

March 2008

Research Highlights:

GCC Asset Allocation & Volatility

Markets Recover After A Weak January

Asset Allocation and Volatility Indicators – February 2008

Oman was the best among all GCC markets with returns of 13.0% in February 2008

Our asset allocation model is overweight on Saudi Arabia and neutral for Bahrain and Oman for March 2008

Except Bahrain, volatility seen decreasing across all GCC markets

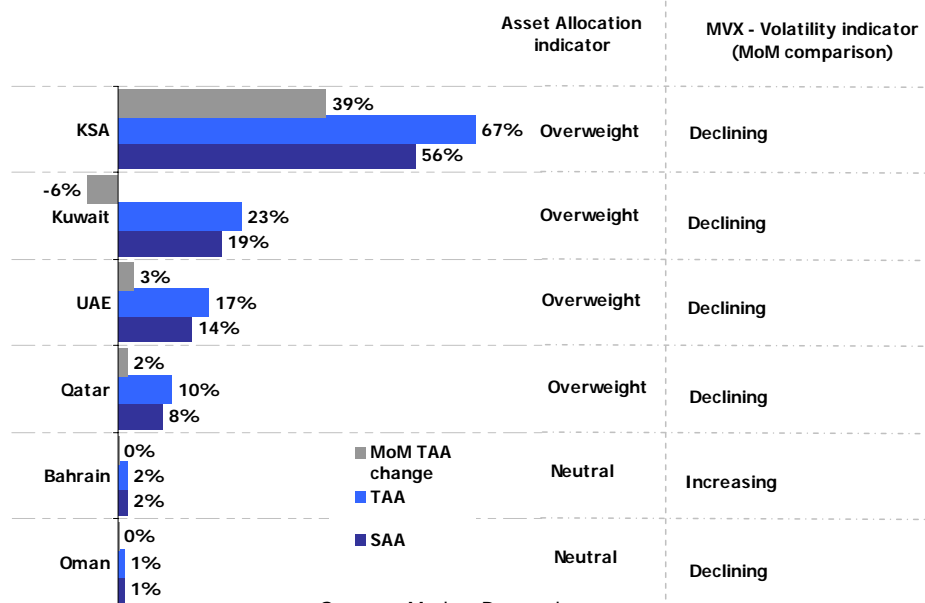
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Note: TAA weights will not add up to 100% due to leverage/cash

GCC markets recovered smartly after a weak performance in January 2008. In the last two months, (Dec – Feb) the markets have showed signs of mean reversion. All the GCC markets posted strong returns in February 2008. The Omani market outperformed other GCC markets during February and posted a MoM return of 13.0%. The Omani market was closely followed by the Qatari market, which posted a MoM return of 10.4% in February. Kuwait, the top performer for January 2008 with returns of 7.5% recorded gains of 3.8%. Furthermore, in February, volatility levels declined in the region after witnessing a spike in January. As a result, Markaz volatility index for Kuwait, Qatar, Dubai and Abu Dhabi, which was above the 120-day moving average last month, cooled off in February and came below its 120-day moving average during the month. The correlations between GCC and developed/emerging markets continued to provide an opportunity to diversify.

Significant changes in our asset allocation recommendation include:

- Increase in allocation to Saudi Arabia from 28% in February to 67% for March.
- Allocation to Kuwait exceeded SAA by 4%. However, TAA on MoM basis decreased from 29% in February to 23% in March, mainly due to overweight positions in almost all the markets in GCC.
- Considering the overweight position the model is leveraged to the maximum allowable extent of 20%.

Performance Review of Proprietary Quantitative Asset Allocation Model – February 2008

Our TAA Model underperformed the SAA Methodology by 133 bps and on YTD basis it underperformed by 265 bps. On an stand alone basis, the TAA Momentum based model returned 4.47% in the month of Feb' 08.

The underperformance of the TAA model as compared to the SAA returns can be primarily attributed to the mean reversion signs that the markets have showcased in the last three months (Dec' 07 – Feb' 08). Internally, we keep a close watch on the trends from our mean reversion model. This model has outperformed the SAA by 269 bps in the YTD period. We continue to stick to our momentum model as we believe GCC markets are momentum driven in the long-term.

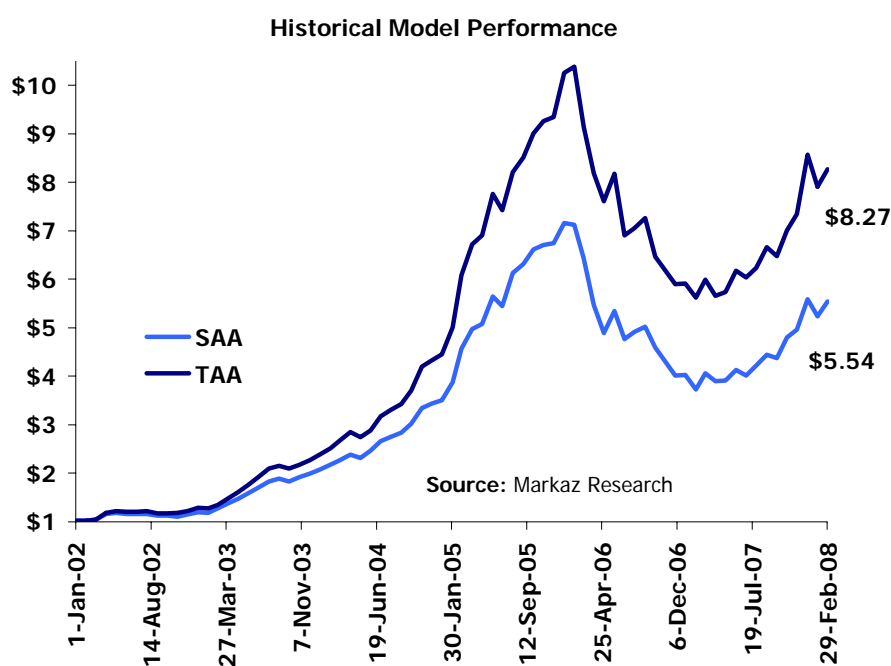
For March, allocation to UAE increased to 17%, while that to Qatar decreased by 2 percentage points

