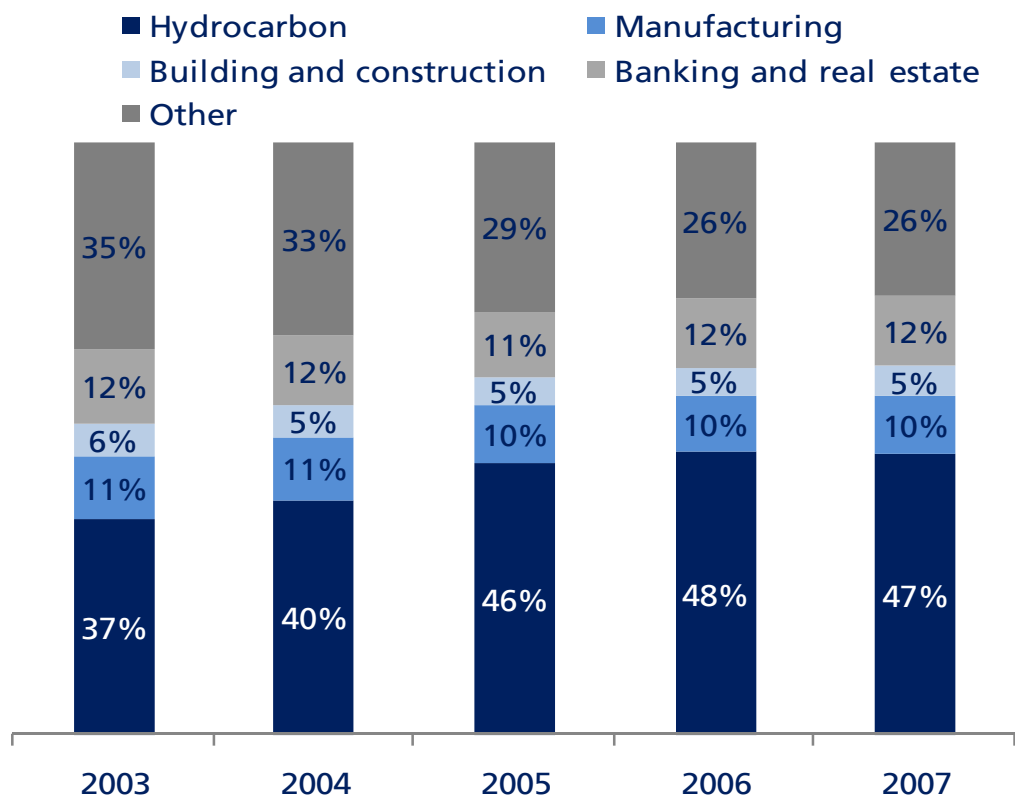


The Road Ahead: GCC Markets 2010

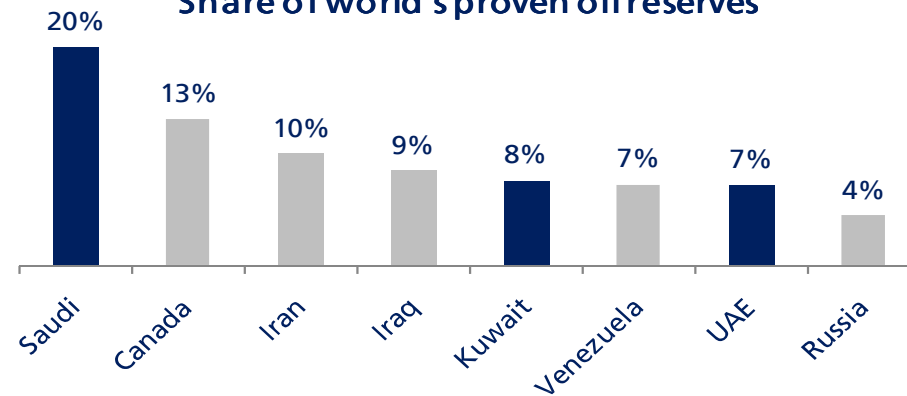
GCC Regional Conference 2010
Global Financial Markets: The Road Ahead
January 14-15, 2010

