Market Index | | |
|-------------------------------------|---------|---------|
| | Q4 2008 | Q1 2009 |
| Performance Indicators | | |
| Close | 1,636 | 1,568 |
| High (daily close for the quarter) | 3,844 | 1,771 |
| Low (daily close for the quarter) | 1,587 | 1,433 |
| Average Daily Volume (million) | 282 | 345 |
| Total Market Cap (USD million) | 36,580 | 32,705 |
| Valuation Indicators | | |
| P/E | 6.7 | 6.4 |
| P/B | 0.9 | 0.8 |
| Dividend Yield (%) | 5.0% | 4.8% |
| Return Analysis | | |
| Quarterly Return (%) | -60.4% | -4.1% |
| Average Daily Return (%) | -1.58% | -0.04% |
| Standard Deviation of Daily Returns | 0.04 | 0.02 |
| Maximum Daily Return (%) | 10.76% | 7.91% |
| Minimum Daily Return (%) | -8.43% | -5.46% |



(Source: Bloomberg, Zawya, FALCOM Research)

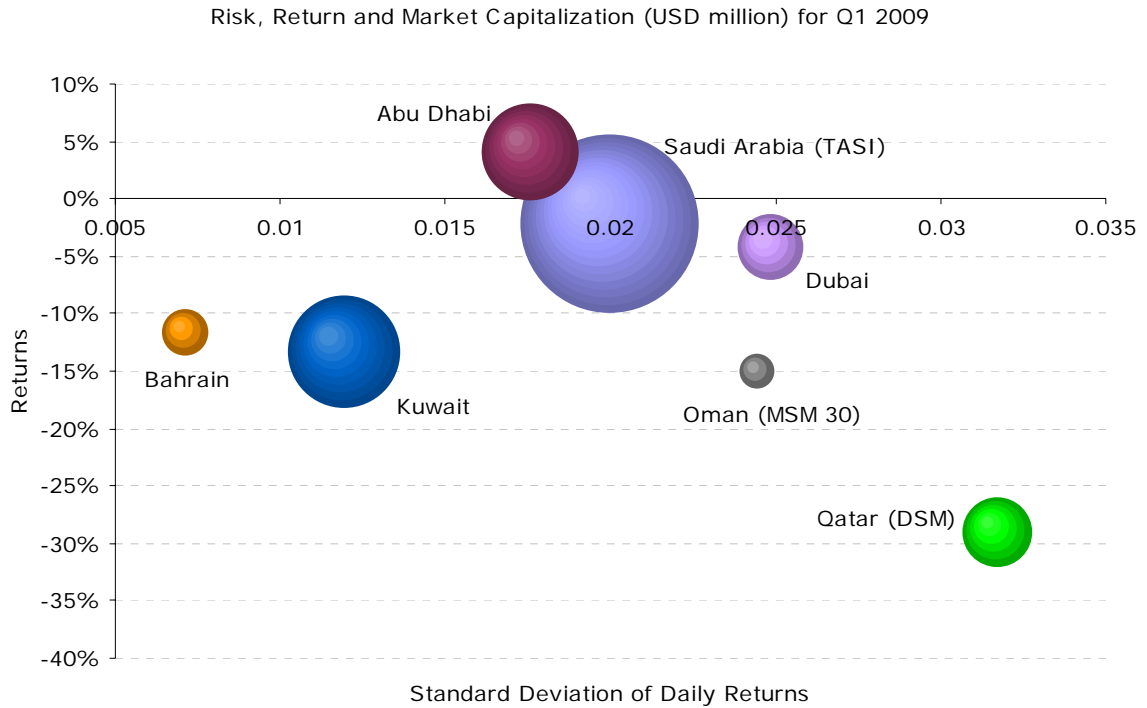
HIGHLIGHTS

- Dubai Financial Market Index shed 4% of its value in Q1 2009 after loosing 60% in Q4 2008.
- The decline in volatility is evident from the fact that the standard deviation of daily returns and the difference between maximum and minimum daily returns decreased in Q1 2009 from Q4 2008 levels.
- The market capitalization in dollar terms of the index was down 10.6% from USD 36,580 million to USD 32,705 million in Q1 2009.
- The P/E, P/B and dividend yield declined in Q1 2009 mainly due to the decrease in market capitalization.
- The average trading volume also increased by over 22% in Q1 2009.
- Transportation and materials had the maximum and minimum sector returns for the first quarter respectively. Real estate and utilities had the maximum, whereas consumer/staples had the minimum standard deviation of daily returns.
- Real Estate sector had maximum return correlation with the index followed by investment and transport. Materials sector had negative return correlation with the main index.

Sector Performance in Q1 2009

| | Consumer/ Staples | Banks | Insurance | Investment | Transportation | Materials | Real Estate | Telecom | Utilities | Index |
|-------------------------------------|-------------------|--------|-----------|------------|----------------|-----------|-------------|---------|-----------|--------|
| Quarterly return | 15.2% | -4.1% | -1.1% | -14.6% | 16.6% | -39.9% | -4.2% | 4.1% | 11.5% | -4.1% |
| Average of daily returns | 0.24% | -0.06% | -0.02% | -0.17% | 0.32% | -0.80% | 0.04% | 0.12% | 0.29% | -0.04% |
| Standard deviation of daily returns | 0.01 | 0.01 | 0.01 | 0.04 | 0.04 | 0.02 | 0.05 | 0.03 | 0.05 | 0.02 |
| Return correlation with main index | 0.12 | 0.77 | 0.71 | 0.89 | 0.85 | -0.06 | 0.96 | 0.70 | 0.68 | 1.00 |

RISK RETURN COMPARISONS



(Source: Bloomberg, Zawya, FALCOM Research)