Table 1: Allocation & market performance

Markets	Tactical Asset Allocation (%) (Feb 2008)	Market performance (%)	YTD%
Saudi Arabia	28	6.37	-7.91
UAE	14	3.33	1.63
Kuwait	29	3.78	11.55
Bahrain	2	2.85	4.56
Qatar	8	10.41	9.31
Oman	1	12.98	14.69
Cash/(Loan)	18		
TAA	100	4.47	-3.51
SAA		5.81	-0.85

Source: Markaz Analysis

Figure 1: Model Performance – Historical



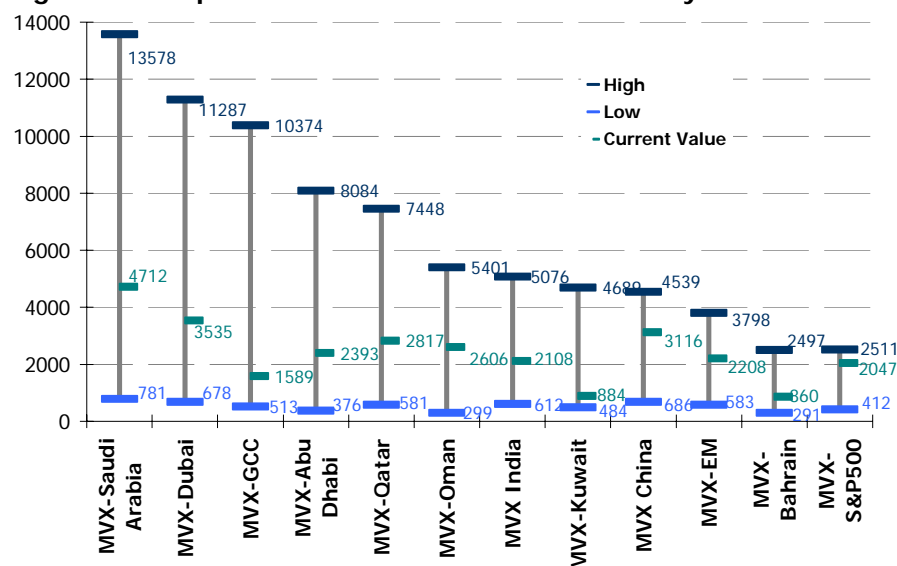
Source: Markaz Research

Except for Bahrain, all the tracked markets recorded fall in volatility levels

Volatility

Except for Bahrain, other GCC markets recorded fall in volatility levels. Bahrain registered a rise of 8% in its volatility levels. Current volatility levels for Saudi Arabia, Oman, S&P500, India and China were higher than their 120-day moving average. GCC, Dubai and Abu Dhabi registered falls of 57%, 54% and 52%, respectively for the month. Oman, which was the most volatile market in January, registered a 39% decline in volatility for February 2008.

Figure 2: Comparable MVX levels as on 29 February 2008



Source: Markaz Research

Key Trends & Inferences

Index/Country	% Chg in MVX (MoM ¹)	Inference
Saudi Arabia	(36)	Though MVX Saudi Arabia decreased 36% on MoM basis, continues to trade higher than the 120 MVA.
GCC	(57)	The decline of 57% on MoM basis by MVX GCC was the highest among all the tracked markets.
Qatar	(41)	With a fall of 41%, MVX Qatar was 1% below its 120 Day MVA ²
India	(34)	India MVX was down 34% in February after posting a rise of 104% MoM in January.
Bahrain	8	After posting 2 consecutive falls, MVX Bahrain rose marginally as it was the only market to have a positive volatility trend in February
Dubai	(54)	Despite the fall, MVX Dubai was trading 121% higher on TTM basis.
Emerging Markets	(30)	Volatility in EM fell by 30% after it posted MoM increase of 74% in January 2008.
S&P500	(4)	Volatility in S&P declined; MVX is now trading 6% below the 120 Day MVA.
China	(14)	MVX China was trading 22% higher than its 120 Day MVA and 21% lower on TTM basis.
Abu Dhabi	(52)	After a rise 142% in January, MVX Abu Dhabi declined 52% on MoM basis. It was up 52% on TTM basis.
Kuwait	(26)	MVX Kuwait was trading 20% lower than its 120 Day MVA and 29% higher on TTM basis
Oman	(39)	Despite 39% fall in MVX Oman in February, Oman was trading 302% higher on Y-o-Y basis

Note: ¹ - Variation calculated on a Month On Month Basis

² - 120 Day Moving Average

Correlation

Short-Term

Qatar and Abu Dhabi were highly correlated for March 07-February 08

In the short term (12 months), correlations among GCC countries were high for Dubai and Abu Dhabi (70%) and Abu Dhabi and Qatar (48%) (Table 2). Among GCC markets, Kuwait and Saudi Arabia were the least correlated markets (4%). Correlation between GCC and developed/emerging markets continued to be attractive.