GCC – a play on oil

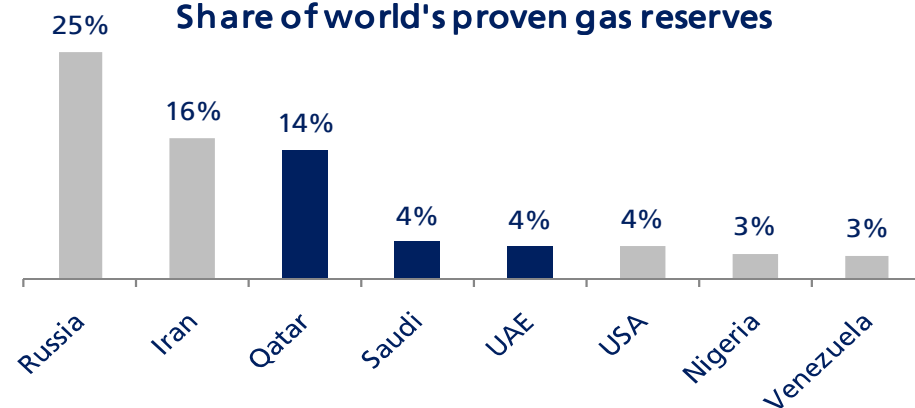
GCC GDP composition



Share of world's proven oil reserves



Share of world's proven gas reserves



Source: Oil and Gas Journal, Jan 2009

GCC markets & economies

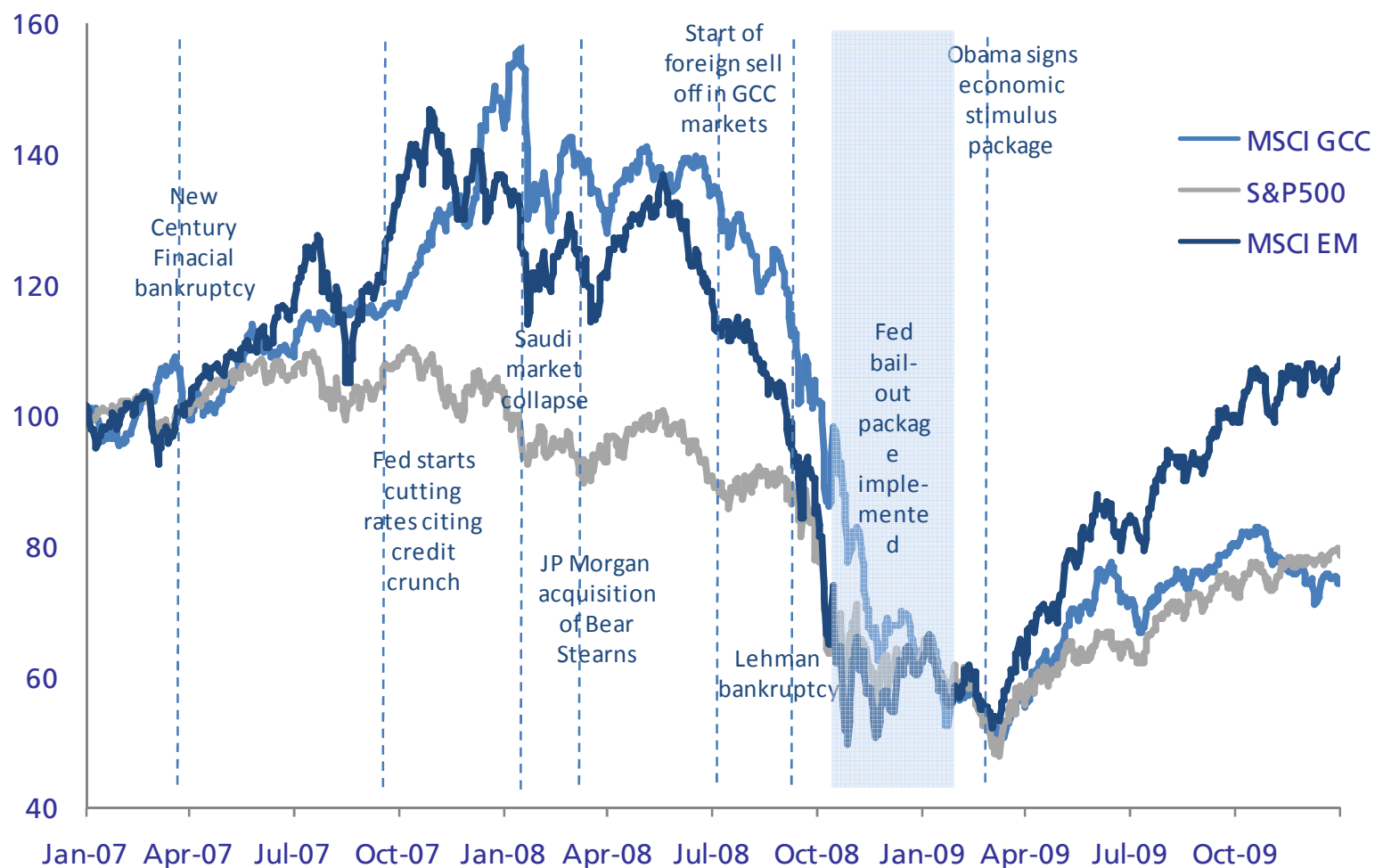
- GCC markets offer good breadth – 123 listed Cos each with MCap >\$1bn
- Qatar's per capita income is the third highest in the world (after Luxemburg and Norway)
- Given the impressive GDP growth, per capita Income and a favorable structural outlook the Mcap / GDP Ratio of 0.8 looks attractive

Country	MSCI GCC Wt	Actual MCap \$bn	No.of Listed Cos	No of Cos > \$ 1bn	No of Cos > \$500m	Nominal GDP 2009E \$bn	MCap to GDP (x)	PopIn m	Per Capita Inc \$000
Saudi	59.0	322	134	41	62	380	0.8	24.9	19,345
UAE	9.2	108	132	33	48	229	0.5	4.8	54,607
Kuwait	21.1	94	204	21	34	115	0.8	3.4	45,920
Qatar	7.1	88	45	21	26	93	0.9	1.1	93,204
Bahrain	1.0	16	43	5	8	19	0.8	0.9	27,248
Oman	2.6	18	64	2	9	52	0.3	2.7	18,988
GCC	100.0	646	622	123	187	887	0.8	37.7	28,500
GCC Ex-SAUDI	41.0	324	488	82	125	507	0.7	12.8	46,400

