

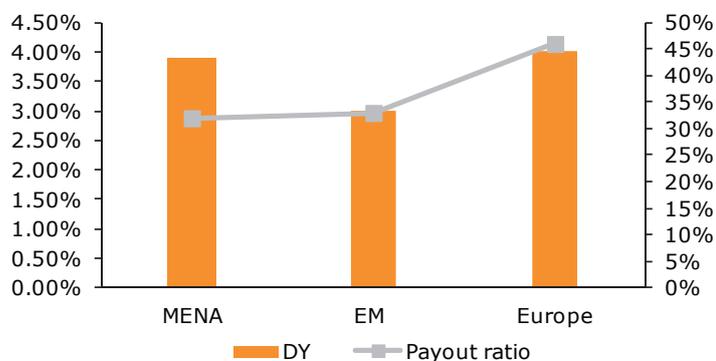
Portfolio Managers Outlook

Outlook for Q4, 2012

Equities:

In a challenging global macro environment, dividends are critical to returns and we think high yielding equities should perform well for the remainder of 2012. Based on this and with MENA equities proved high correlation with global markets, we think investors in MENA will cut their overweight in growth stocks to favor high dividend yield stocks.

MENA equities are offering higher dividend yield compared to other regions. Dividend yield of 3.9% is above that of emerging markets and just below MSCI Europe, however the scope of growth in dividends is higher with a lower payout ratio (32% versus 33% for EM and 46% for Europe). On the other hand, MENA markets have lagged global and emerging markets in responding the positive news regarding the unlimited support from ECB to Euro countries and QE3 in USA.



We think MENA markets will outperform other regions for the 4Q12 due to higher and sustainable dividend yields. Political stability has also relatively improved in the region.

Qatar is one of the markets that offers superior dividend yield in MENA region and we think that it should outperform rest of MENA markets for the remainder of 2012. Also current level is offering good entry for the short term return hunters. Qatar has significantly underperformed in first 9 months of 2012 and is trading relatively cheap compared to rest of MENA. In the UAE market, the witnessed improvement in the real estate sector, especially in Dubai, will attract funds to the market.

Index	YTD return	Dividend Yield	Price/Earnings
Saudi Arabia	6.07%	3.61%	14.33
Kuwait	3.10%	3.30%	17.10
DFM index	20.22%	3.88%	14.88
ABU Dhabi Index	10.23%	4.66%	9.24
Qatar	-3.38%	4.92%	9.03
Oman	-0.58%	4.43%	10.77
Egypt	54.25%	5.58%	19.41

Source: Bloomberg

In Saudi Arabia, the heavy weight petrochemical sector will continue volatile in response the high uncertainty in global economy; however the high dividend bets are expected to outperform. Banks and retail sectors are expected to outperform due to encouraging loan growth in the country.

Egypt will continue to trade as a special case for the remainder of the year, as the country has to complete its political structure (constitution and parliament) despite the significant improvement in the political front. Also, the current government has to take serious steps and make clear plan to address economic issues.

Fixed Income:

We expect Q4 2012 to be another good quarter for fixed income though not as strong as the first three quarters of 2012. 2012 was driven by factors like the debt repayment on JAFZA, DIFC and Dubai Holding, which will not be catalysts going forward. Credit spreads have already tightened significantly as such, do not expect much more tightening in the last quarter of the year. However we are encouraged by the fact that interest rates will remain low and hence we can enhance return by increasing duration, further we believe that the regional markets will continue their process towards maturity in the fixed income space, with increased new issuance from a more diversified issuer base both in terms of Industry profile and in terms of maturity profile. We also expect strong growth in Sukuk issuance as this is now becoming more accepted as a legitimate asset class.

The other global reasons for optimism for remainder of 2012 and for the whole of 2013 include a reinvigoration of Chinese growth. We believe that a lot of the stimulus added to the Chinese economy over the past 6 months will begin to bear fruit in 2013. The European crises should also move on from the severe headline risk phase to a more muted crises, but a crises never the less. Finally the last US payroll data gave some room for optimism as far as the US economy goes.

While regional geo-political tensions will continue to linger below the surface, we do not expect a full blown crisis on that front. 2013 will be an interesting year for Egypt as it starts its 2nd year under a true democratic government, we think it could be a great year of opportunity there especially if they get Sukuk regulations passed and issue in that market.

Our return expectation on the Fixed Income side going forward is 4-5% annual returns made up mostly of coupon returns.

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