Table 2: Short-Term Correlation

1Y Correlation (March 2007 – February 2008)									
	Saudi Arabia	Kuwait	Dubai	Abu Dhabi	Qatar	Oman	Bahrain	S&P 500	GEM
Saudi Arabia	100								
Kuwait	4	100							
Dubai	23	19	100						
Abu Dhabi	25	23	70	100					
Qatar	19	15	39	48	100				
Oman	22	14	31	40	34	100			
Bahrain	6	17	8	9	17	10	100		
S&P 500	0	6	(0)	4	3	8	2	100	
GEM	10	8	16	17	21	15	(0)	32	100

Source: Markaz Research

Long-Term

All GCC markets showed low correlation with S&P 500 in the long term

Long-term correlations continue to be lower than short-term correlations for all GCC markets. Moving away from the GCC, the correlation between S&P 500 Index and Emerging Markets Index was relatively high at 32%. Among GCC nations, Saudi Arabia and Qatar exhibited lowest correlation at 4%. GCC markets are negatively/lowly correlated with the US market (S&P 500) and very lowly correlated with emerging markets (Table 3).

Table 3: Long-Term Correlation

3Y Correlation (March 2005 – February 2008)									
	Saudi Arabia	Kuwait	Dubai	Abu Dhabi	Qatar	Oman	Bahrain	S&P 500	GEM
Saudi Arabia	100								
Kuwait	17	100							
Dubai	19	17	100						
Abu Dhabi	20	19	54	100					
Qatar	4	10	12	19	100				
Oman	7	10	13	14	19	100			
Bahrain	5	19	7	9	11	14	100		
S&P 500	(3)	2	(1)	0	(2)	6	3	100	
GEM	4	3	6	5	5	8	1	32	100

Source: Markaz Research

Oman and Qatar top performers

Market Review

After a turbulent January, GCC markets recovered in February with Oman and Qatar posting the best returns. Oman posted a return of 13.0% and Qatar recorded a gain of 10.4%. On the YTD front (Jan - Feb 08), Oman again topped the charts with a return of 14.7%, with Kuwait grabbing the second spot with a gain of 11.6% (Table 4). UAE garnered the highest share of the volume traded among the GCC markets (Table: 5)

Table 4: Market Indicators

Indicators	M. Cap (USD Bn)	Last Close	Feb 08 %	YTD %	07 %	P/E 07	P/E 08
Saudi (TASI)	485	10,291	6.37	-7.91	41	22	18
Kuwait (KSE)	209	14,010	3.78	11.55	25	13	11
Abu Dhabi (ADI)	118	4,816	5.38	5.79	52	16	13
Dubai (DFMGI)	112	5,960	6.13	0.48	44	23	-
Qatar (Doha SM)	106	10,473	10.41	9.31	34	16	11
Bahrain (BAX)	29	2,881	2.85	4.56	24	9	8
Oman (Muscat SM)	25	10,363	12.98	14.69	62	14	11

Source: Excerpt from Markaz "Daily Morning Brief" 02 Mar 08.
CY08 Estimates are Markaz Earnings Estimates.

Table 5: Volume & Value Traded

	Volume Traded (Mn)	% Of Volume Traded	Volume LTM Avg (Mn)	Value Traded (USD Mn)	% Of Value Traded	LTM Avg (USD Mn)
Saudi Arabia	5,290	20%	5,012	57,911	63%	58,894
Kuwait	7,399	28%	6,783	12,752	14%	12,882
UAE	12,873	49%	11,518	17,117	19%	12,071
Qatar	196	1%	296	2,820	3%	2,860
Oman	320	1%	295	667	1%	529
Bahrain	302	1%	94	539	1%	125
Total	26,380			91,806		

Source: Respective Stock Exchanges, Markaz Research

Saudi Arabia

Table 6: Saudi Arabia Key Market Statistics

Key Statistics (February 2008)			
Volume Traded (Mn)	5,290	LTM Average Volume Traded (Mn)	5,012
Value Traded (USD Mn)	57,911	LTM Average Value Traded (USD Mn)	58,894
Top 5 Concentration Market Cap(%)	50	Top 5 Concentration Market Volume (%)	48

Source: Respective Stock Exchange, Markaz Research

With a loss of 13.4%, January turned out to be one of the worst months for the Saudi market. However, it bounced back in February 2008 with positive returns of 6.4%. This bounce back in the month of Feb' 08 comes on the back of low volume as compared to the volume recorded during Jan' 08. Volume declined by 34% from 8600 Mn to 5290 Mn in Feb'08. The contribution of top 5 companies (in terms of market capitalization) was about 50% to the total market capitalization (Table 6), which is up from

Saudi Arabian markets bounced back with returns of 6.4% in February

37% in the previous month. The poor performance in January took a toll on its YTD performance and the Saudi index posted an YTD loss of 7.9%.

The performance of top five stocks (in terms of market capitalization) was a mixed one. While Saudi Basic Industries (SABIC), Al Rajhi Bank (RJHI), and Samba Financial Group (SAMBA) posted positive returns, Saudi Telecom Company (STC) was down and Kingdom Holdings (KINGDOM) ended flat for the month. SABIC, which recorded a gain of 13.7% in February, was in talks to acquire a stake in Saudi International Petrochemical Company (SIPCHEM). While STC was looking to borrow at least \$1.5 Bn to finance its purchase of 35% in Oger Telecom, the stock posted a MoM loss of 4.6%. SAMBA, which was planning for a 1-for-2 bonus share issue and raising its capital by 50%, saw its stock post a MoM return of 1.3%. RJHI was also planning to increase the bank's capital from SR13 Bn to SR15 Bn. It posted strong returns of 9.7% for the month.