Source: SICO Research, Bloomberg, IMF

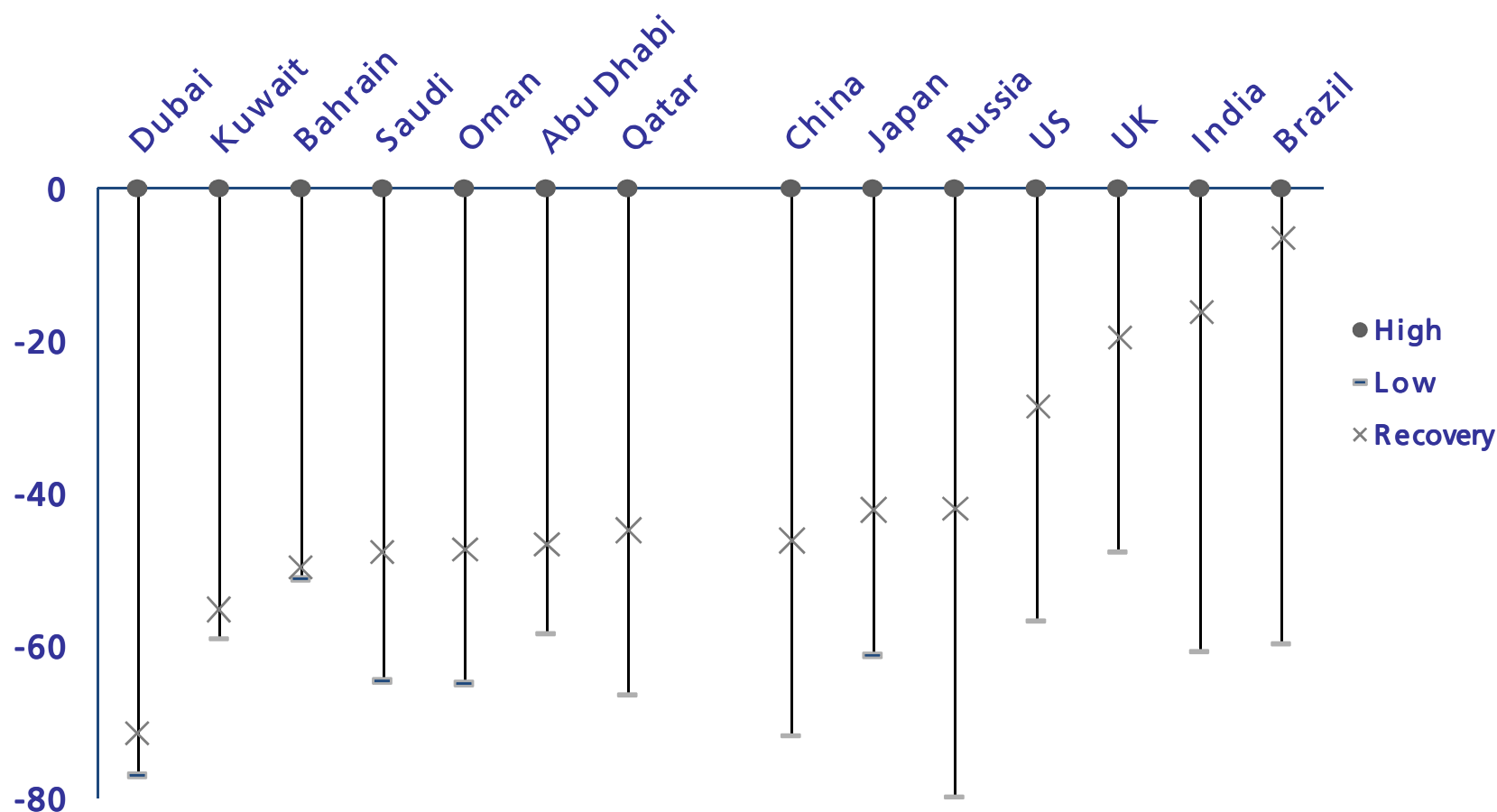
Data as of 31st December 2009

How the crisis unfolded...



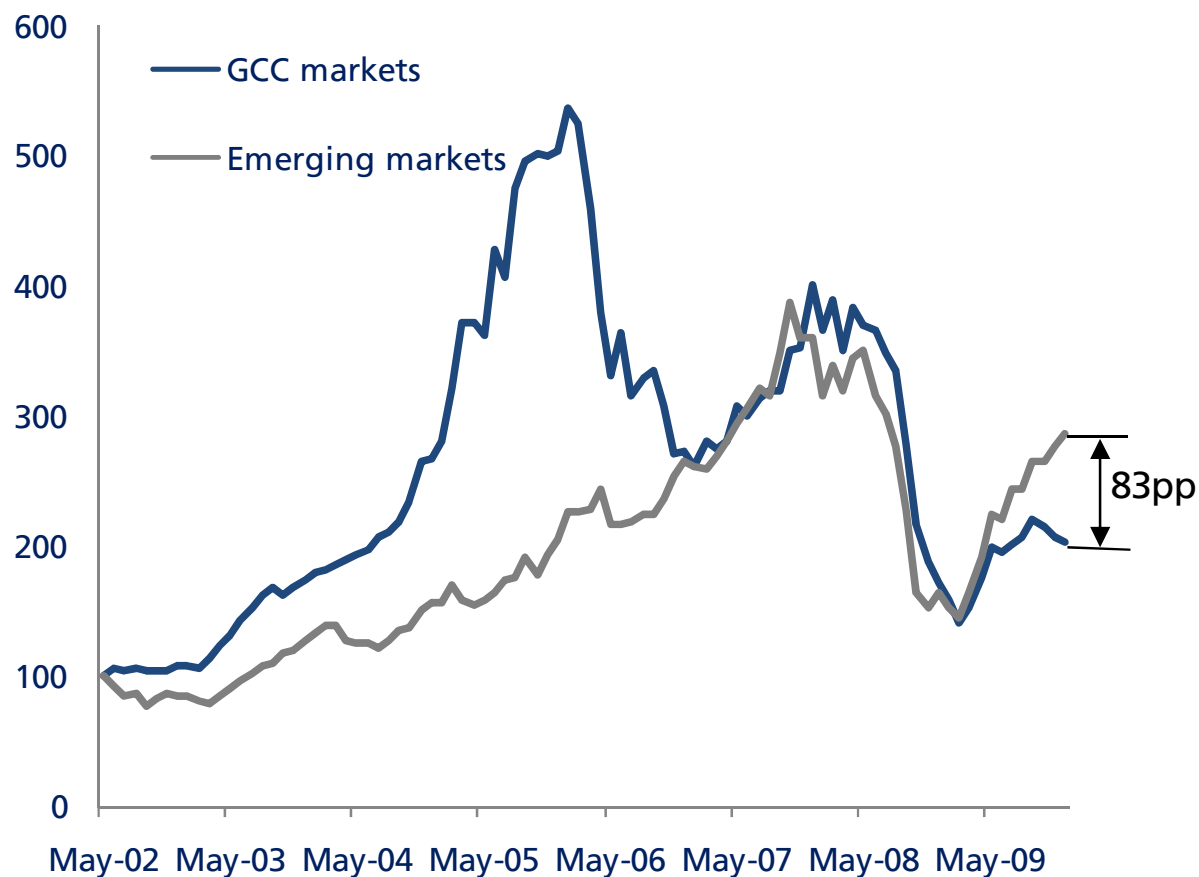
GCC markets: still at an early stage of recovery

Peak to trough (percentage points) and recovery to date



Source: Bloomberg, SICO Asset Management Research
Data as at 31st December 2009
The period considered is Jun'07 to date