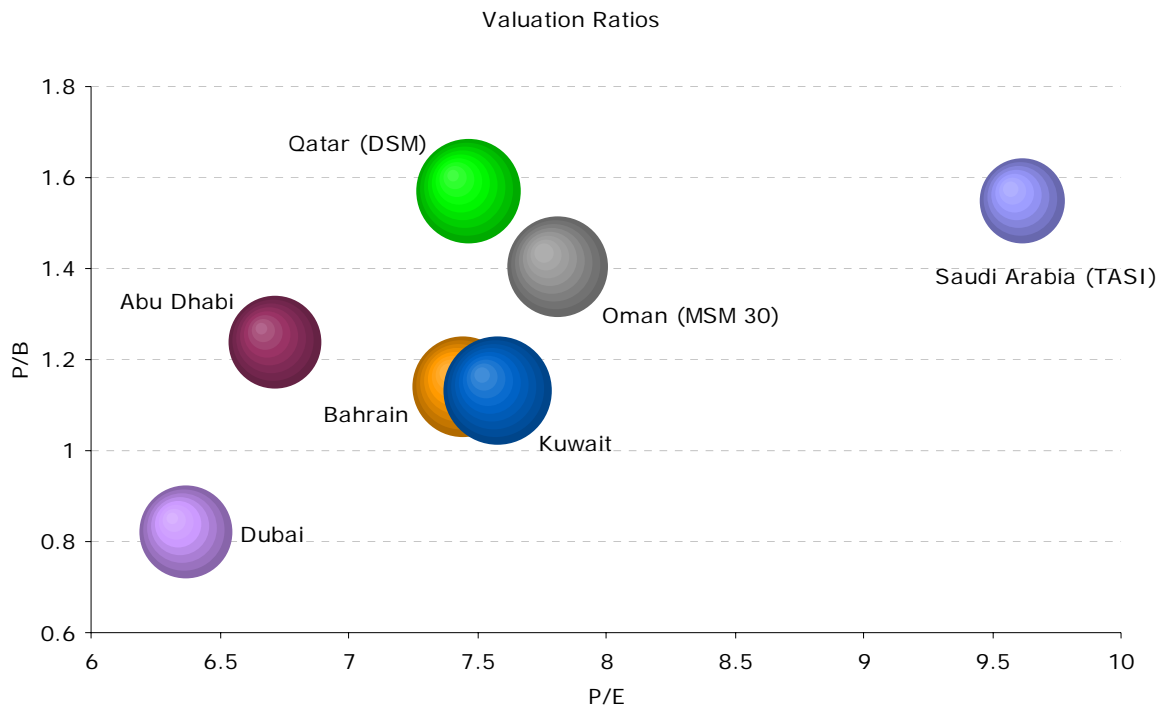
Chart Description

- X axis is the standard deviation of daily returns of the indices for the first quarter of 2009.
- Y axis is the quarterly return for the indices in the first quarter of 2009.
- Size of the bubble represents the market capitalization of the indices as on 31st of March 2009.

Conclusions

- The higher the quarterly return, the better it is, which means the higher the bubble on the y-axis, the better the index performed during the quarter. Abu Dhabi index had the maximum return in Q1 2009, it was the only index with positive return, all the other indices recorded negative returns.
- The lower the risk the more favorable it is, which means, the closer a bubble to the origin on the x-axis, the lower risk it has. Bahrain stock market index had the minimum risk and Doha stock market index has the maximum risk.
- The smaller the size of the bubble the lower the market capitalization. TASI of Saudi Arabia had the maximum market capitalization and Muscat Stock Market Index (MSM 30) had the minimum.
- This chart will help an investor analyze the attractiveness of regional indices (in absolute terms or in comparison with each other) with respect to the risks, returns and market capitalization.

VALUATION RATIOS



(Source: Zawya, Bahrain Stock Exchange, Tadawul)

Chart Description

- X axis is the P/E ratio for the indices as on 31st March 2009.
- Y axis is the P/B ratio for the indices as on 31st March 2009.
- Size of the bubble represents the dividend yield of the indices as on 31st of March 2009.

Conclusions

- Dubai Financial Market Index had the lowest P/E ratio and TASI had the highest P/E ratio on 31st March 2009.
- Dubai Financial Market Index had the lowest P/B and Doha Stock Market Index had highest P/B ratio on 31st March 2009.
- Kuwait Stock Market Index had the highest dividend yield and TASI had the lowest dividend yield on 31st March 2009.
- This chart will help an investor analyze the attractiveness of regional indices (in absolute terms or in comparison with each other) with respect to the valuation ratios.

GLOSSARY

- P/E – Price to Earnings Ratio. For TASI and sectors, it has been sourced from Tadawul and doesn't include the loss making companies. For Bahrain stock index, it has been sourced from Bahrain stock index website and for all other indices, it is sourced from Zawya.
- P/B – Price to book value ratio. For TASI, the value is sourced from Tadawul, for Bahrain stock exchange, it is sourced from Bahrain stock exchange website and for other indices, it has been sourced from Zawya.
- Close – Closing Price on last trading day of the quarter.
- % Floated - % of Total Market Capitalization which is floated.
- Return Correlation with TASI – Correlation coefficient between the daily TASI returns and daily returns of a sector or a company. High correlation coefficient indicates that the returns of that company/sector move in tandem with the TASI returns and lower correlation coefficient indicates a mismatch between the movement of sector/company returns and TASI returns.
- NPM – Net Profit Margin.
- Return correlation with main index – Correlation of daily sector returns with the daily returns of the respective regional index for the quarter.
- Standard deviation of daily returns – Standard deviation of daily returns expressed as a fraction.

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