Kuwait

Table 7: Kuwait Key Market Statistics

Key Statistics (February 2008)			
Volume Traded (Mn)	7,399	LTM Average Volume Traded (Mn)	6,783
Value Traded (USD Mn)	12,752	LTM Average Value Traded (USD Mn)	12,882
Top 5 Concentration Market Cap(%)	37	Top 5 Concentration Market Volume (%)	28

Source: Respective Stock Exchange, Markaz Research

In February, Kuwait posted MTD returns of 3.8% and YTD returns of 11.6%

In January, Kuwaiti market with returns of 7.5% outperformed all other markets in the GCC. For February, the market posted positive returns of 3.8%. In terms of YTD returns, it was the second best GCC market with gains of 11.6%. Volumes and Value traded continues to be inline with the LTM averages and the top 5 concentration to the market cap continues to remain stable on a MoM basis at 37% (Table – 7)

On the blue-chip front, Mobile Telecommunications Co (ZAIN) was considering investments in Turkey's telecommunications, infrastructure and education sector. National Bank of Kuwait (NBK) reported a net profit of KD273.6 Mn for 2007. Also, the company approved the proposed cash dividend of 75% with a 10% bonus share. The news helped the stock gain 4.1% for the month. Other heavyweights Kuwait Finance House (KFH) and National Industries Group (NIND) posted positive returns of 17% and 3%, respectively.

UAE

Table 8: UAE Key Market Statistics

Key Statistics (February 2008)			
Volume Traded (Mn)	12,873	LTM Average Volume Traded (Mn)	11,518
Value Traded (USD Mn)	17,117	LTM Average Value Traded (USD Mn)	12,071
Top 5 Concentration Market Cap(%)	49	Top 5 Concentration Market Volume (%)	69

Source: Respective Stock Exchange, Markaz Research

Strong Dubai and Abu Dhabi markets help UAE to post a return of 3.3% for the month

The UAE market posted monthly returns of 3.3% and YTD returns of 1.6% with strong performances from Dubai Financial Market (DFM) and Abu Dhabi Securities Market (ADSMI). In February, the DFM and ADSMI posted positive returns of 6.1% and 5.4%, respectively. This was after a weak January when the UAE market recorded a loss of 1.7%. In January 2008, while the DFM had posted a loss of 5.3%, ADSMI had managed a positive return of just 0.4%. In January, liquidity was high with volume traded and value traded being twice that of last twelve month average. However, value and volume traded for February declined and was in line with that of last twelve month average (Table 8).

The top five companies (in terms of market cap) displayed mixed performance in February. Emirates NBD's (ENBD) net profit grew 35% to AED3.95 Bn (\$1.08 Bn), but the stock ended up flat in February. Emirates Telecommunication Corp. (ETISALAT) was up 5.9% for the month with the company declaring a dividend of 35% for H2 2007.

Qatar

Table 9: Qatar Key Market Statistics

Key Statistics (February 2008)			
Volume Traded (Mn)	196	LTM Average Volume Traded (Mn)	296
Value Traded (USD Mn)	2,820	LTM Average Value Traded (USD Mn)	2,860
Top 5 Concentration Market Cap(%)	54	Top 5 Concentration Market Volume (%)	52

Source: Respective Stock Exchange, Markaz Research

With returns of 10.4%, the Qatari market was the second best performing market in the GCC after Oman. This was the best MoM performance since October '07 when it had posted gains of 16.3%. On YTD basis, it recorded a return of 9.3% which was excellent considering the loss of 1% in the month of January. This increase was due to the strong performance of heavyweight stocks as 4 out of the top 5 stocks (in terms of market capitalization) posted strong gains for the month. However, the rise in the markets comes on the back of thin volumes in the market. The volume traded in the markets declined by 38% from 317 Mn in Jan' 08 to 196 Mn in Feb 08. The Qatar market continues to be highly concentrated. (Top 5 concentration of the market cap).

The Qatari market posted returns of 10.4% in February compared to a loss of 1% in January

Stocks of Qatar Islamic Bank (QIBK) and Commercial Bank of Qatar (CBQK) soared by 14.3% and 14.2%, respectively. Industries Qatar, which was up 10.5% in February, posted a profit of QR4.98 Bn in 2007 compared with QR3.62 Bn in 2006.

Oman

Table 10: Oman Key Market Statistics

Key Statistics (February 2008)			
Volume Traded (Mn)	320	LTM Average Volume Traded (Mn)	295
Value Traded (USD Mn)	667	LTM Average Value Traded (USD Mn)	529
Top 5 Concentration Market Cap(%)	54	Top 5 Concentration Market Volume (%)	46

Source: Respective Stock Exchange, Markaz Research

The Omani market posted the best MTD (13.0%) and YTD (14.7%) returns in the GCC

With a monthly return of 13.0% and an YTD return 14.7%, Oman was the best performing market in the GCC for the month of February. This was the eleventh consecutive positive MoM return and second best performance (after October 07 when it had posted a return of 14.8%) since March 2005. Among the top 5 heavyweights, Bank Dhofar (BKDB) saw the highest growth of 16.8% in its share price during February. The stock price of Bank Muscat (BKMB) (the leading company in terms of market capitalization) gained 7.2% during February because BKMB reported a net profit of RO84.2 Mn for 2007, up 39% over 2006. Oman Telecommunications Company (OTEL) bought Pakistan's Worldcall Telecom for \$193 Mn and also proposed a cash dividend of 100% for 2007. These events saw OTEL's stock price surge 12.4% during February. National Bank of Oman's (NBOB) stock price increased 14.1% after the company announced a 46.6% jump in net profit to RO44.62 Mn for 2007. Liquidity was higher than the last twelve-month average in terms of volume and value traded (Table 10).