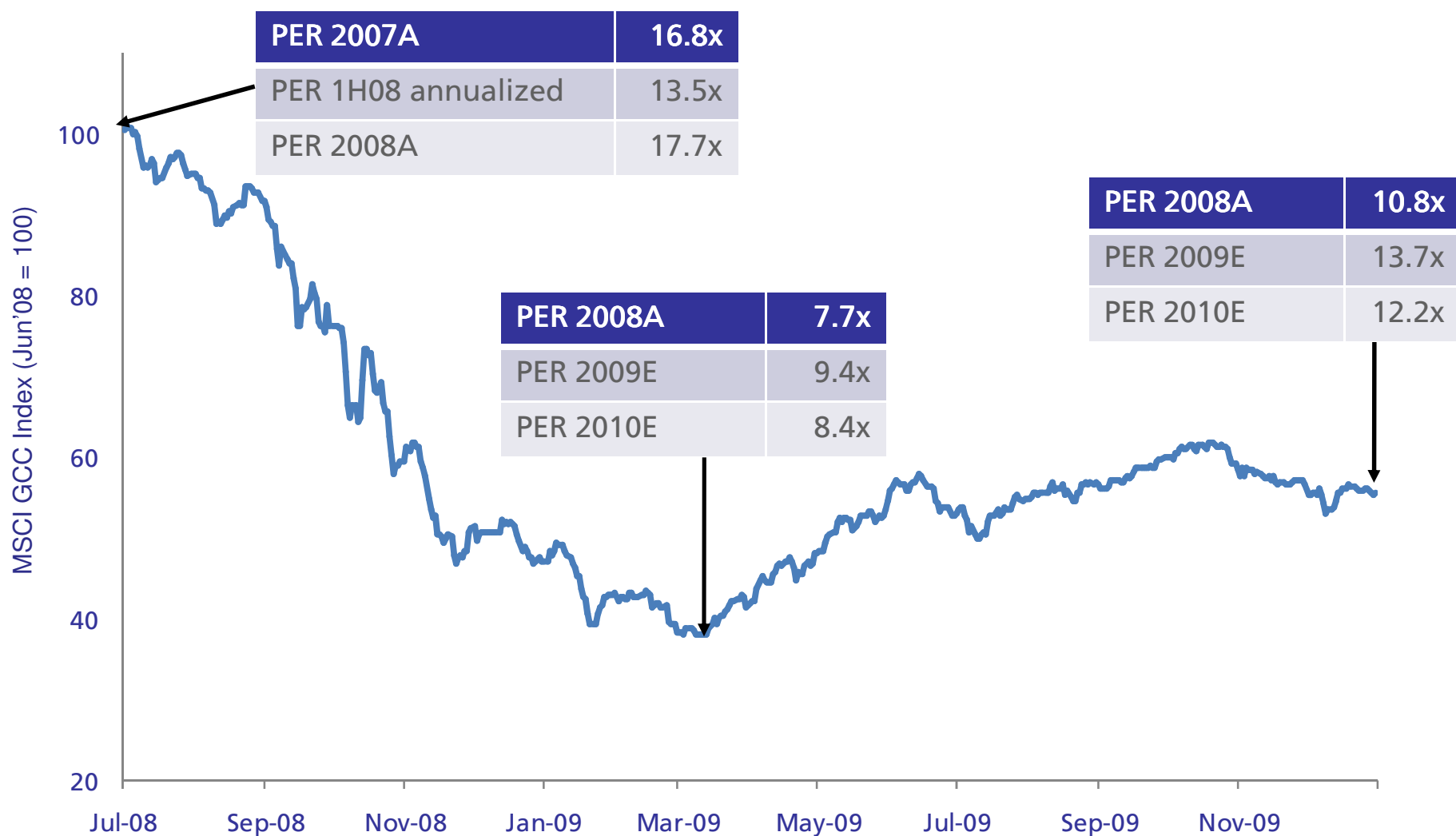
Underperformance of GCC markets in 2009



	MSCI GCC Index	MSCI EM Index
May'02 – Feb'06	+425%	+126%
Feb'06 – Dec'08	-67%	-21%
2009	+18%	+74%
May'02 – Dec'09	+103%	+186%

Source: Bloomberg, SICO Asset Management Research
 Data as at 31st December 2009

Valuations have supported GCC Markets recovery



Source : Bloomberg, SICO AMR

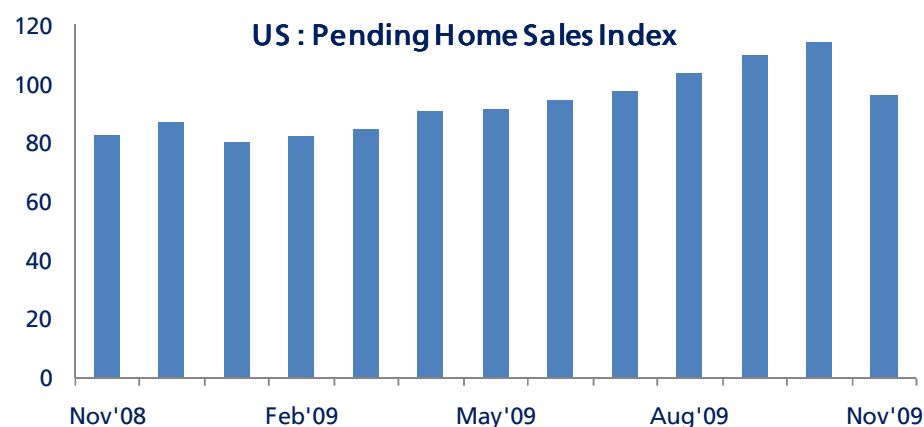
Global economic recovery to continue in 2010

- Almost all major economies exited recession by the 3rd quarter of 2009.
- In the near term governments are not expected to curtail supportive fiscal and monetary measures
- We share the consensus view that the recovery would continue in 2010

Real GDP growth for key economies

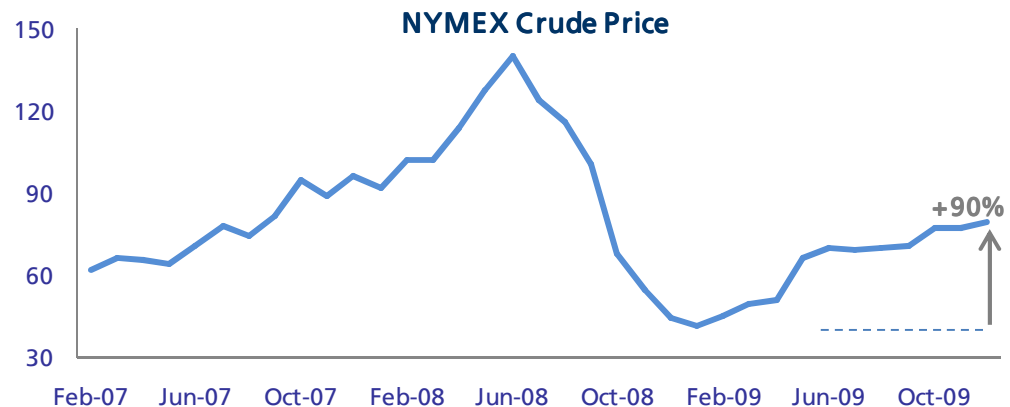
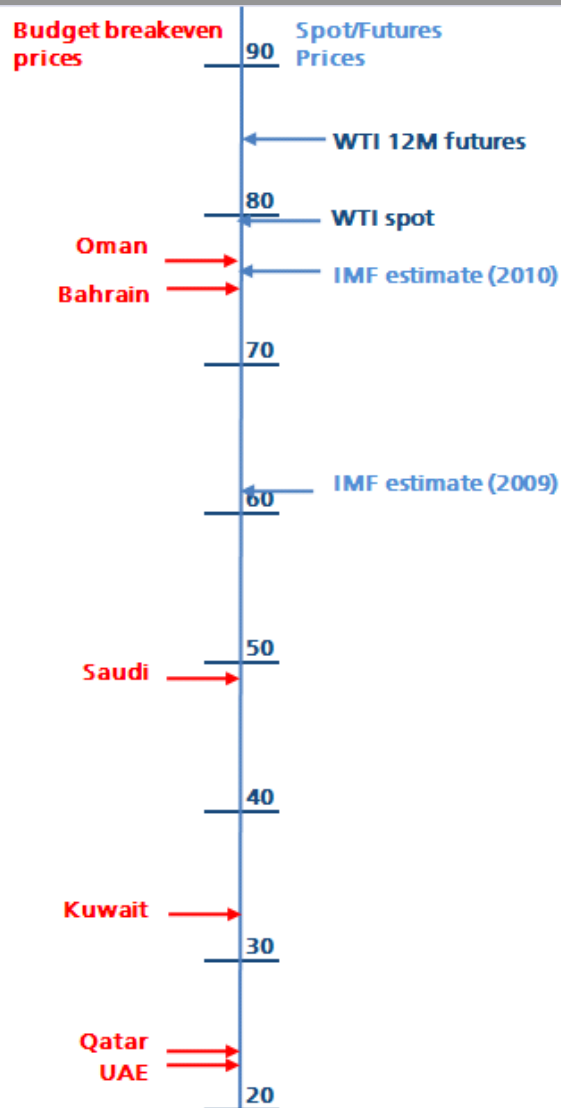
Country	2008E	2009E	2010E
US	0.4	-2.7	1.5
Eurozone	0.7	-4.2	0.3
UK	0.7	-4.4	0.9
Japan	-0.7	-5.4	1.7
Brazil	5.1	-0.7	3.5
Russia	5.6	-7.5	1.5
India	7.3	5.4	6.4
China	9.0	8.5	9.0
GCC	6.6	0.7	5.0

Source: IMF and others



Source: National Association of Realtors

Uptrend in oil price is likely in the long run



A dollar increment in crude oil price generates US\$5bn additional revenue for the GCC economies (0.5% of 2008 nominal GDP)

Reasons for recovery...	Sustainability will depend on...
<ul style="list-style-type: none"> • OPEC production cuts • Depreciation of the US Dollar • Building up of crude inventories by countries such as China 	<ul style="list-style-type: none"> • Global economic recovery • Continuing demand from the emerging markets • Delay in capacity additions

Source: Bloomberg, IMF estimates

Economic growth expected to rebound

Percentage growth in Real GDP

Country	2006	2007	2008E	2009E	2010E
Saudi Arabia	3.1	3.5	4.6	-0.9	4.0
Qatar	15.0	15.9	16.4	11.5	18.5
UAE	9.4	6.3	7.4	-0.2	2.4
Kuwait	5.1	2.5	6.3	-1.5	3.3
Oman	6.0	7.7	7.8	4.1	3.8
Bahrain	6.6	8.1	6.1	3.0	3.7
GCC - average	5.8	5.2	6.6	0.7	5.0

Source: International Monetary Fund

Twin balances are still manageable

	Current Account			Fiscal Balance		
Country	2008E	2009E	2010E	2008E	2009E	2010E
As a percentage of GDP						
Saudi Arabia	28.6	4.1	11.4	33.6	0.6	3.9
Qatar	28.0	10.8	25.3	17.0	7.8	9.9
UAE	15.7	-1.6	5.2	31.2	7.3	8.2
Kuwait	44.7	29.4	35.3	21.0	8.5	11.7
Oman	9.1	-0.4	4.8	13.3	-4.5	-1.1
Bahrain	10.6	3.7	6.2	10.3	-7.5	-1.2
GCC average	26.3	6.3	14.2	28.0	3.5	6.2
Value in US\$bn						
GCC total	282	56	149			

Source: International Monetary Fund, others

GCC reserves remain healthy

- The regional SWFs (Sovereign Wealth Funds), aside from Saudi Arabia was significantly impacted by capital losses in 2008.
- Recovery in global equity markets and crude oil prices, thus far, point to growth fund sizes in 2009 and provides a healthy outlook for 2010 as well.

Figures in US\$ 'bn

Country	Sovereign Wealth Funds			
	Dec'07	Capital Gain / (Losses)	Inflows / (Outflows)	Dec'08
Saudi Arabian Monetary Agency (SAMA) and other government institutions	385	-46	162	501
Abu Dhabi Investment Authority (ADIA)/Abu Dhabi Investment Council (ADIC)	453	-183	59	328
Kuwait Investment Authority (KIA)	262	-94	57	228
Qatar Investment Authority (QIA)	65	-27	28	58
Other GCC central banks	116	0	-33	84
Total	1282	-350	273	1200

Source: Centre for Geo-economic Studies' estimates

Govt. actions continue to stimulate economy

Country	Action Taken
Saudi	<ul style="list-style-type: none"> ▪ Govt. announced a US\$200bn stimulus plan spanning over five years (Dec'08) ▪ SAMA cut the reverse repo rate by 25 bps to 0.5% (Jul'09) thus, lowering interest rates five times since Oct'08
Qatar	<ul style="list-style-type: none"> ▪ Govt. purchased investment portfolios of seven local banks (Mar'09) ▪ Govt. announced it would spend \$4bn on buying real estate investments from nine local banks (May'09) ▪ Draft law approved to slash corporate income tax from 35% to 10% for foreign companies (Jun '09)
UAE	<ul style="list-style-type: none"> ▪ Dubai issued the first half (\$10bn) of a \$20bn bond that was fully subscribed to by the UAE Central Bank (Feb'09) ▪ Abu Dhabi injected AED 16bn of capital into its banks (Feb 09) ▪ Law approved to temporarily allow the govt. to guarantee bonds sold by the local banks (Jul'09) ▪ Abu Dhabi government and the UAE Central Bank agreed to provide US\$10bn funding to Dubai Financial Support Fund part of which is will be used to repay Nakheel's Sukuk (Dec'09)