Bahrain

Table 11: Bahrain Key Market Statistics

Key Statistics (February 2008)			
Volume Traded (Mn)	302	LTM Average Volume Traded (Mn)	94
Value Traded (USD Mn)	539	LTM Average Value Traded (USD Mn)	125
Top 5 Concentration Market Cap(%)	60	Top 5 Concentration Market Volume (%)	93

Source: Respective Stock Exchange, Markaz Research

The Bahraini market posted monthly returns of 2.9% in February with YTD returns of 4.6%

The Bahraini market returned 2.9% in February compared to 1.7% in January. Due to increased volatility in February (also seen in Markaz Volatility Index), volume was more than thrice and value traded was more than four times the last twelve-month average (Table 11).

The stock price performance of heavyweight banking stocks like Al Ahli United Bank (AUB) and Arab Banking Corp (ABC) was a mixed one. Both the banks, AUB and ABC posted strong results for 2007. AUB recorded a 42.8% rise in net profits and an increase in total assets of 10.6%, whereas ABC posted a net profit of \$50.9 Mn as against \$5.3 Mn in 2006. Batelco Group, which offered to purchase the remaining 20% shares in Batelco Jordan for a total consideration of JD2.126 Mn, saw its stock price move up 3.4%. Bahrain's Ithmaar Bank purchased Commercial Bank of Kuwait's (CBK) stake in Bank of Bahrain & Kuwait for BD122.83 Mn. Gulf Finance House (GFH) reached an agreement with the government of Algeria to establish a \$3 Bn GFH Economic Development Zone. Furthermore, GFH approved a dividend payout of \$227 Mn, or 95%, for the year 2007, and its stock price gained 20.8% for the month.

Appendix 1: Historical Asset Allocation Model Performance

Monthly performance (%)													
SAA	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2002	2.18	(0.24)	2.48	10.87	1.97	(1.43)	(0.17)	0.32	(3.17)	(0.42)	(1.45)	3.73	14.94
2003	4.55	(1.09)	7.12	8.54	6.96	7.62	7.32	7.35	2.85	(2.89)	4.91	3.65	73.15
2004	4.29	4.71	4.48	4.93	(2.94)	6.69	8.07	3.51	2.97	6.53	10.54	2.62	72.57
2005	2.25	10.46	17.95	8.74	2.08	11.16	(3.48)	12.40	3.06	4.74	1.49	0.45	96.28
2006	6.15	(0.42)	(9.77)	(14.80)	(10.55)	9.17	(10.90)	3.22	2.17	(8.53)	(12.54)	0.12	(40.27)
2007	(7.55)	9.08	(4.04)	0.54	5.55	(2.81)	5.12	5.07	(1.52)	9.88	3.38	12.61	38.88
2008	(6.30)	5.81											(0.85)
TAA- Momentum													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2002	2.18	(0.33)	2.43	13.88	2.41	(1.01)	0.67	1.01	(3.79)	(0.81)	1.23	3.39	22.33
2003	5.54	(1.45)	6.02	10.47	8.26	9.26	9.38	8.79	2.95	(2.85)	3.70	4.19	85.28
2004	5.08	5.57	6.29	6.60	(3.61)	5.19	10.00	4.11	3.49	8.30	13.21	3.10	90.92
2005	3.02	12.37	21.45	10.41	2.86	12.30	(4.26)	10.48	3.66	5.93	2.73	0.91	115.91
2006	9.80	1.19	(11.88)	(10.44)	(7.04)	7.42	(15.59)	2.24	2.93	(11.05)	(8.66)	0.18	(36.70)
2007	(5.01)	6.71	(5.56)	1.31	7.68	(2.29)	3.34	6.84	(2.77)	8.23	4.84	16.56	44.86
2008	(7.64)	4.47											(3.51)
Outperformance/(Underperformance)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2002	0.00	(0.09)	(0.06)	3.01	0.44	0.41	0.84	0.69	(0.63)	(0.39)	2.69	(0.34)	7.39
2003	1.00	(0.36)	(1.10)	1.92	1.31	1.64	2.06	1.44	0.09	0.04	(1.21)	0.54	12.13
2004	0.79	0.86	1.81	1.67	(0.67)	(1.50)	1.93	0.60	0.52	1.77	2.67	0.48	18.35
2005	0.77	1.91	3.51	1.67	0.78	1.14	(0.78)	(1.93)	0.60	1.19	1.23	0.46	19.62
2006	3.65	1.62	(2.11)	4.35	3.51	(1.75)	(4.68)	(0.98)	0.76	(2.53)	3.88	0.06	3.58
2007	2.54	(2.37)	(1.52)	0.77	2.13	0.52	(1.79)	1.77	(1.26)	(1.65)	1.46	3.95	5.98
2008	(1.34)	(1.33)											(2.65)