Source: SICO Asset Management Research

Govt. actions continue to stimulate economy

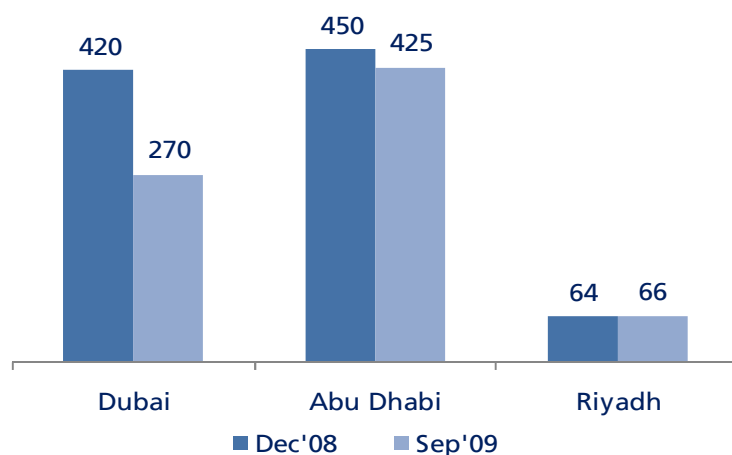
Country	Action Taken
Kuwait	<ul style="list-style-type: none">▪ Kuwait's cabinet approved an estimated \$5bn financial stimulus plan to encourage lending and assist troubled investment firms in repaying their debts. The govt. would guarantee 50% of new credit facilities and would also assist banks in buying any unsubscribed stock in capital increases (Mar'09)▪ KIA injected KD 400m in a national fund set up to support the local bourse (Apr'09)▪ KIA has prepared a draft plan to inject further liquidity into the stock market (Jul'09)
Oman	<ul style="list-style-type: none">▪ A stock market stabilization fund was launched for OMR 150m of which the govt. owned 60% (Jan'09)
Bahrain	<ul style="list-style-type: none">▪ Key policy interest rates reduced by 25 bps (Oct '08)▪ Central Bank of Bahrain cut reserve requirements to 5% from 7% (Mar'09)

Source: SICO Asset Management Research

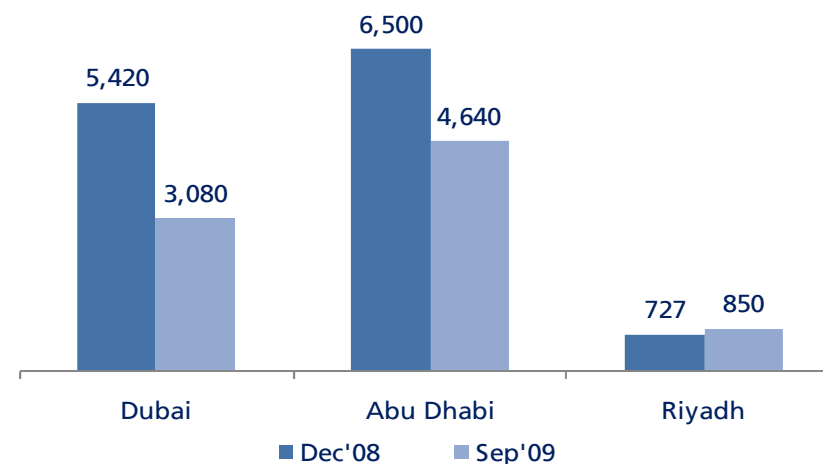
GCC real estate (ex-Dubai) looks sound

- The financial crisis had a significant impact on the Dubai's real estate market as the asset prices and rents fell sharply
- Elsewhere in GCC, such as Abu Dhabi and Saudi Arabia we continue to see value in real estate.
- Market surveys show that rents and prices in Saudi Arabia have increased during 2009; Although prices in Abu Dhabi fell by ca.30% the rents dropped marginally reflecting the underlying demand for accommodation.

Average rent (residential) US\$/sq.m



Average selling price (residential) US\$/sq.m



Source: Colliers

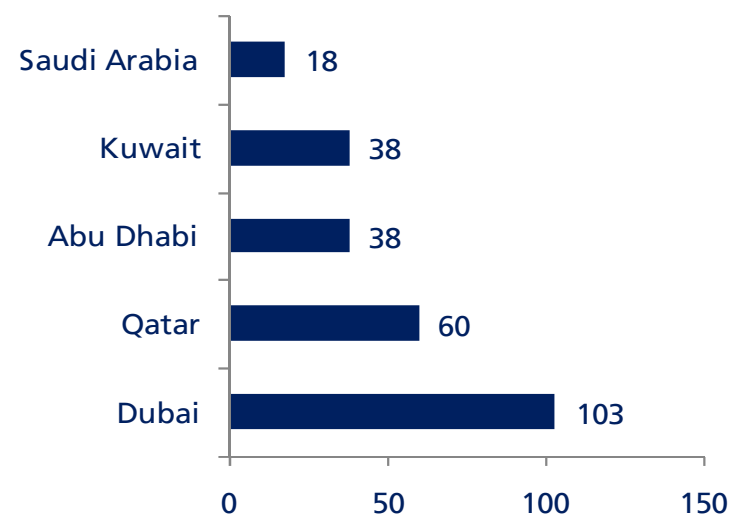
Dubai is not a proxy for the GCC

- Fears of defaults on debts of Government Related Enterprises (GREs) sent shock waves through all GCC markets in Nov-Dec 2009.
- Although Dubai's credit woes have attracted unprecedented negative publicity to the region we believe that wider implications of Dubai's liabilities on GCC is overblown.
- Dubai accounts for only a fraction of overall GCC economy /markets and hence the prospects of the region should not be impacted in the long term.

	Dubai	GCC Total	% of GCC
Gross Domestic Product 2008 (US\$bn)	82	1073	7.6%
Population (m)	1.6	37.7	4.2%
Market capitalization (US\$bn)	47	646	7.3%
No. of listed companies >US\$ 1bn	12	123	9.8%