Source: Markaz Research

Appendix 2: Historical Volatility Model Performance

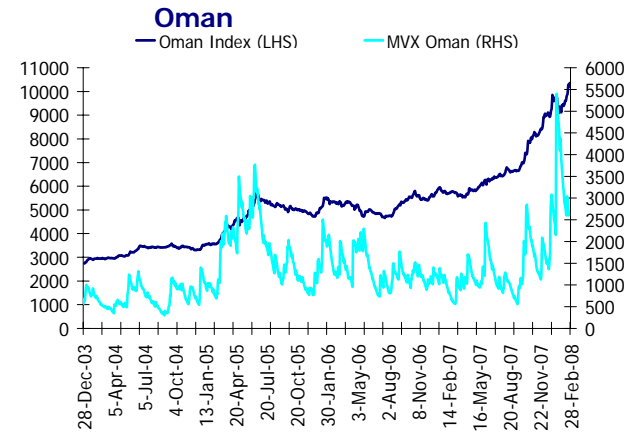
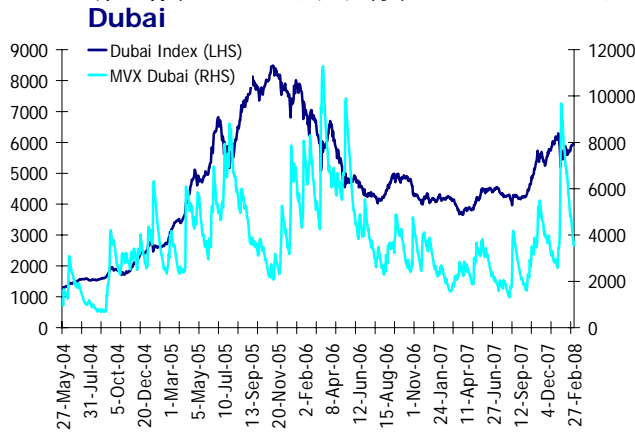
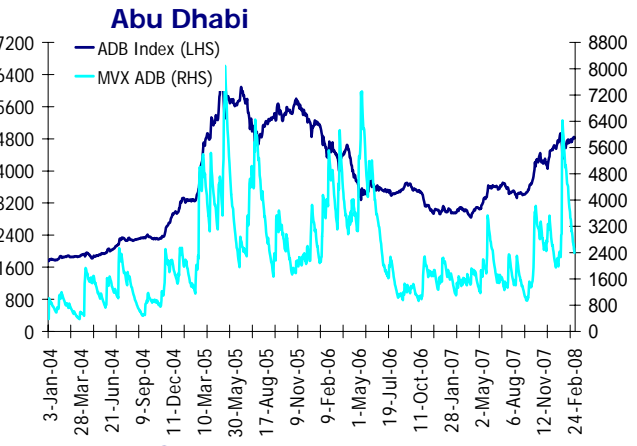
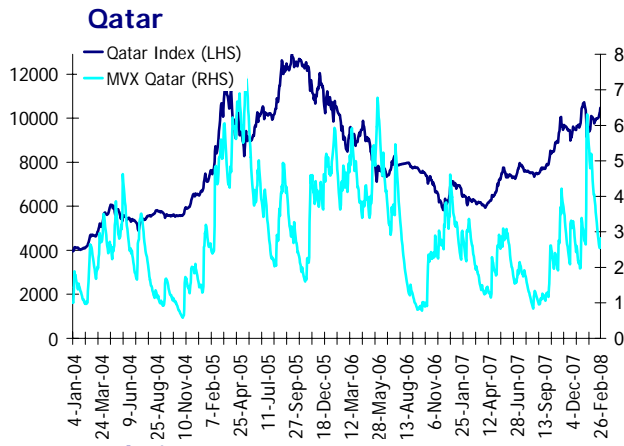
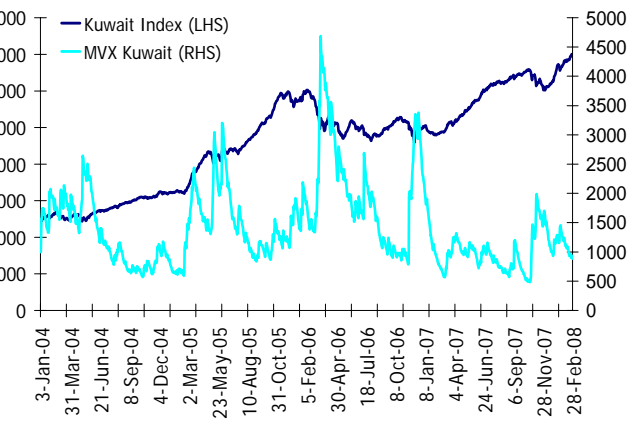
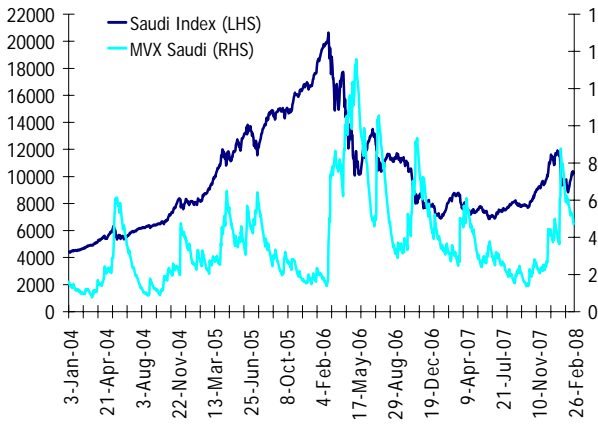
Table 1: Markaz Volatility Index (MVX)¹

	Current Value 29-Feb-08	Historic High	Historic High Date	Historic Low	Historic Low Date	120-D Moving Average
MVX-Saudi Arabia	4712	13,578	16-May-06	781	17-Mar-04	3,554
MVX-Kuwait	884	4,689	18-Mar-06	484	24-Oct-07	1109
MVX-Qatar	2817	7,448	12-May-05	581	8-Nov-04	2,851
MVX-Dubai	3535	11,287	19-Mar-06	678	30-Aug-04	3,994
MVX-Abu Dhabi	2393	8,084	9-May-05	376	29-Mar-04	2,745
MVX-Oman	2606	5,401	23-Jan-08	299	7-Sep-04	2,143
MVX-Bahrain	860	2,497	20-Nov-05	291	29-Dec-04	931
MVX-GCC	1589	10,374	16-May-06	513	28-Sep-07	2,016
MVX-EM	2208	3,798	20-Aug-07	583	8-Jul-05	2,342
MVX-S&P500	2047	2,511	5-Feb-08	412	19-Jan-07	1798
MVX India	2108	5,076	18-May-04	612	7-Dec-06	2021
MVX China	3116	4,539	4-Feb-08	686	28-Dec-05	2553

Source: Markaz Research

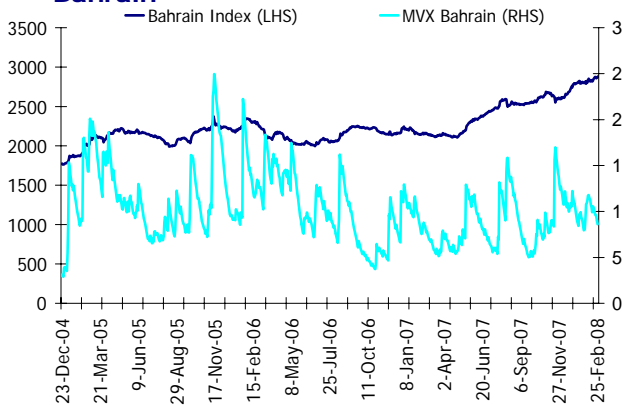
¹ Base Date Index 1000 as of 1st Jan 2004

Markaz Volatility Index (MVX)-Country Charts (Till February 2008)



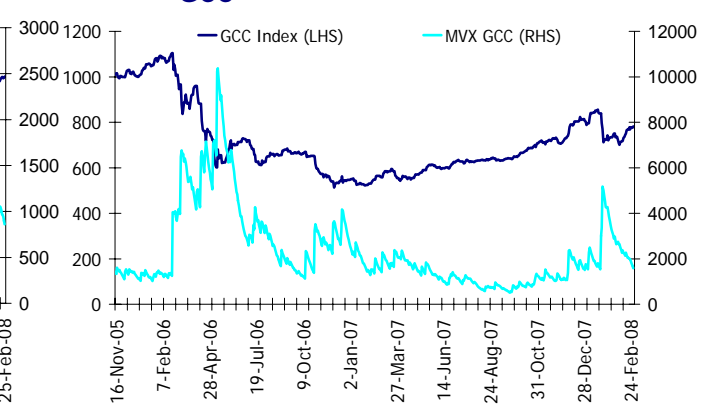
Source: Markaz Research

Bahrain

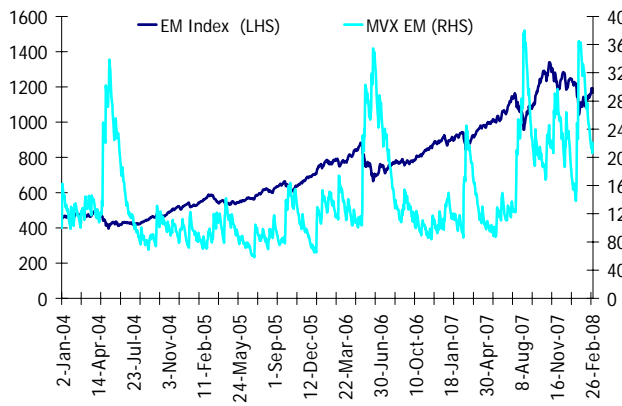


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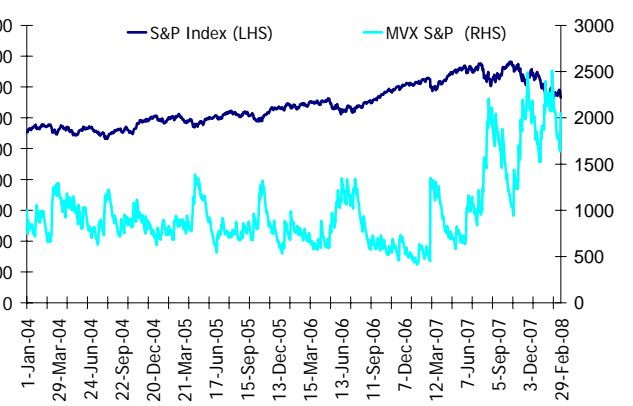
GCC