Source: IMF, Others

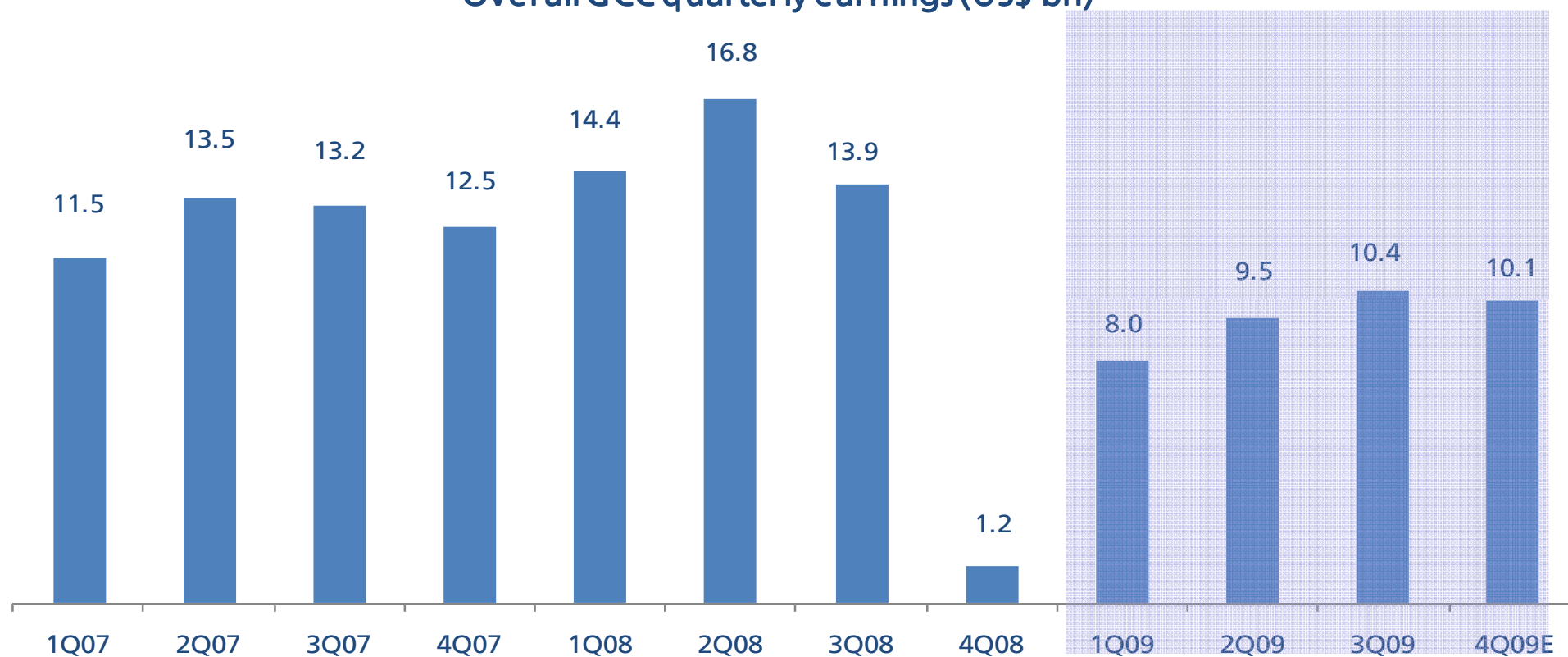
External debt/GDP - %



Note: External debt includes public and private debt

Corporate profits – quarterly trend

Overall GCC quarterly earnings (US\$'bn)



Source : Company reports, SICO AMR

Corporate earnings – yearly trend

Percentage growth

Country	2005	2006	2007	2008	2009E	2010E
Saudi Arabia	44.0	18.5	7.2	-8.0	-25.0	14.0
Qatar	44.3	23.9	35.3	29.0	3.0	16.0
UAE	130.4	16.0	26.8	0.9	-23.0	11.0
Kuwait	74.2	-2.1	34.9	-17.7	-26.0	2.0
Oman	28.8	30.5	33.0	-6.1	7.0	11.0
Bahrain	-18.5	37.7	14.6	-16.3	-40.0	20.0
GCC - average	56.5	15.0	19.7	-10.8	-21.0	12.0

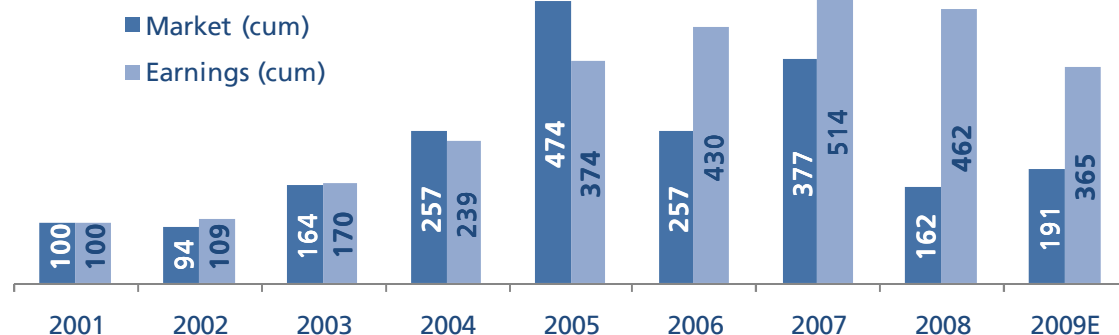
Source: SICO Asset Management Research

Corporate earnings leading market returns

Market returns vs corporate earnings growth



Cumulative market returns vs cum. earnings growth
Index (Dec'01=100)



- During 2003-05 markets returns were higher than corporate earnings growth
- The sharp market correction in 2006 reversed the equation and since market returns have lagged
- From 2002-08 GCC markets have increased at a CAGR of 7% compared to earnings CAGR of 24% over the same period.
- This has created a substantial latent potential in market returns which could be realized from 2009 onwards

Historical & Forward P/Es

P/E (X)	2004A	2005A	2006A	2007A	2008A	5yr avg
Kuwait	13.2	12.0	16.9	13.7	14.1	14.0
Bahrain	12.9	12.0	11.6	12.4	6.7	11.1
UAE	18.7	22.9	14.3	15.7	5.5	15.4
Qatar	18.7	27.6	15.1	15.8	9.3	17.3
Saudi Arabia	23.3	35.0	15.0	20.0	9.7	20.6
Oman	9.6	13.1	11.4	14.5	9.9	11.7
GCC	20.3	28.7	15.1	16.9	9.3	18.1

P/E (X)	2008T	TTM	2009E	2010E
Kuwait	12.3	65.4	16.6	16.3
Bahrain	6.9	20.0	16.0	11.4
UAE	7.3	13.0	9.5	8.5
Qatar	10.2	11.5	9.9	8.5
Saudi Arabia	13.9	19.9	18.5	16.3
Oman	11.2	13.4	10.5	9.4
GCC	10.8	16.9	13.7	12.2

Notes:

Data as of 31st December 2009

PEs Based on:

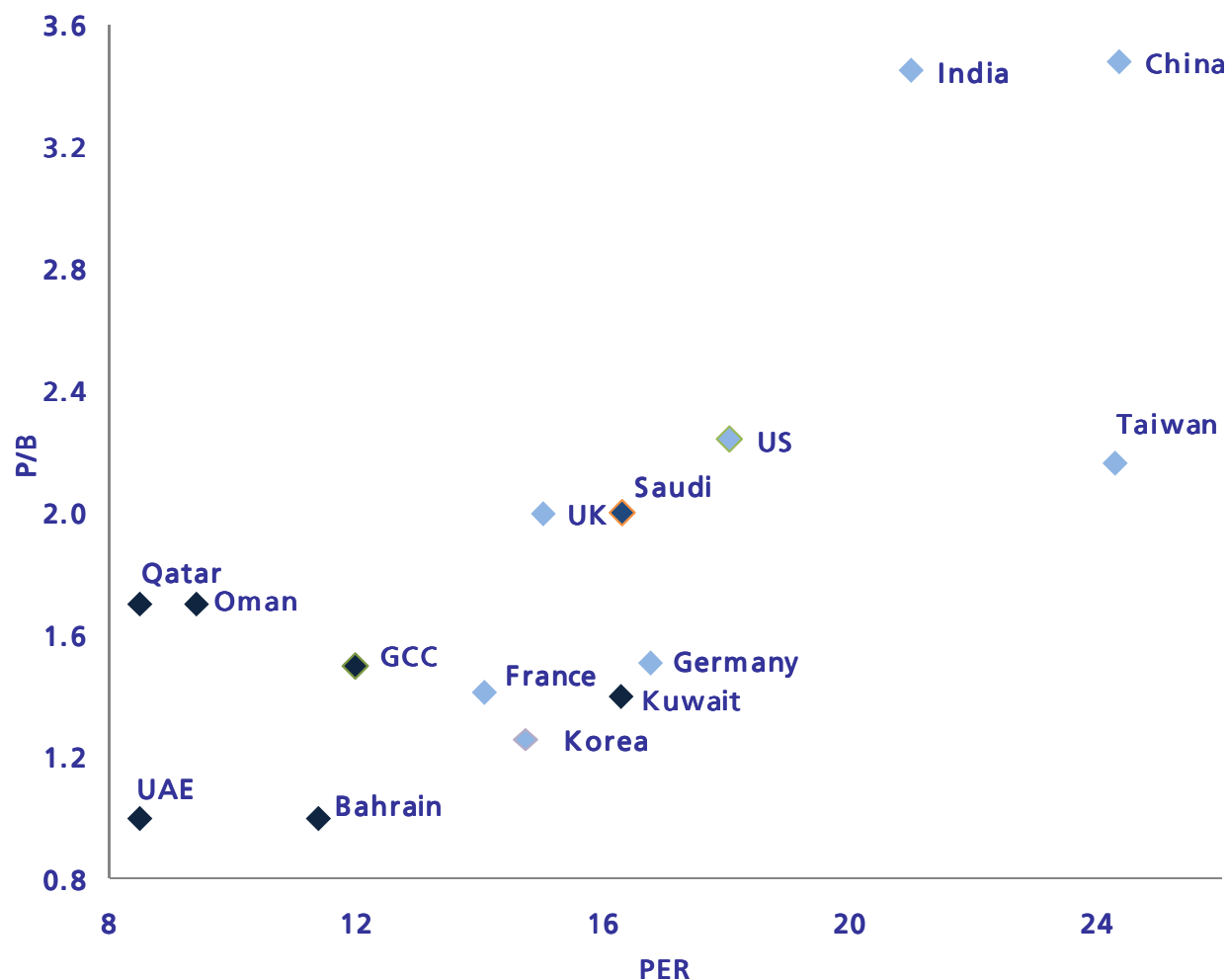
A – Actual earnings and year end market capitalization

T – Actual earnings and current market capitalization

E – Expected earnings and current market capitalization

Attractive valuations in global context

Price-to-Earnings (2010E) vs Price-to-Book (Current)



- Regional markets are currently trading at fairly attractive levels compared to the rest of the world
- Saudi looks expensive compared to the rest of the GCC (ex-Kuwait) but is justified considering long term earnings growth prospects
- Qatar looks the most attractive market from valuations point of view

Source: Bloomberg, SICO
Data as at 31st December 2009

Country Summary

Country	Market Outlook	Key Positives	Risks
Saudi	Positive	<ul style="list-style-type: none"> ▪ Expansionary fiscal spending ▪ Diversified sectors ▪ Substantial sovereign reserves 	<ul style="list-style-type: none"> ▪ Default by privately-owned domestic conglomerates have created uncertainty for the financial sector ▪ Lack of commercial bank lending
Qatar	Positive	<ul style="list-style-type: none"> ▪ High economic growth ▪ Govt. support via capital injection ▪ Low breakeven oil price 	<ul style="list-style-type: none"> ▪ Limited market breadth and depth ▪ Overreliance on LNG expansions
UAE	Dubai- Negative Abu Dhabi - Neutral	<ul style="list-style-type: none"> ▪ Low breakeven oil price ▪ Substantial sovereign reserves of Abu Dhabi ▪ Strong underlying demand for real estate in Abu Dhabi ▪ Federal support for the banking system 	<ul style="list-style-type: none"> ▪ Fragility of the Dubai real estate market ▪ Adverse impacts of debt restructuring of Dubai GREs ▪ Spillover of negative sentiment from Dubai to Abu Dhabi ▪ Exposure of Abu Dhabi banks to Dubai GREs

Country Summary

Country	Market Outlook	Key Positives	Risks
Kuwait	Negative	<ul style="list-style-type: none"> ▪ Substantial sovereign reserves ▪ Govt. investment in local market 	<ul style="list-style-type: none"> ▪ Political instability ▪ Limited market breadth ▪ Overexposure to capital markets
Oman	Neutral	<ul style="list-style-type: none"> ▪ Expansionary fiscal spending ▪ Strong banking regulation ▪ Market breadth relatively strong 	<ul style="list-style-type: none"> ▪ Vulnerability of public spending to oil price volatility
Bahrain	Negative	<ul style="list-style-type: none"> ▪ Liberalized economy ▪ High dividend yield 	<ul style="list-style-type: none"> ▪ Lack of liquidity ▪ Dependence on investment banks ▪ Lack of market diversification

Conclusion

- Global economic recovery and the resultant increase in demand for commodities is expected to provide support for healthy oil prices in 2010.
- Regional Sovereign Wealth Funds should further build up their reserves in 2010 on the back of positive economic growth and higher oil prices.
- We believe that regional governments will continue to take steps to support the financial system and to stimulate the economy.

Conclusion

- Despite the negative publicity surrounding Dubai's liabilities we believe that its wider implications on GCC is overblown.
- We continue to monitor the lending activity in the region as it is a key catalyst for economic growth.
- Corporate earnings are expected show healthy growth as they are coming off a lower base in 2009.
- Regional markets' valuations are attractive compared to historical levels as well as their global peers.

Thank you

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