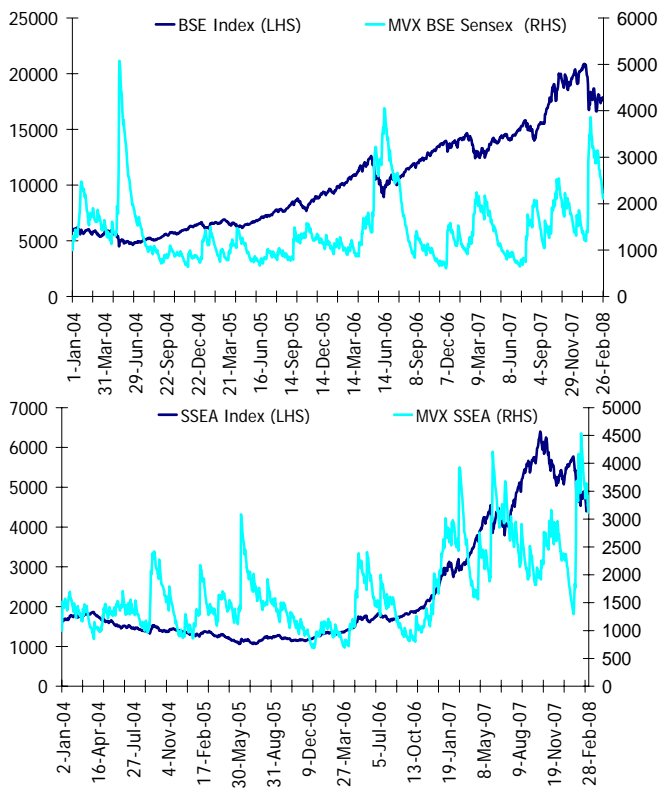
S&P500



India



China



Source: Markaz Research

Appendix 3: Methodology – Asset Allocation

Strategic Asset Allocation (SAA): SAA refers to long-term policy allocation. This is a benchmark portfolio constituted based on weights derived from average market capitalization of respective stock markets. By virtue of its role of being a policy portfolio, they remain static unless the underlying share of respective markets undergoes drastic shifts. SAA can be useful to investors when it is difficult to make a call on markets. In the absence of clear directions, the idea is to stick to SAA allocation. Our SAA is provided below:

Market	Allocation (SAA)
Saudi Arabia	56%
Kuwait	19%
UAE	14%
Qatar	8%
Bahrain	2%
Oman	1%
Cash	0%
Total	100%

Tactical Asset Allocation (TAA): TAA refers to short-term changes made to SAA based on our call on the market. In other words, TAA assumes that we have views (positive or negative) on the respective markets and these are expressed either as underweight or overweight to the SAA. For e.g. the strategic allocation to Saudi Arabia is 56%. In a particular month, we may be bullish on Saudi Arabia and may want to increase the weight (overweight) to 70%. The stress is on short-term performance, which leaves investors' long-term risk tolerances and preferences unaffected. Currently we use momentum model which tends to increase weights to those markets that have performed well and vice-versa. Our proprietary algorithm model tactically underweight and overweight GCC markets based on this trend.

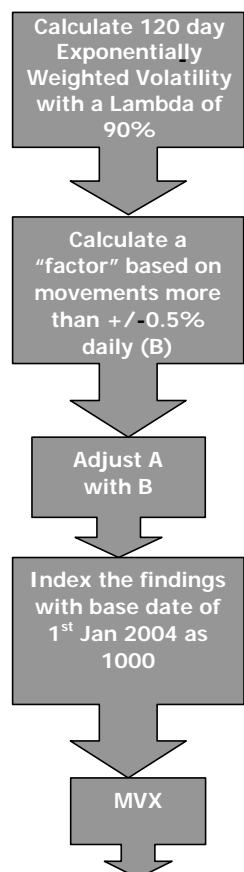
Range: Changes to TAA can be made subject to certain limits on upper and lower levels. The limits are put in place to ensure that no drastic action is incorporated in the model. It is also a tool to contain the risk of the model. Presently, the limit is set to +/- 50%. The various limits (max and min) are detailed below:

Market	SAA	Max	Min
KSA	56%	84%	28%
UAE	14%	21%	7%
Kuwait	19%	29%	10%
Bahrain	2%	2%	1%
Qatar	8%	12%	4%
Oman	1%	2%	1%

Leverage/Cash Level: Our proprietary model is tuned to restrict cash level of the portfolio to a limit of +/- 20%.

Appendix 4: Methodology – Markaz Volatility Index

Markaz Volatility Index (MVX) follows the following steps for its calculation.



- The MVX has a base date of 1 Jan 2004, for all the indices which have data from 1st Jan 2004. The average of the below mentioned parameters for all the countries is taken as the base value and converted into 1000.
- MVX is calculated based on Exponentially Weighted Moving Average (EWMA) for a period of 120-days Using EWMA provides more weight to recent volatility than historic. MVX also considers a second parameter i.e., the number of days during the previous 120 trading days where index trades outside a pre-set level. Presently, this level is +/-0.5% based on historic relationships (refer table below).
- Any movement outside this band indicates heightened level of volatility.
- The second parameter is reinforcement to the first parameter and may be influenced by the first parameter. However, since the methodology is uniformly applied across all the markets, the model is strengthened by the second parameter.

	% Number of days of deviation									
	Saudi		Abu				MSCI			
	Arabia	Kuwait	Qatar	Oman	Dubai	Dhabi	Bahrain	EM	S&P	GCC
Less than +/-0.25%	16	31	23	37	14	24	45	25	37	25
+/-0.25% & '+/-0.50%	17	22	16	23	15	19	26	24	24	23
+/-0.50% & '+/-0.75%	12	18	11	15	12	13	12	18	16	14
+/-0.75% & '+/-1.00%	9	12	8	10	9	10	8	12	12	12
+/-1.00% & '+/-1.25%	9	5	8	6	8	9	4	6	6	8
+/-1.25% & '+/-1.50%	5	4	5	2	6	6	2	7	3	4
+/-1.50% & '+/-1.75%	4	2	4	2	6	4	1	3	2	4
+/-1.75% & '+/-2.00%	4	1	3	3	4	3	1	2	1	2
+/-2.00%	24	3	21	3	25	13	2	4	1	9
	100	100	100	100	100	100	100	100	100	100

Source: Markaz Research. Date Range of study: Jan 2004-May 2007.

Note: Indices used - Saudi Arabia: TASI, Kuwait – Price Index, Qatar – Doha Market Index, Oman – Muscat SM Index, Abu Dhabi – ADI Index, Dubai – DFM Index, Bahrain – BAX Index, EM – MSCI EM, S&P – S&P 500 Index & GCC – MSCI GCC Index

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